CCRIF SPC

The Caribbean Catastrophe Risk Insurance Facility

ANNUAL REPORT

2013 - 2014

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ANNUAL REPORT 2013-2014

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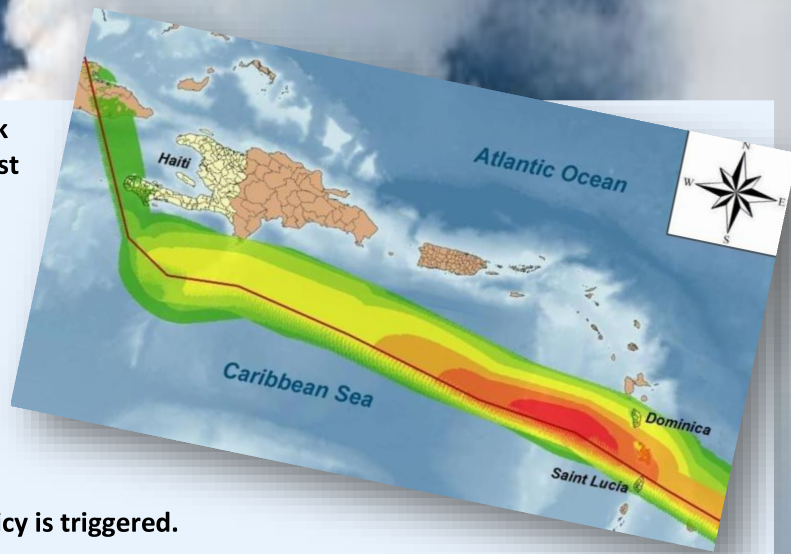
Map showing paths of tropical cyclones in 2013 Source: NASA, NHC

LIST OF ACRONYMS

BMU	German Federal Ministry of the Environment and Nuclear Safety
CaribRM	Caribbean Risk Managers Ltd.
CARICOM	Caribbean Community
CCCCC	Caribbean Community Climate Change Centre
CDB	Caribbean Development Bank
CDEMA	Caribbean Disaster Emergency Management Agency
CDM	Comprehensive Disaster Management
CEO	Chief Executive Officer
CIMH	Caribbean Institute for Meteorology and Hydrology
COSEFIN	Council of Ministers of Finance of Central America, Panama and Dominican Republic
ECA	Economics of Climate Adaptation
FADA	Fondation Amour de Dieu (Haiti)
FY	Fiscal Year
IKI	International Climate Initiative (Germany)
IStructE	Institution of Structural Engineers
KAC	Kinetic Analysis Corporation
LPC	Loan Portfolio Cover
LPP	Livelihood Protection Policy
MCII	Munich Climate Insurance Initiative
MoU	Memorandum of Understanding
MPRES	Multi-Peril Risk Estimation System
NASA	National Aeronautics and Space Administration (USA)
NDC	National Disaster Committee
NGO	Non-Governmental Organisation
NHC	National Hurricane Center (USA)
NOAA	National Oceanic and Atmospheric Administration (USA)
ODPEM	Office of Disaster Preparedness and Emergency Management (Jamaica)
OECS	Organisation of Eastern Caribbean States
PR	Public Relations
RTFS	Real-Time Forecasting System
SPC	Segregated Portfolio Company
SRC	Seismic Research Centre (University of the West Indies, St. Augustine, Trinidad)
TA	Technical Assistance
UK	United Kingdom
UN	United Nations
UNECLAC	United Nations Economic Commission for Latin America and the Caribbean
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs
UNU-EHS	United Nations University Institute for Environment and Human Security
US	United States
USA	United States of America
UTC	Coordinated Universal Time
UWI	University of the West Indies
XSR	Excess Rainfall

ABOUT CCRIF



In 2007, the Caribbean Catastrophe Risk Insurance Facility was formed as the first multi-country risk pool in the world, and was the first insurance instrument to successfully develop parametric policies backed by both traditional and capital markets. It was designed as a regional catastrophe fund for Caribbean governments to limit the financial impact of devastating hurricanes and earthquakes by quickly providing financial liquidity when a policy is triggered.

In 2014, the facility was restructured into a segregated portfolio company (SPC) to facilitate expansion into new products and geographic areas and is now named CCRIF SPC (CCRIF). The new structure, in which products are offered through a number of segregated portfolios, allows for total segregation of risk. CCRIF SPC is registered in the Cayman Islands and operates as a virtual organisation, supported by a network of service providers covering the areas of risk management, risk modelling, captive management, reinsurance, reinsurance brokerage, asset management, corporate communications and information technology.

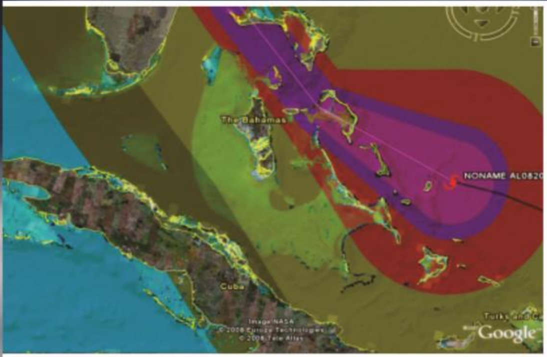
CCRIF currently offers earthquake, tropical cyclone and excess rainfall policies to Caribbean governments and will soon offer loan portfolio coverage to financial institutions in Caribbean countries.

CCRIF helps to mitigate the short-term cash flow problems small developing economies suffer after major natural disasters. CCRIF's parametric insurance mechanism allows it to provide rapid payouts to help members finance their initial disaster response and maintain basic government functions after a catastrophic event.

Since the inception of CCRIF in 2007, the facility has made nine payouts for hurricanes, earthquakes and excess rainfall totalling almost US$33 million to seven member governments. All payouts were transferred to the respective governments within 14 days (and in some cases within a week) after the event.

CCRIF was developed under the technical leadership of the World Bank and with a grant from the Government of Japan. It was capitalised through contributions to a multi-donor Trust Fund by the Government of Canada, the European Union, the World Bank, the governments of the United Kingdom and France, the Caribbean Development Bank and the governments of Ireland and Bermuda, as well as through membership fees paid by participating governments.

Sixteen governments are currently members of the facility: Anguilla, Antigua & Barbuda, Bahamas, Barbados, Belize, Bermuda, Cayman Islands, Dominica, Grenada, Haiti, Jamaica, St. Kitts & Nevis, Saint Lucia, St. Vincent & the Grenadines, Trinidad & Tobago and Turks & Caicos Islands.




CCRIF STRATEGIC FRAMEWORK

CCRIF Vision Statement

A Caribbean region with optimised disaster risk management and climate change adaptation practices supporting long-term sustainable development

CCRIF Mission Statement

Our Mission is to assist Caribbean governments and their communities in understanding and reducing the socio-economic and environmental impacts of natural catastrophes.

We do this by providing immediate liquidity through a range of affordable insurance products, developing innovative and dynamic tools and services, and operating in a way that is financially sustainable and responsive to the needs of the region.

CCRIF Value Proposition

The clients of CCRIF are Caribbean governments. CCRIF promises its clients to:

1. Fill a gap in available insurance offerings in natural catastrophes
2. Give peace of mind and confidence re financial support
3. Provide technical assistance to enhance disaster risk assessment
4. Assist them to better understand how risk financing fits into the broader disaster risk management framework
5. Offer the lowest possible premiums consistent with long-term sustainability
6. Ensure speedy payout when a policy is triggered
7. Be transparent and accountable

CCRIF STRATEGIC OBJECTIVES

CCRIF's strategic objectives are designed to enable the Facility to fulfil its mission and realise its vision and to aid in the design of its strategic initiatives and key activities. CCRIF's strategic objectives have been designed to be SMART (specific, measurable, achievable, realistic and timebound) to enable the facility to continuously meet and exceed the needs and expectations of its clients and stakeholders. Over the period 2013 to 2015, CCRIF will endeavour to achieve the following strategic objectives:

STRATEGIC OBJECTIVES

- To provide products, services and tools responsive to the needs of the region
- To enhance capacity for disaster risk management and climate change adaptation
- To sustain corporate and financial integrity
- To deepen understanding and knowledge of catastrophe risk and the solutions CCRIF provides

CHAIRMAN'S REMARKS

I am pleased to present this CCRIF Annual Report for 2013/2014. The report demonstrates CCRIF's continued commitment to meeting the needs of our current and potential member countries and other partners in the Caribbean region.

