Dear Ms. Bing,

**PCRAFI: Furthering Disaster Risk Finance in the Pacific Project**
**PCRAFI Grant No. TF A4136**
**Letter Agreement**

In response to the request for financial assistance made on behalf of the Pacific Catastrophe Risk Insurance Foundation ("Recipient" or "Foundation"), I am pleased to inform you that the International Bank for Reconstruction and Development and the International Development Association ("World Bank"), acting as Administrator of the Pacific Catastrophe Risk Assessment and Financing Initiative Multi-Donor Trust Fund ("Trust Fund") provided by various donors ("Donors"), proposes to extend to the Recipient for the benefit of the Cook Islands, the Republic of Marshall Islands, the Independent State of Samoa, the Kingdom of Tonga, the Republic of Vanuatu and any other countries that may become members of the Foundation Council (as defined in the Annex to this Agreement) and as agreed in writing with the World Bank, in whose respective territories the Project is carried out ("Pacific Island Countries"; each a "Pacific Island Country"), a grant in an amount not to exceed one hundred thousand United States Dollars (U.S.$ 100,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of Part 2(a) of the project described in the Annex ("Project").

This Grant is provided as part of the financial assistance from the World Bank, acting as administrator of the Trust Fund, to support the Project. The World Bank, acting as administrator of the Trust Fund, has also agreed to make available grants from the Trust Fund to the PCRIC (as defined in the Annex to this Agreement), the Secretariat of the Pacific Community and the Pacific Islands Forum Secretariat to assist in the financing of the Project, all pursuant to the terms and conditions set forth in the grant agreements to be entered into between the World Bank and the respective entities.

This Grant is funded out of the Trust Fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the
Trust Fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

By Mona Sur
Acting Country Director
Timor-Leste, Papua New Guinea & Pacific Islands
East Asia and Pacific Region

AGREED:
PACIFIC CATASTROPHE RISK INSURANCE FOUNDATION

By: 
Authorized Representative

Name: Maybeline A Bing
Title: Secretary
Date: 2/21/17
Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012; and

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
Article I
Standard Conditions; Definitions

1.01 Standard Conditions. The Standard Conditions, with the modifications set forth in the Appendix to this Agreement, constitute an integral part of this Agreement.

1.02. Definitions. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement (including the cover letter to this Agreement and this Section) as follows:

(a) "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.

(b) "Captive Insurance License" means License No. C102/2016 in effect from September 22, 2016 and issued to the PCRIC to carry out captive insurance business pursuant to the Captive Insurance Act 2013 of the Cook Islands.

(c) "Constitution of PCRIC" means the Constitution of the Pacific Catastrophe Risk Insurance Company, prepared in accordance with the Pacific Catastrophe Risk Insurance Facility Act 2016 of the Cook Islands and approved by the Foundation Council on October 5, 2016, as may be amended from time to time in accordance with its terms.

(d) "Establishment Documents of the Foundation" means the regulations, rules, instruments, contracts, agreements, licenses and certificates thereto, which shall establish, operationalize and govern the Foundation, which shall include, but not limited to, the Foundation Rules.

(e) "Establishment Documents of the PCRIC" means the regulations, rules, instruments, contracts, agreements, licenses and certificates thereto, which shall establish, operationalize and govern the PCRIC, which shall include, but not limited to, the Constitution of the PCRIC and the Captive Insurance License.

(f) "Foundation Council" means the council of the Foundation established to conduct the Foundation’s affairs, with functions and compositions as set forth in the Pacific Catastrophe Risk Insurance Facility Act 2016 of the Cook Islands and the Foundation Rules.

(g) "Foundation Rules" means the Foundation Rules of the Pacific Catastrophe Risk Insurance Foundation, prepared in accordance with the Pacific Catastrophe Risk Insurance Facility Act 2016 of the Cook Islands and adopted by the Foundation Council on October 5, 2016, as may be amended from time to time in accordance with its terms.

(h) "Legislation" means the Pacific Catastrophe Risk Insurance Facility Act 2016 of the Cook Islands, the Captive Insurance Act 2013 of the Cook Islands and the International Companies Act 1981-82 of the Cook Islands, including any regulations made thereunder.
(i) "PCRIC" means the Pacific Catastrophe Risk Insurance Company, a company established pursuant to the Pacific Catastrophe Risk Insurance Facility Act 2016 of the Cook Islands.

(j) "PCRIC Grant Agreement" means the grant agreement for the Project between the PCRIC and the World Bank, as such grant agreement may be amended from time to time.

(k) "Respective Part of the Project" means Part 2(a) of the Project, to be carried out by the Recipient.

(l) "Share Capital Funds" means the funds to be provided to the Recipient to support the capitalization of the PCRIC in accordance with Part 2(a) of the Project.


Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to improve access to post-disaster rapid response finance for Pacific Island Countries.

The Project consists of the parts described in Schedule I (Project Description) of the PCRIC Grant Agreement.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Respective Part of the Project in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the Anti-Corruption Guidelines; and (c) this Article II.

2.03. Institutional and Other Arrangements.

(a) The Recipient shall, and shall ensure that the PCRIC shall, at all times during the implementation of the Project, maintain qualified and experienced management and staff in adequate numbers, with terms of reference, staffing and resources satisfactory to the World Bank for the purpose of carrying out the Project.

