



## Tonga to Receive US \$1.27 Million Payout for Cyclone Response

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Cyclone Ian Triggers First Pacific Catastrophe Risk Insurance Payout  
The World Bank today announced that Tonga will be the first country to benefit from a payout under the Pacific Catastrophe Risk Insurance Pilot and will receive an immediate payment of US \$1.27 million towards recovery from Cyclone Ian. The Category 5 Cyclone, which swept across Tongas Haapai island group on January 11th and 12th 2014, caused one tragic death, displaced thousands and caused major devastation to crops and infrastructure. According to reports, up to 75 percent of buildings have been damaged in some parts of Haapai, as well as power and communication networks. "Cyclone Ian has affected hundreds of families in several communities, destroying peoples homes and critical infrastructure such as health centers and schools, said Franz Drees-Gross, World Bank Country Director for the Pacific Islands. "Funds received under the scheme will allow the government to meet some of those urgent needs as they look to repair and rebuild in the days and weeks ahead." "The cash received from the catastrophe risk insurance pilot makes an important financial contribution for carrying out the government strategy for mitigating natural disasters, to ensure that response efforts to help the people of Ha'apai recover and return to their normal everyday lives can continue without interruption or delay," said Minister for Finance and National Planning in Tonga, Hon. Dr. Aisake Valu Eke. Tonga is one of 6 Pacific island countries - together with Cook Islands, Marshall Islands, Samoa, Solomon Islands and Vanuatu - currently participating in the Pacific Catastrophe Risk Insurance Pilot. Launched in January 2013, the pilot tests a risk transfer arrangement modeled on an insurance plan, and uses parametric triggers, such as cyclone intensity or earthquake magnitude to determine payouts, which allows for quick disbursements. The World Bank acts as an intermediary between Pacific island countries and a group of reinsurance companies - Sompo Japan Insurance, Mitsui Sumitomo Insurance, Tokio Marine & Nichido Fire Insurance and Swiss Re. AIR Worldwide provides the underlying risk modeling for the transaction. The Government of Japan currently co-finances the insurance premiums of Tonga, Marshall Islands, Samoa, Solomon Islands and Vanuatu. Cook Islands fully fund their insurance premium from their own sources. As part of a broader response to Cyclone Ian, the World Bank is also supporting damage assessments in Haapai that will enable the Government of Tonga to gain a full picture of the damage sustained, so that it can rebuild affected areas and increase disaster resilience for the future. About the program: The Pacific Catastrophe Risk Insurance Pilot is part of the Pacific Disaster Risk Financing and Insurance (DRFI) program that is designed to increase the financial resilience of Pacific island countries against natural disasters by improving their capacity to meet post-disaster funding needs. Through DRFI, advisory services are made available for public financial management of natural disasters, including (i) the development of a national disaster risk financing strategy, recognizing the need for ex-ante and ex-post financial tools; (ii) post disaster budget execution, to ensure that funds can be accessed and disbursed easily post disaster; and (iii) the insurance of key public assets, to contribute to post disaster reconstruction financing. The Pacific DRFI Program is part of the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI), a joint initiative of the World Bank, the Secretariat of the Pacific Community SPC/SOPAC, and the Asian Development Bank with financial support from the Government of Japan, the Global Facility for Disaster Reduction and Recovery (GFDRR) and the ACP-EU Natural Disaster Risk Reduction Programme. PCRAFI, launched in 2007, aims to provide the Pacific  
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