Once again all sixteen CCRIF member countries renewed their hurricane and earthquake policies in 2013 – as they have done since CCRIF's first year in 2007. These renewals demonstrate the recognition by Caribbean governments of the importance of risk transfer to their overall disaster risk management strategies.

During this fiscal year, CCRIF actively sought to expand both its products and its geographic coverage and began the procedure of changing its corporate structure to become a segregated portfolio company (SPC) to facilitate this expansion.

This year, we received the first commitments for the purchase of the new excess rainfall product – eight member countries committed to purchase excess rainfall policies for the 2014/2015 policy year. This product, developed in direct response to requests by member governments and other stakeholders, provides coverage for extreme high rainfall events of short duration and complements the tropical cyclone coverage which is based on wind and storm surge losses.

In another significant development, CCRIF participated in extensive discussions with the World Bank, the US Department of the Treasury, CARICOM and COSEFIN – the Council of Ministers of Finance of the Central American block – about possible expansion of CCRIF to include COSEFIN member countries. We will continue to work with CARICOM and COSEFIN to obtain their approval for this expansion which would benefit existing CCRIF member countries as well as new members in Central America.

This year, we continued to work with our Caribbean partners in building knowledge and skills for disaster risk management in the region and look forward to the next year which promises to be even more rewarding as we engage with new partners and new countries.

As an organisation, CCRIF remains committed to promoting disaster risk management as a key ingredient in advancing fiscal and debt sustainability, poverty reduction and climate resilient growth.

Milo Pearson, Chairman

CEO'S REPORT

In this, my second year as CCRIF's Chief Executive Officer, I am pleased to highlight the main areas of work undertaken by the facility and key elements of its performance during the past fiscal year.

CCRIF continued its growth trajectory by increasing its asset base to US$132.2 million this year from US$125.1 million in the prior year – attributable to the performance in the investment portfolio and increases in cash balances. This expansion is reflected in increases in shareholder equity, driven primarily by the increase in retained earnings. Conversely, the facility recorded a net income of US$5.97 million accounting for a 31.4% reduction from the previous year, reflecting largely reduced investment income on account of significant volatility in the financial markets. Overall, the facility's performance was creditable particularly when viewed in the context of worsening macroeconomic conditions for many of its participating members.

This year, CCRIF successfully managed to maintain the membership of all sixteen member countries that joined at its inception despite prevailing fiscal and economic challenges. In light of these constraints, CCRIF once again sought to minimise premium costs. For the 2013/2014 policies, CCRIF provided a 25% discount on premiums since no payouts were made in 2012/2013, resulting in an underwriting surplus for the facility. Countries were also given the option to apply a portion of their Participation Fee (a deposit paid when they initially became a CCRIF member) toward their premium payment and had the option to lower the minimum attachment point for tropical cyclones (hurricanes) from a fifteen-year to a ten-year return period. These actions led to a reduction in the effective cost of coverage to countries this year by at least 25% but in some cases as high as 50%.

The financial offering made by CCRIF to members during the fiscal year was facilitated in part by the improved pricing secured by the facility during the purchase of its reinsurance cover to secure parametric reinsurance contracts. This year, CCRIF purchased cover in the amount of US$9.3 million representing a saving in excess of US$1.0 million. As in previous years, CCRIF maintained the participation of major reinsurance providers for its parametric contracts.

During the 2013 Atlantic Hurricane Season (June to November 2013), there were fewer storms than expected. Two storms affected four CCRIF member countries but none were of sufficient magnitude or proximity to trigger the tropical cyclone policy of any member. In this policy year there were three reportable earthquakes, which affected six CCRIF member countries. However, damage was minimal and no CCRIF earthquake policies were triggered. During the year, three CCRIF member countries in the Eastern Caribbean – Saint Lucia, St. Vincent and the Grenadines and Dominica – were greatly affected by an extreme rainfall event that occurred in December 2013. As a result, all persons in Saint Lucia who had purchased

Livelihood Protection Policies – provided through the Climate Risk Adaptation and Insurance in the Caribbean Project – received payouts soon after the rains, providing valuable assistance to aid in the recovery of their farms.

A significant development this fiscal year was the launch of the much anticipated excess rainfall parametric insurance product. Eight member countries committed to purchasing the new product for the 2014/2015 policy year. This product, developed in partnership with Swiss Re and Kinetic Analysis Corporation, provides coverage for extreme high rainfall events of short duration (a few hours to a few days).

During this fiscal year, CCRIF held discussions with the World Bank and other stakeholders on utilising catastrophe ("cat") bonds as part of the facility's risk transfer. CCRIF has been reliant on the traditional reinsurance market for its risk transfer but as the facility seeks to grow and expand, CCRIF believes it would be beneficial to diversify its sources of risk capital to include the capital markets.

Another major development was the discussions CCRIF held with CARICOM, COSEFIN, the US Department of the Treasury and the World Bank about expansion of CCRIF to include Central American countries. The inclusion of these new countries as part of CCRIF is expected to happen in the coming fiscal year.

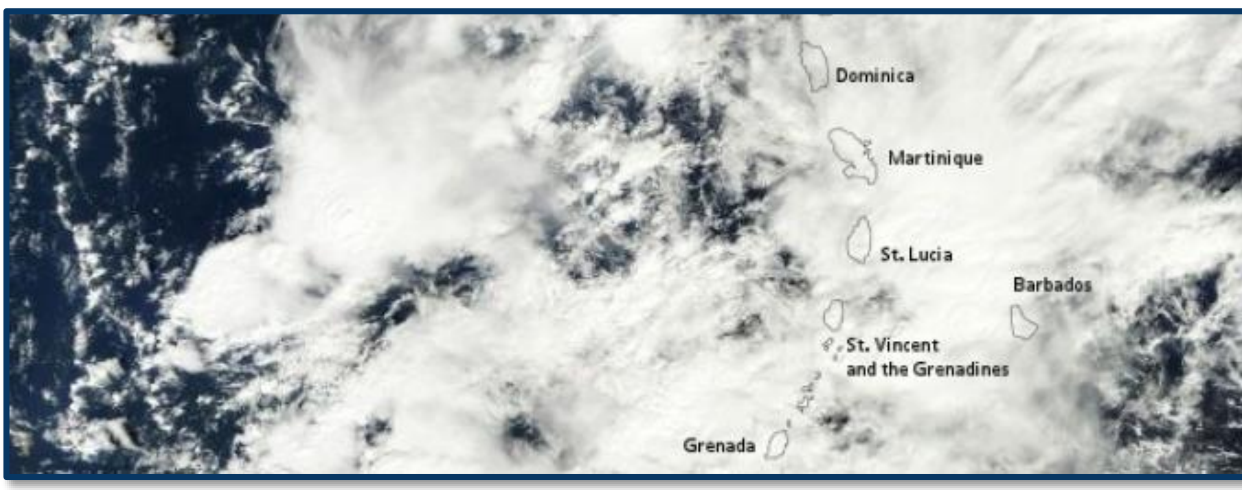
Additionally, CCRIF continued to work with and assist members and regional partners to implement a number of programmes and projects to build capacity in disaster risk management. CCRIF strengthened alliances with regional partners and developed new partnerships with other key organisations – under the auspices of the CCRIF Technical Assistance Programme. Under that programme, post-Hurricane Sandy recovery projects at the community level were implemented in Jamaica, Haiti and The Bahamas.

For 2013, five post-graduate and undergraduate students were awarded scholarships under the CCRIF-UWI Scholarship Programme. Since this programme began in 2010, CCRIF has provided scholarships to nineteen students. Two Caribbean students were awarded scholarships under the 2013 CCRIF Extra-regional Scholarship Programme to study in the UK, bringing the total number of awards under this programme to four. During the year, the "CCRIF Scholarship Programme" was created, providing up to four scholarships per year for study in masters programmes in approved fields at universities in the US, UK and Canada as well as at regional universities (other than the University of the West Indies - UWI). This replaces the extra-regional scholarship programme which previously provided scholarships at institutions outside of the Caribbean.

The Climate Risk Adaptation and Insurance in the Caribbean project continued to be implemented under the leadership of the Munich Climate Insurance Initiative, in collaboration with CCRIF, MicroEnsure and Munich Re, and funded by the German Environment Ministry. The two products developed by the project – the Livelihood Protection Policy (LPP) and the Loan Portfolio Cover (LPC) – are designed to help vulnerable communities adapt to extreme weather events such as wind and rainfall. The LPP is now available in three pilot countries (Saint Lucia, Jamaica and Grenada) and is offered by local insurance companies in each of the three countries. Policies were purchased in Saint Lucia and Jamaica and, as noted above, the first payouts were made to policy holders in Saint Lucia following the December 2013 rains. CCRIF will be the insurer for the LPC, which is to be finalised in the next fiscal year.