(b) Without limitation upon the foregoing provisions in paragraph (a) above, the Recipient shall:

(i) until the end of November 1, 2017 or such later date as may be agreed with the World Bank in writing ("Interim Period"), maintain an interim board of directors of the PCRIC, comprising of two (2) interim directors, with terms of reference, staffing and resources satisfactory to the World Bank for the purpose of carrying out the Project;

(ii) by no later than end of the Interim Period, complete the appointment the board of directors of the PCRIC, comprising of five (5) board members, all
with terms of reference, staffing and resources satisfactory to the World
Bank for the purpose of carrying out the Project, and ensure that such
appointments shall take effect under the Cook Islands law and the
Constitution of the PCRIC; and
(iii) thereafter maintain such board of directors of the PCRIC at all times during
the implementation of the Project.

(c) The Recipient shall not change the objectives, organizational structure, governance
or ownership of the Recipient and/or PCRIC, including changing the share capital
of the PCRIC and amending or restating the Establishment Documents of the
Foundation and/or the Establishment Documents of the PCRIC, without prior
written consent of the World Bank, if such action, change, amendment or
restatement has or is reasonably likely to have a material adverse effect on the ability
of the Recipient and/or PCRIC to carry out its obligations under the Project, or any
interests of the World Bank or Pacific Island Countries.

(d) The Recipient shall not invite a country that is not a Pacific Island Country to
become a member of the Foundation without prior written consent of the World
Bank.

(e) The Recipient shall comply with any applicable law, rule or regulation of the
jurisdiction where it is incorporated, which is binding upon the Recipient.

2.04. Donor and Visit.

(a) The Recipient shall take or cause to be taken all such measures as the World Bank
may reasonably request to identify publicly the Donors' support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall,
on the World Bank's request, take all measures required on its part to enable the
representatives of the Donor(s) to visit any part of the Member Country's territory
for purposes related to the Project.

2.05. Project Monitoring, Reporting and Evaluation.

(a) The Recipient shall monitor and evaluate the progress of the Respective Part of the
Project and prepare Project Reports for the Respective Part of the Project in
accordance with the provisions of Section 2.06 of the Standard Conditions and on
the basis of the indicators acceptable to the World Bank. Each Project Report shall
cover the period of one (1) calendar semester, and shall be furnished to the World
Bank not later than one (1) month after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the
provisions of Section 2.06 of the Standard Conditions. The Completion Report shall
be furnished to the World Bank not later than six (6) months after the Closing Date.
Article VI
Recipient’s Representative: Addresses

6.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Chair of the Foundation Council.

6.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
P.O. Box D
Majuro 96960
Republic of Marshall Islands

Facsimile: 692-625-3607

6.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Facsimile: 1-202-477-6391
APPENDIX

Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

1. The provisions of Section 2.07(a) of the Standard Conditions are hereby modified to read as follows:

   “(a) a financial management system is maintained and financial statements ("Financial Statements") are prepared in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations and financial condition of the Recipient, including the operations, resources and expenditures related to the Project.”

2. The provisions of Sections 4.02(d) and (h) of the Standard Conditions are deleted in their entirety.

3. For the purposes of this Agreement, the term “Member Country” defined in paragraph 17 of the Appendix to the Standard Conditions is modified to read as follows:

   “17. “Member Country” means each of the following: the Republic of Fiji, the Republic of Marshall Islands, the Independent State of Samoa, the Kingdom of Tonga, the Republic of Vanuatu and any other countries as agreed in writing with the World Bank, in whose respective territories the Project is carried out: “Member Countries” refers to all the aforementioned countries; and solely for the purposes of the Standard Conditions, whenever the term “Member Country” or “Member Countries” is used in the Standard Conditions, it shall be read to include the Cook Islands, and if agreed in writing by the World Bank, Niue, self-governing territories in free association with New Zealand.”

4. For the purposes of this Agreement and unless the context requires otherwise, the term “Project” defined in paragraph 18 of the Appendix to the Standard Conditions is modified to read as follows:

   “18. “Project” means the part(s) of the Project specified in the Grant Agreement to be carried out by the Recipient, for which the Grant is made, as the description of such project may be amended from time to time by agreement between the Recipient and the World Bank.”
2.06. **Financial Management.**

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Respective Part of the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall, upon the World Bank's request, have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period indicated in the World Bank's request. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period indicated in the World Bank's request.

### Article III

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance 100% of Eligible Expenditures consisting of the Share Capital Funds.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed one hundred thousand United States Dollars (U.S.$ 100,000) may be made for payments made prior to this date but on or after October 14, 2016, for the Eligible Expenditures.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2021.

### Article IV

**Additional Remedies**

4.01. **Additional Events of Suspension.** The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following:

(a) Any of the Legislation has been amended, suspended, terminated, supplemented, replaced, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the
World Bank, the ability of the Recipient to perform any of its obligations under this Agreement.

(b) The Establishment Documents of the Foundation and/or the Establishment Documents of the PCRIC have been amended, suspended, terminated, supplemented, replaced, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the World Bank, the ability of the Recipient to perform any of its obligations under this Agreement.

Article V
Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the condition specified below have been satisfied.

(a) The execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary corporate action.

(b) The Recipient has furnished to the World Bank a copy of the share certificate which demonstrates that it holds one (1) ordinary share of the PCRIC in the amount of one hundred thousand United States Dollars (U.S.$ 100,000).

5.02. As part of the evidence to be furnished pursuant to Section 5.01 (a), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank showing that, on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.

5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 (“Effective Date”). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.04. Termination for Failure to Become Effective. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date one hundred and twenty (120) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.