In the coming year, we look forward to working with our member countries and welcoming new members in the Caribbean and in Central America to support effective disaster risk management and climate resilient growth in these two regions, advancing sustainable prosperity.

Isaac Anthony, Chief Executive Officer



Rainfall event 25-26 December 2013 Source: NASA

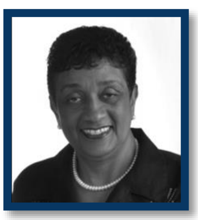
BOARD OF DIRECTORS

MILO PEARSON, CHAIRMAN

Milo Pearson has over 40 years of insurance experience and has created two landmark organisations that have had an important and lasting impact on the insurance industry in California: the California Earthquake Authority and the Rate Regulation Division of the California Department of Insurance. As a senior partner of Insurance Solutions Group, Mr. Pearson specialises in regulatory and catastrophe-related issues. He is also the Executive Director for the Pacific Association of Domestic Insurance Companies, an industry trade association.

KEN BLAKELEY, CARICOM-NOMINATED BOARD MEMBER, INSURANCE SPECIALIST

A former President of both the Insurance Company of the West Indies (ICWI) and Eagle Star Insurance Company of Puerto Rico, Ken Blakeley has had a long tenure in Caribbean insurance. His 40-year career in the region's insurance market began with a stint as a Resident Inspector in Trinidad & Tobago leading him to positions as a Managing Director, Agency Manager and now, as a Technical Adviser and Director at Billy Craig Insurance Brokers in Jamaica. Mr. Blakeley has also served as the Deputy Chairman, Jamaica Association of General Insurance Companies, Chairman of the Board of Studies for the Insurance Institute of Jamaica and as Chairman of the Insurance Institute of Jamaica.



DESIRÉE CHEREBIN, CARIBBEAN DEVELOPMENT BANK-NOMINATED BOARD MEMBER, FINANCE SPECIALIST

Desirée Cherebin is a Banking Supervision and Financial Services Consultant working with regional and international agencies, including the Caribbean Regional Technical Assistance Centre and the International Monetary Fund to assist countries with strengthening the regulation and supervision of their financial sectors. She was Director of Bank Supervision at the Central Bank of Barbados, prior to her retirement from that institution in 1997. She also worked as an Economist with the Ministry of Trade in Barbados and as an Adviser to the Governor of the Central Bank of Barbados.

FAYE HARDY, CARIBBEAN DEVELOPMENT BANK-NOMINATED BOARD MEMBER, REPRESENTING DONORS

Appointed to the CCRIF Board by the Caribbean Development Bank (CDB), Faye Hardy has over twenty years of experience in the areas of finance and accounting, and currently serves in the position of Manager, Treasury Unit at the Caribbean Development Bank where she has responsibility for managing the cash and investment resources of the Bank. She is a certified investment professional with a Chartered Financial Analyst (CFA) designation, as well as a Fellow of the Association of Chartered Certified Accountants (FCCA). She also holds an MBA from Heriot-Watt University in Scotland. Mrs. Hardy has provided technical assistance and advice to other regional organisations, and regularly lends her expertise in a financial capacity to a variety of volunteer organisations.

TIMOTHY ANTOINE, CARICOM-NOMINATED BOARD MEMBER, REPRESENTING MEMBER COUNTRIES

Appointed to the CCRIF Board by CARICOM, Timothy Antoine is presently the Permanent Secretary in Grenada's Ministry of Finance and Energy and Ministry of Economic Development, Trade, Planning and Cooperatives. From 2005 to 2007, Mr. Antoine acted as an Advisor to the Executive Director for Canada, Ireland and the Caribbean at the World Bank, working on behalf of the Caribbean and played a significant role in the establishment of CCRIF in 2007. An economist by training, he also is Chairman of the Grenada Authority for the Regulation of Financial Institutions, a board member of the Eastern Caribbean Central Bank and Grenada's Operational Focal Point for the Global Environmental Facility.

OFFICE OF THE CHIEF EXECUTIVE OFFICER

Isaac Anthony
Chief Executive Officer

Isaac Anthony was appointed CCRIF Chief Executive Officer on January 1, 2013. Prior to this appointment Mr. Anthony served as Permanent Secretary, Planning and National Development in the Government of Saint Lucia. He also has served his country in key positions such as Accountant General, Registrar of Insurance, Director of Finance and Permanent Secretary, Finance. He served as a CCRIF board member appointed by CARICOM for the past five years. Mr. Anthony brings many years' experience as a senior finance and planning official with the Government of Saint Lucia coupled with service on the boards of key regional financial institutions such as the Caribbean Development Bank and the Eastern Caribbean Central Bank.

Mr. Anthony is a graduate of the University of the West Indies, with a Bachelor of Science degree in Economics and Accounting (double major) and an MBA from that institution.

CCRIF TEAM

CARIBBEAN RISK MANAGERS LTD., FACILITY SUPERVISOR

Caribbean Risk Managers Limited (CaribRM) provides a range of products and services through its consultancy to help public and private sector clients, throughout the Caribbean and beyond, manage natural disaster related risks. As Facility Supervisor, CaribRM is responsible for leading the general insurance operations of CCRIF, underwriting and pricing of insurance products, execution of risk transfer activities, as well as research and development and assisting with the implementation of the Technical Assistance Programme. Akiba Reid is CaribRM's team leader for CCRIF.

LONDON & CAPITAL LTD., ASSET MANAGER

London & Capital is a specialist asset management company headquartered in London, UK. With more than 20 years' expertise and experience, the company focuses on capital preservation and wealth management. William Dalziel is London and Capital Limited's team leader for CCRIF.

BUTTERFIELD ASSET MANAGEMENT LTD., ASSET MANAGER

Butterfield Asset Management is a fully integrated group business, operating across 4 jurisdictions – Bermuda, The Cayman Islands, London and Guernsey – and has been an investment manager for primary insurance and captive insurance companies in Bermuda and the Cayman Islands for over 25 years. Butterfield Bank Cayman was incorporated in 1967 as a wholly-owned subsidiary and is regulated by the Cayman Islands Monetary Authority. Andrew Baron is Butterfield's team leader for CCRIF and is Head of Fixed Income for the Group.

GUY CARPENTER & COMPANY, LLC, REINSURANCE BROKER

Guy Carpenter & Company, LLC is the world's leading risk and reinsurance specialist and a member of Marsh & McLennan Companies. With over 50 offices worldwide, Guy Carpenter creates and executes reinsurance solutions and delivers capital market solutions for clients across the globe. Aidan Pope is Guy Carpenter's team leader for CCRIF.

SAGICOR INSURANCE MANAGERS LTD., INSURANCE MANAGER

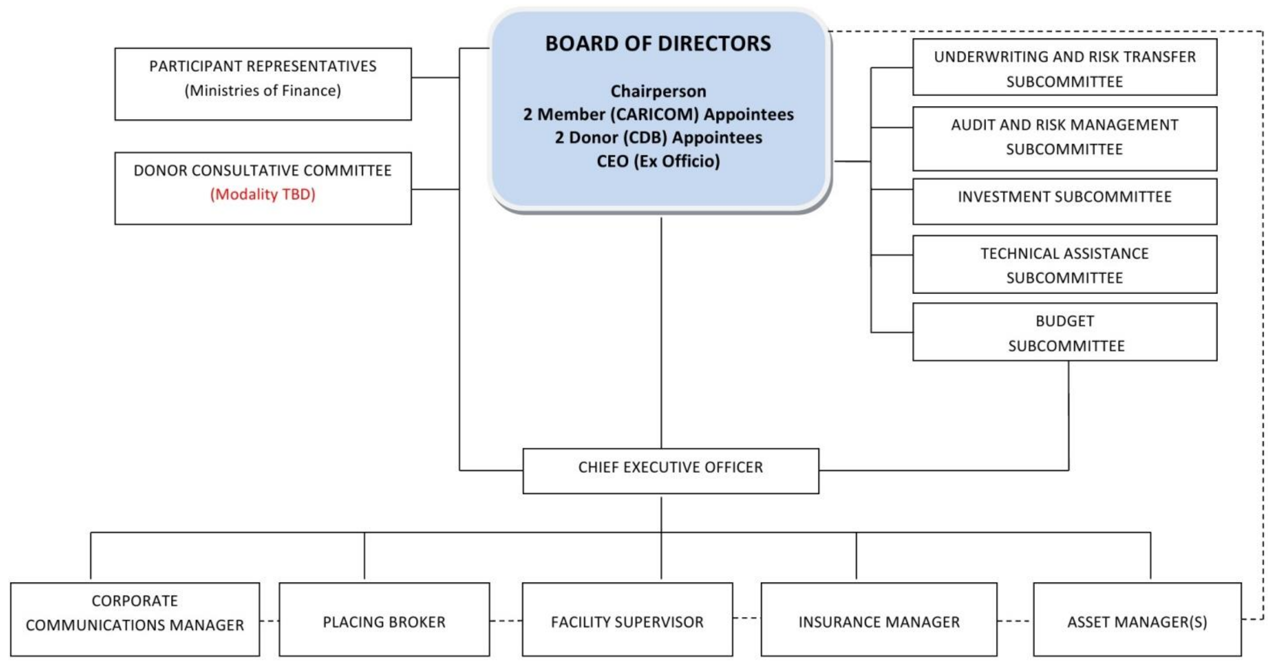
Sagicor Insurance Managers Ltd. (SIM) is a member of the Sagicor Financial Group, which is listed on the Barbados, Trinidad & Tobago and London Stock Exchanges. Formed originally as Barbados Mutual in 1840, Sagicor has become the leading indigenous financial services organisation in the Caribbean, with a presence in 21 countries across the Caribbean, the United Kingdom, in 41 states of the United States and the District of Columbia. SIM provides insurance management services in the Cayman Islands, and provides regulatory, accounting and corporate secretarial support to CCRIF. Ivan Carter is Sagicor's team leader for CCRIF and is supported by Kimberlyn Battick as the Account Manager.

SUSTAINABILITY MANAGERS, CORPORATE COMMUNICATIONS MANAGER

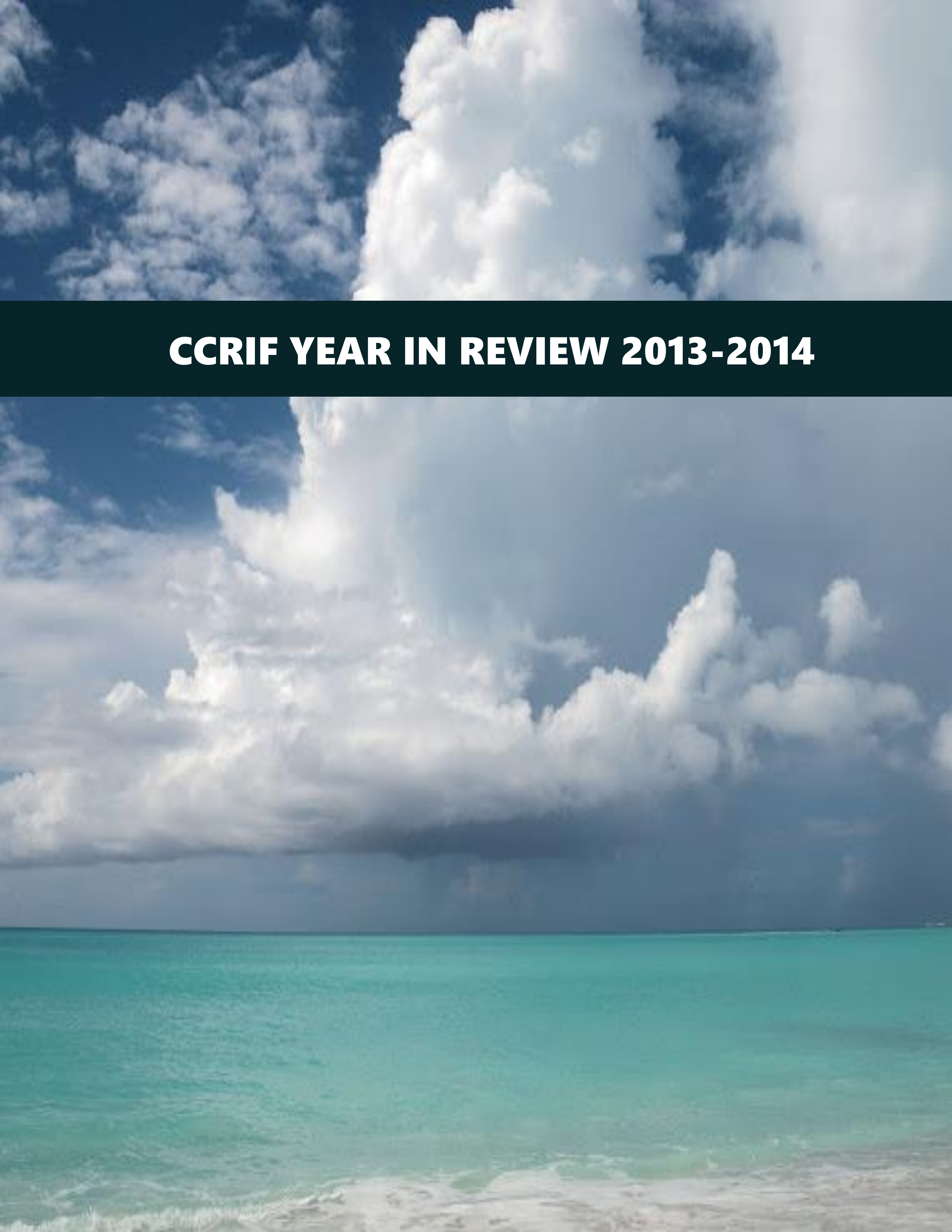
Sustainability Managers is a consultancy company based in Jamaica that offers a range of services to public and private sector entities as well as international and regional organisations. As Corporate Communications Manager, Sustainability Managers provides CCRIF with the following services: publications development, events planning, public relations and media relations management, strategic planning, training and assistance with the implementation of the Technical Assistance Programme. Elizabeth Emanuel and Gina Sanguinetti Phillips are Sustainability Managers' team leaders for CCRIF.

CCRIF ORGANISATIONAL STRUCTURE

CCRIF's operations are laid out in the Facility's Operations Manual and are executed by six service provider companies under the guidance of the Board of Directors and the Chief Executive Officer (CEO).



CCRIF YEAR IN REVIEW 2013-2014



CCRIF YEAR IN REVIEW 2013-2014

CCRIF's Financial Stability

- Issued 29 policies to 16 Caribbean countries
- Comfortably met sustainability guidelines of being able to survive a one in 1,000 year event
- Explored use of cat bonds for risk transfer

Tropical Cyclone and Earthquake Review

- 2 reportable tropical cyclone events
- 3 reportable earthquake events
- No CCRIF policies triggered over the 2013/14 policy year

CCRIF Product Developments

- Commitment by 8 countries to purchase Excess Rainfall Product
- Livelihood Protection Policy offered, Loan Portfolio Cover developed
- Increased number of users of Real-Time Forecasting System
- Conversion into a segregated portfolio company
- Expansion into Central America

Programmes, Projects and Partnerships

- Work plans for 8 MoUs being developed and/or implemented
- 1 new MoU signed – with UWI
- 2 extra-regional scholarships awarded
- 5 scholarships to UWI awarded
- Post-Hurricane Sandy recovery assistance

Communications, Publications and Public Relations

- 11 publications produced
- Sponsorship of Caribbean CDM Conference
- Sponsorship of IStructE Conference
- Participated in over 20 conferences and fora

CCRIF's Financial Stability

CCRIF issued 29 annual policies to 16 Caribbean countries for the 2013-2014 policy/financial year. Annual premium income totaled US$19.5 million, for tropical cyclone and earthquake coverage. CCRIF's aggregate exposure for policies written was close to US$620 million, with the tropical cyclone to earthquake aggregate split being close to 60:40. CCRIF adopted a catastrophe loading approach to calculating premiums instead of the previously used risk multiple method. Premium was calculated as [Average Annual Loss (AAL)] + [Cat Load x Standard Deviation of the AAL]. The catastrophe loading used was 12.5%. This corresponds to a pure risk multiple of ~1.73 across the entire portfolio.

CCRIF retained US$27.5 million, including US$2.5 million which represented half of the loss in layer 1. CCRIF purchased an additional US$105 million of reinsurance capacity above layer 1 to support the claims paying capacity of the Facility (Figure 1). Reinsurance was purchased from the international reinsurance markets, including Swiss Re, Munich Re, Partner Re, Hanover Re, Everest, and Lloyd's of London syndicates Hiscox, Catlin, Antares and Beazley. US$15 million of the top layer of risk was placed into the capital markets via a catastrophe swap between CCRIF and the World Bank Treasury. The top of the reinsurance structure, at US$135 million, provided claims paying capacity for aggregate annual losses with an approximately 1 in 526 chance of occurring.

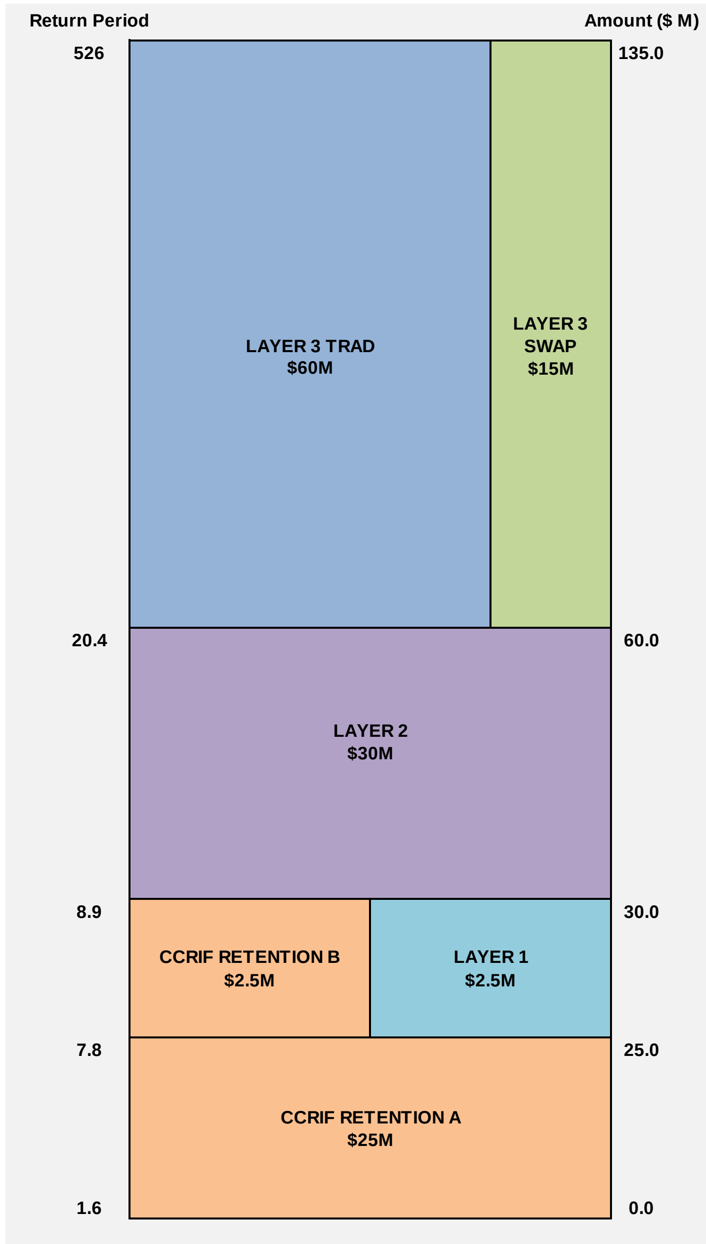


Figure 1: CCRIF Reinsurance Structure 2013/2014

CCRIF's total capital at risk for 2013/14 comprised the retention of US$27.5m within the risk transfer programme and a further ~US$15m above the reinsurance programme up to the 1 in 1,000 year loss of ~US$150 million. The claims paying capacity of CCRIF for the 2013-2014 policy year was thus significantly greater than the modelled aggregate annual loss with a 1 in 1,000 chance of occurring, thus comfortably falling within CCRIF's guidelines for financial security and substantially better than any of its peers in either the public or private sectors.

During this fiscal year, CCRIF held discussions with the World Bank and other stakeholders about using catastrophe ("cat") bonds and collateralised reinsurance as part of its risk transfer. This would enable the facility to capitalise on the increasing participation of institutional investors in the reinsurance market. A new cat bond from the World Bank is expected to be issued early in the next fiscal year.

TROPICAL CYCLONE AND EARTHQUAKE REVIEW

Tropical Cyclone and Earthquake Review

CCRIF monitors and reports on all tropical cyclone and earthquake events in the Caribbean Basin that have the potential to affect one or more of its member countries as determined by CCRIF's Multi-Peril Risk Estimation System (MPRES) under the terms of CCRIF's tropical cyclone and earthquake policies*. Three types of events – reportable, loss and triggering events – are defined and routinely reported by CCRIF to its members and stakeholders. The text box at right provides definitions of these terms.

During the 2013/2014 policy year, two tropical cyclones qualified as reportable events, affecting four CCRIF member countries and three earthquakes qualified as reportable events, affecting six CCRIF member countries. These events are described below.

For the 2013/2014 policy year no CCRIF tropical cyclone or earthquake policies were triggered.

Tropical Cyclones

Despite a prediction by the US National Oceanic and Atmospheric Administration (NOAA) for an active 2013 Atlantic Hurricane season with more and stronger hurricanes than usual, there were fewer storms than expected with 13 named storms, which included two Category 1 hurricanes and no major hurricanes. This was the first time since 1994 that no major hurricanes formed in the Atlantic.

The two tropical cyclones which qualified as reportable events under CCRIF tropical cyclone policies were: Chantal and Gabrielle. The CCRIF countries affected by each of these storms are as follows:

- ***Chantal***: Dominica, Saint Lucia and Haiti
- ***Gabrielle***: Bermuda

Reportable Event

Tropical Cyclone: Any named tropical cyclone event which generates winds of Tropical Storm strength or above in one or more grid cells of at least one country but which does not produce any modelled government loss.

Earthquake: Any earthquake event with a body-wave magnitude of greater than or equal to 5.0 within an area bounded by Latitude 2° and 41° N and Longitude 97° and 51° W and which generates a peak ground acceleration of at least 0.01 g in one or more grid cells of at least one country but which does not produce any modelled government loss.

Loss Event

Tropical Cyclone: Any tropical cyclone event which produces a modelled government loss of greater than zero in one or more countries.

Earthquake: Any earthquake event which produces a modelled government loss of greater than zero in one or more countries.

Triggering Event

Tropical Cyclone: Any tropical cyclone event which produces a modelled government loss sufficiently high to trigger a payout under the Caribbean EQ/TC policy conditions in one or more member countries.

Earthquake: Any earthquake event which produces a modelled government loss sufficiently high to trigger a payout under the Caribbean EQ/TC policy conditions in one or more member countries.

*Beginning in 2014/2015, rainfall events which affect countries that purchased excess rainfall policies will be monitored.

Tropical Cyclone Chantal

On 7 July 2013, Tropical Storm Chantal developed over the central tropical Atlantic Ocean moving speedily in a west-northwestward direction towards the Lesser Antilles.

On 8 July 2013, Chantal was located about 75 miles (120 km) east of Barbados with maximum sustained winds of 50mph (85 km/h), then moved between Martinique and Saint Lucia into the eastern Caribbean Sea heading towards Hispaniola, and then passed south of Puerto Rico, about 215 miles (345 km) south of San Juan.

Chantal became disorganised by 9 July 2013 and began to weaken as the storm was located 270 miles (430 km/h) east southeast of Jamaica when Chantal degenerated into a tropical wave.

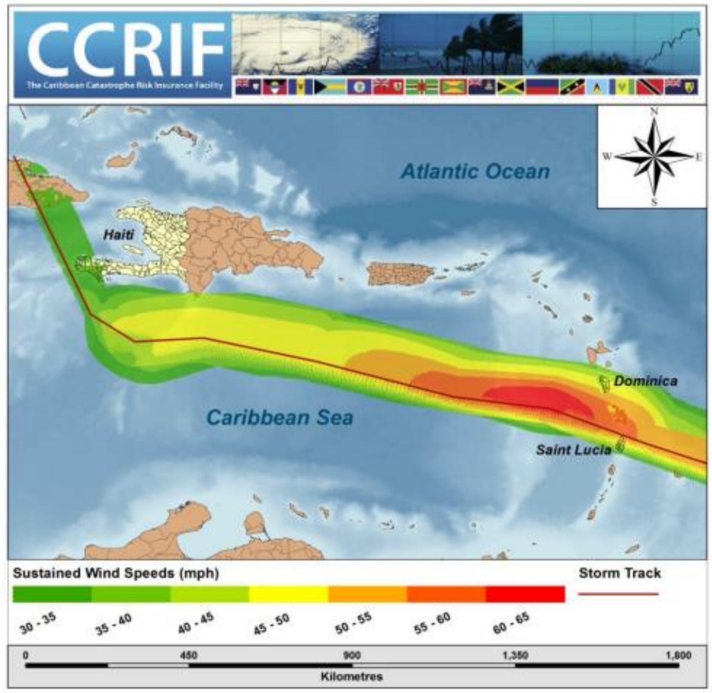


Figure 2: Map showing the path of Tropical Cyclone Chantal Source: NHC & CCRIF/KAC MPRES

Impacts on CCRIF Countries

Based on the MPRES footprint, the CCRIF member countries affected by at least tropical storm force winds from Chantal were Dominica, Saint Lucia and Haiti (Figure 2). In Saint Lucia, the National Emergency Management Organisation confirmed preliminary reports of fallen trees, downed power lines and some flooding mainly in the northern part of the island. In Dominica, the roofs of a number of homes were reportedly damaged or destroyed by the high winds caused by Chantal. Power outages also occurred and directly affected the water services to a number of communities. The Office of Disaster Management confirmed that four major roads were closed as a result of landslides and that numerous fallen trees had impeded traffic. Indications were given that damage was quite limited in Haiti.

CCRIF Model Outputs – Payout Determination

Runs of the CCRIF loss model generated small government losses in the affected countries, which in all cases were below each country's tropical cyclone policy trigger level and therefore no payout was due.

Tropical Cyclone Gabrielle

On 4 September 2013, the NHC produced a weather outlook on a tropical depression forming south of Puerto Rico. This tropical depression became Tropical Storm Gabrielle while located 70 miles (110 km) south of Ponce, Puerto Rico. By the following day, Gabrielle was downgraded to a depression about 80 miles (170 km) west southwest of Ponce, Puerto Rico. Gabrielle regenerated into a tropical storm about 185 miles (300 km) south of Bermuda on 10 September 2013. Throughout the day, the winds increased to 60 mph (95 km/h) as Gabrielle strengthened while approaching Bermuda. The centre of Gabrielle passed 40 miles (65 km/h) west southwest of Bermuda in the morning of 11 September 2013 (Figure 3). As the system drifted westward, the wind speed of Gabrielle slowly weakened to 35mph (55 km/h) and was downgraded to a tropical depression by the end of the day.

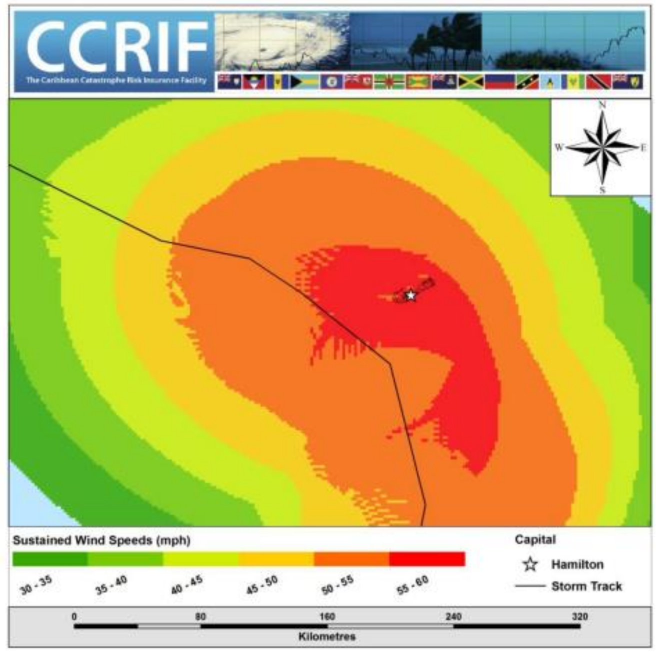


Figure 3: Map showing Tropical Cyclone Gabrielle affecting Bermuda. Source: NHC & CCRIF/KAC MPRES

Impacts on CCRIF Countries

Based on the MPRES footprint, Bermuda was the only CCRIF member country affected by at least Tropical Storm force winds from Gabrielle. There were reports of power outages and some flooding on the island.

CCRIF Model Performance – Payout Determination

Runs of the CCRIF loss model generated government losses which were below Bermuda's tropical cyclone policy trigger level and therefore no payout was due.

EARTHQUAKES

Three earthquakes qualified as reportable events for CCRIF. The CCRIF countries affected by each of these earthquakes are as follows:

- ***October 2013 earthquake***: Grenada and Trinidad & Tobago
- ***February 2014 earthquake***: Barbados and Saint Lucia
- ***May 2014 earthquake***: Antigua & Barbuda and Dominica

Trinidad & Tobago Earthquake October 2013

A magnitude 6.1 earthquake occurred 86 km (53 miles) west northwest of Port-of-Spain, Trinidad & Tobago at 10:10 pm on 11 October (02:10 UTC on 12 October) 2013. Initial estimates from the US Geological Survey located the epicentre at 10.877°N, 62.278°W at a depth of 79 km (Figure 4). Reports from Trinidad & Tobago and Grenada indicate the shaking intensities ranged from II to IV on the Modified Mercalli Index.

Based on the MPRES footprint, the CCRIF member countries affected by the earthquake on 11 October 2013 were Trinidad & Tobago and Grenada. No significant damage was reported from these countries.

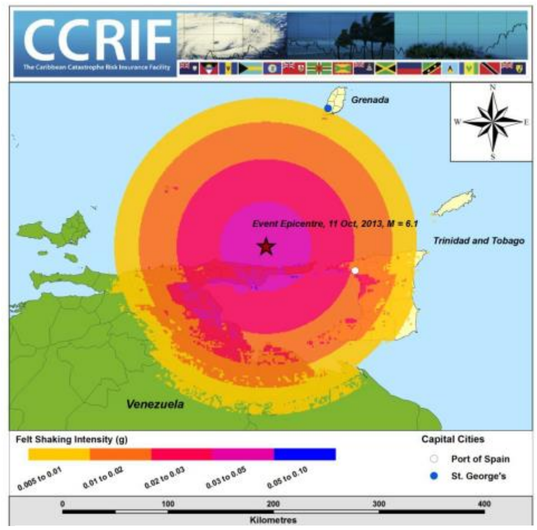


Figure 4: Map showing the distribution of felt shaking intensities following the Magnitude 6.1 earthquake on 11 October, 2013. ***Source: USGS & CCRIF/KAC MPRES***

CCRIF Model Performance – Payout Determination

Runs of the CCRIF loss model generated small government losses in the affected countries, which in both cases were below the country's earthquake policy trigger level and therefore no payout was due.

Barbados Earthquake February 2014

A magnitude 6.7 earthquake occurred at 09:27:13 UTC on 18 February 2014 east of Martinique. The epicentre was located approximately 186 km NNE of Bridgetown, Barbados and 210 km east of Le Francois, Martinique (Figure 5).

Reports from Barbados and Saint Lucia indicated that the shaking intensities ranged from II to IV on the Modified Mercalli Index.

Based on the MPRES footprint, the CCRIF member countries affected by the earthquake on 18 February 2014 were Barbados and Saint Lucia. No significant damage was reported from these countries.

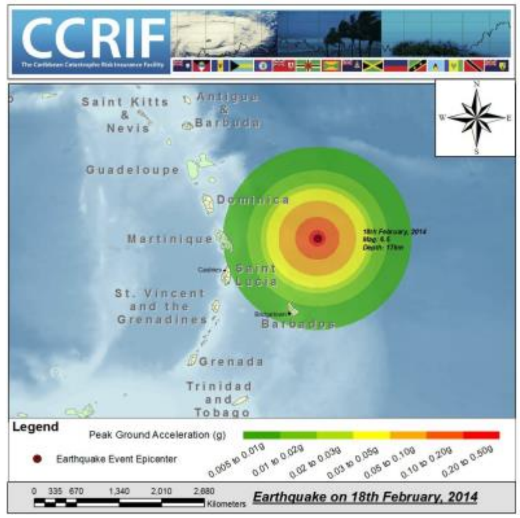


Figure 5: Map showing the peak ground acceleration following the magnitude 6.7 earthquake on 18 February 2014. Source: USGS & CCRIF KAC/MPRES

CCRIF Model Performance – Payout Determination

The CCRIF loss model generated small government losses in the affected countries, which in each case were below the country's earthquake policy trigger level and therefore no payout was due.

Antigua & Barbuda Earthquake May 2014

A magnitude 6.0 earthquake occurred at 11:01:42 UTC on 16 May 2014 east of Antigua and Barbuda. The epicentre was located 155 km east of Saint John's, Antigua & Barbuda.

Reports from Antigua and Barbuda and Dominica indicated that the shaking intensities ranged from II to IV on the Modified Mercalli Index (Figure 6).

CCRIF Model Performance – Payout Determination

The CCRIF loss model generated small government losses in the affected countries, which in each case were below the country's earthquake policy trigger level and therefore no payout was due.

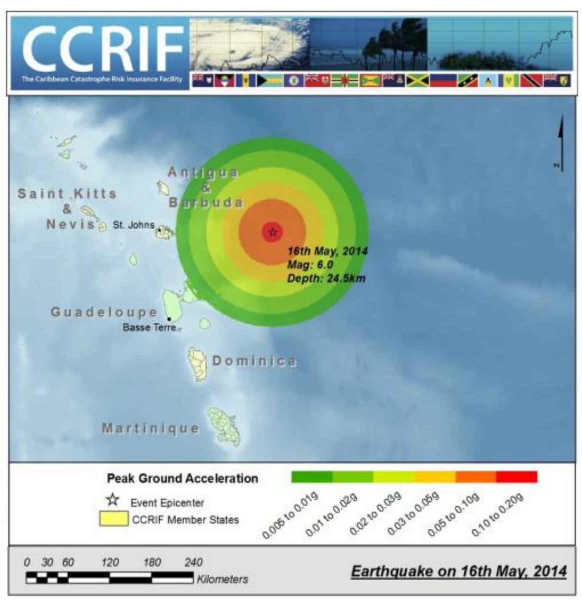


Figure 6: Map showing the peak ground acceleration following the magnitude 6.0 earthquake on 16 May 2014. Source: USGS & CCRIF KAC/MPRES

CCRIF PRODUCT DEVELOPMENTS

CCRIF Product Developments

CCRIF's product developments are aligned to two of its strategic objectives:

1. To provide products, services and tools responsive to the needs of the region
2. To enhance capacity for disaster risk management and climate change adaptation

CCRIF's primary focus is on ensuring that it meets the needs of current and potential future member countries. The Facility is continuously seeking to improve its products and services as well as to develop new initiatives of interest to stakeholders. CCRIF continues to offer its tropical cyclone and earthquake policies and now offers the new excess rainfall product to its member countries. The facility works with its members to define and select adequate coverage levels.

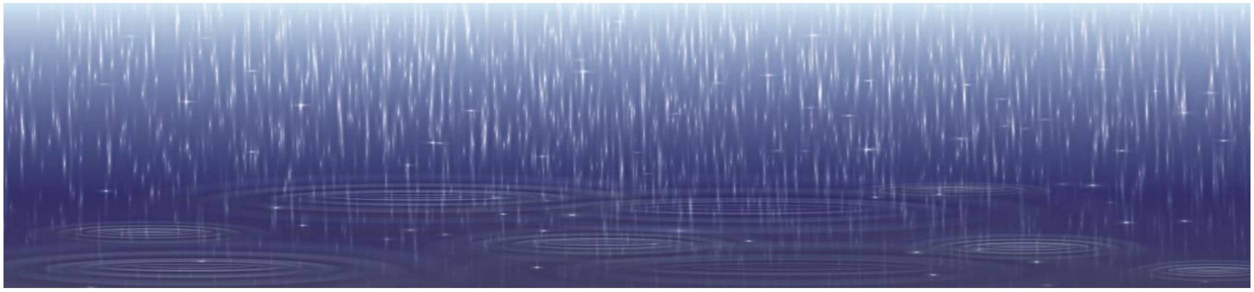
Also CCRIF has developed new parametric products targeted at meeting the specific needs of low-income, vulnerable persons and is also exploring expansion into Central America. To facilitate the new developments, CCRIF began the procedure to change its corporate structure to become a segregated portfolio company.

CCRIF's product developments for the 2013/14 policy year and operational support for these developments centred around the following areas:

- **Excess Rainfall Product**
- **Climate Risk Adaptation and Insurance in the Caribbean Project**
- **Real-Time Forecasting System**
- **Conversion into a Segregated Portfolio Company**
- **Expansion into Central America**

The progress on these areas is described below.

EXCESS RAINFALL PRODUCT



This year, eight countries indicated their intent to purchase the new Excess Rainfall product (see box below). The process to make this commitment included verification and finalisation of the rainfall risk profiles of these countries and finalisation of policy conditions. The country rainfall risk profile is used to conduct a rainfall risk analysis which, once agreed between CCRIF and each country, is used to structure and price different coverage options for the countries to examine and ultimately decide upon.

CCRIF Member Countries that have committed to purchasing the Excess Rainfall Product

Anguilla	Saint Lucia
Barbados	St. Kitts & Nevis
Dominica	St. Vincent & the Grenadines
Grenada	

This parametric product was developed in collaboration with Swiss Re and Kinetic Analysis Corporation and is based on available NASA-processed satellite rainfall data from the Tropical Rainfall Measurement Mission (TRMM)[1]. It is aimed primarily at extreme high rainfall events of short duration (a few hours to a few days).

The excess rainfall product is triggered independently of the current tropical cyclone product, which is based on wind and storm surge, and if both policies are triggered by a tropical cyclone event, then two separate payouts would be due. While the excess rainfall product can be triggered for a tropical cyclone, it can also be triggered in non-cyclonic systems if the rainfall trigger thresholds are met.

CCRIF continued discussions with other countries in the region to explore their interest in the excess rainfall product.

[1] TRMM is a research initiative undertaken by the US National Aeronautics and Space Agency (NASA) and the Japan Aerospace Exploration Agency (JAXA).

CLIMATE RISK ADAPTATION AND INSURANCE IN THE CARIBBEAN PROJECT

The Climate Risk Adaptation and Insurance in the Caribbean project is led by the Munich Climate Insurance Initiative (MCII) – hosted at the United Nations University Institute for Environment and Human Security (UNU-EHS). CCRIF, MicroEnsure and Munich Re partnered with MCII in implementing the project and are providing technical and other support. Funding for the project has been provided by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) under the International Climate Initiative (IKI). The project provides insurance coverage for Caribbean people who are severely impacted by extreme weather events.

Two products have been developed – the Livelihood Protection Policy (LPP) and the Loan Portfolio Cover (LPC). The LPP is a parametric insurance product available to low-income individuals for coverage against extreme weather events specifically, high winds and heavy rainfall, and the LPC is aimed at lending institutions such as credit unions and insurance companies.

Damage caused during December rainfall event in Saint

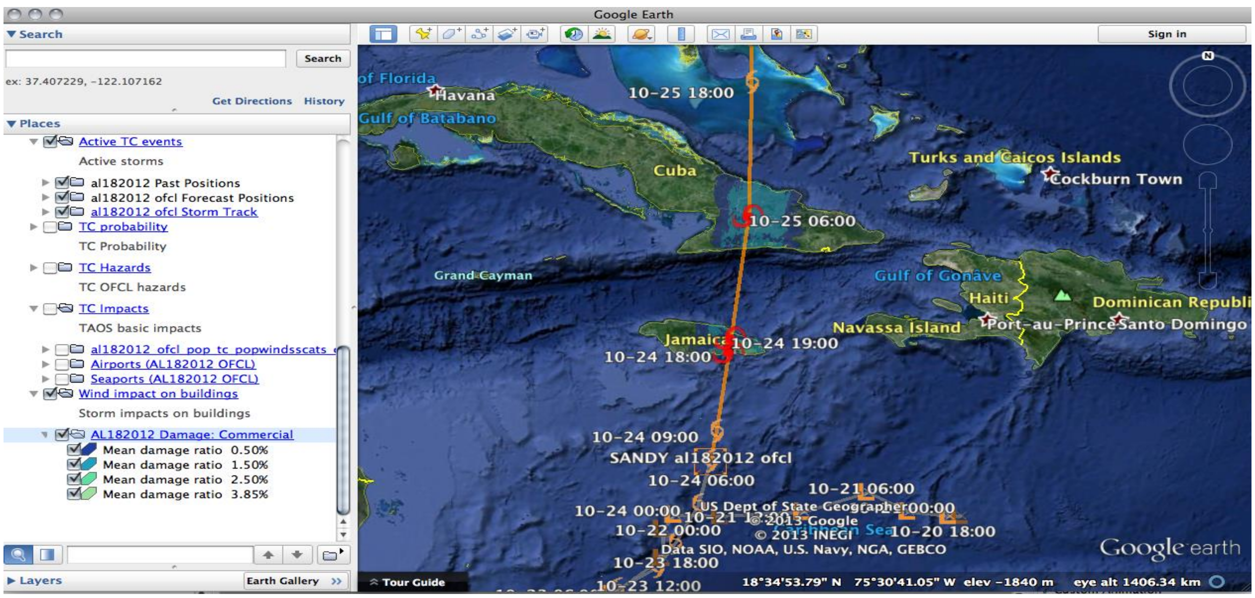
Policy holder, Mr. Walter Edwin (left) receiving the payout on his LPP from Mr. Severin Francois of EC Global Insurance Ltd.

Targeted at individuals, the LPP is designed to help protect the livelihoods of vulnerable low-income individuals such as small farmers and day labourers, by providing quick cash payouts following extreme weather events (high winds and heavy rainfall). Provided through local insurance companies and financial institutions, it is currently available in three pilot countries – Saint Lucia, Jamaica and Grenada – and as of 31 May 2014, 90 policies had been sold in Saint Lucia and 52 in the parish of St. Thomas, Jamaica. The product has already proven its value: in January 2014, the first LPP payouts were made to policy holders in Saint Lucia following an extreme rainfall event that occurred in the Eastern Caribbean in December 2013. Notification of the payouts was sent to policy holders via text message and payments were received within two weeks.

The second product – the LPC – complements the LPP and is targeted at financial institutions. It is a loan portfolio hedge for lending institutions that can help create a space of certainty for institutions with credit portfolios exposed to natural disaster risk. This effectively "insures" loan portfolios against climate risk so that investment can reach areas previously considered too risky for traditional lending. Discussions have taken place with the development banks in each of the three pilot countries and it is expected to be operationalised in the next year.

Discussions are taking place regarding finalisation of the LPC and increasing uptake of the LPP in the three original countries, beyond the end of the project in June 2014. Also, CCRIF is pursuing options for provision of both the LPP and the LPC to other Caribbean countries. To support the LPP product, CCRIF will continue to provide wind data to the calculation agent and will be assuming an advisory role. CCRIF will be the sole insurer selling and managing the LPC in the Caribbean and will also provide wind data to the calculation agent.

REAL-TIME FORECASTING SYSTEM



CCRIF makes the Real-Time Forecasting System (RTFS) available to member countries and other users at the beginning of the Atlantic Hurricane Season each year which starts on June 1 or when a storm becomes active within the designated CCRIF monitoring region. Developed by KAC, the CCRIF RTFS is a storm impact forecast tool which provides users with real-time hurricane hazard and impact information.

While all hurricane weather sites tell the user where the storm is heading, and how strong it is likely to be, the RTFS tells the user the impact the storm is likely to have when it gets there – in terms of: wind speed over land, storm surge and wave heights along the coast, total expected rainfall, number of people likely to be affected by wind speed category, expected general damage levels, and expected down-time for ports and airports.

Access to the RTFS

At the end of the year, the total number of persons with access to the RTFS was 304, including 23 new accounts created during the 2013 Atlantic Hurricane Season. Registered users included personnel from disaster management departments and meteorological offices, ministries of planning, tourism, agriculture and finance as well as a number of international development agencies working in countries across the region in disaster risk management.

Training in the Use of the RTFS

On 14 & 15 August 2013, CCRIF offered the course "Understanding and Using the CCRIF Real-Time Forecasting System" in partnership with the Caribbean Institute for Meteorology and Hydrology (CIMH), Kinetic Analysis Corporation and Caribbean Disaster Emergency Management Agency (CDEMA) via the CCRIF online training platform.

This course, which is offered annually, is designed to enable users to better understand the information and data produced by the RTFS; the role the RTFS can play in decisions affecting expected hazard levels from storms and impacts on populations; and the RTFS in relation to other similar forecasting tools.

Eighteen persons from eight countries participated in the training course, including officers from meteorology and disaster management offices, the Barbados Ministry of the Environment and Drainage, Cayman's Ministry of Finance, Tourism and Development and CDEMA's Programme Officer for Response and Recovery. A total of 137 persons have participated in the training during the three years since 2011 when this annual training course was offered for the first time.

All respondents rated the course as excellent or very good. They also indicated that the content of the course was very good, interesting, relevant and necessary. Furthermore, 100% of respondents indicated that they would use the RTFS in the coming year and some indicated that they would encourage their colleagues to do so as well.

RTFS Usage

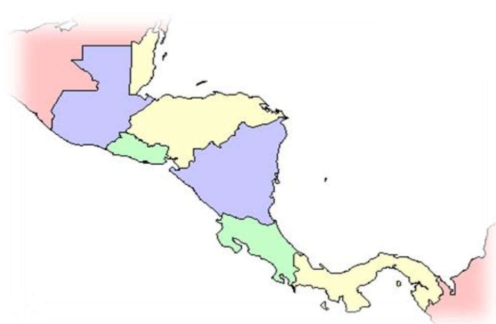
As noted above, there was relatively little tropical cyclone activity during the Atlantic Hurricane Season (June – November 2013). This year, the RTFS was accessed 29 times – most often from Jamaica (26 times) during Tropical Storm Chantal.

Conversion to a Segregated Portfolio Company

During this year, CCRIF began the procedure to change its corporate structure to become a segregated portfolio company. This structure will facilitate the expansion into new products and geographic areas. It allows for total segregation of risk, but still provides opportunities to share operational functions and costs. As new partnerships develop, CCRIF anticipates taking advantage of other opportunities to integrate programmes which would bring further cost savings.

Expansion into Central America

During this fiscal year, CCRIF participated in extensive discussions with COSEFIN, the Council of Ministers of Finance of the Central American political block, about possible expansion of CCRIF to include COSEFIN member countries. These discussions were coordinated by the US Department of Treasury with the support of the World Bank and the Inter-American Development Bank (IDB). Following an evaluation of the options available to COSEFIN countries, their Ministers of Finance requested that CCRIF move forward with a programme to expand the availability of parametric insurance products from CARICOM countries to include the members of COSEFIN.



In close consultation with CARICOM and the existing CCRIF participating governments, CCRIF executed a programme which included commissioning of KAC to expand the MPRES model footprint for earthquake and tropical cyclone hazards to include all of Central America, and planning for the formation of a segregated portfolio to house the risk taken on from the incoming Central American sovereign clients – as noted above.

Substantial outreach efforts were undertaken to build knowledge of CCRIF's products and services amongst the Central American countries and to raise capital from donors to provide financial stability to the Central America Segregated Portfolio. Letters of commitment were received by CCRIF from six of the seven COSEFIN countries, and it is anticipated that most, if not all, of these countries will become participants in CCRIF during the 2014/15 financial year or at the start of the following year.

The MPRES model expansion was completed in early 2014 and risk profiles were discussed with all COSEFIN countries. In most of these countries, detailed discussions on coverage options and pricing also took place. Current and potential new reinsurance markets were briefed on the MPRES model expansion and stand ready to provide support to the Central American Segregated Portfolio once it takes on risk.

PROGRAMMES, PROJECTS AND PARTNERSHIPS

PROGRAMMES, PROJECTS AND PARTNERSHIPS

Under Strategic Objective #2: "To enhance capacity for disaster risk management and climate change adaptation", CCRIF supports its members in the development and implementation of strategies for disaster risk management and adaptation to climate change. CCRIF also ensures that its support for disaster risk management in the region builds on existing mechanisms, institutions, tools and capacities.

Since 2009, CCRIF has been implementing a Technical Assistance (TA) Programme to support this objective. The TA Programme is designed to provide an ongoing mechanism for grant support within the Caribbean region for capacity building initiatives and the development and implementation of projects which have a strong potential for improving the effectiveness of risk management.

The Programme aims to help Caribbean countries deepen their understanding of natural hazards and catastrophe risk, and the potential impacts of climate change on the region. The programme has three components as shown in Figure 7.

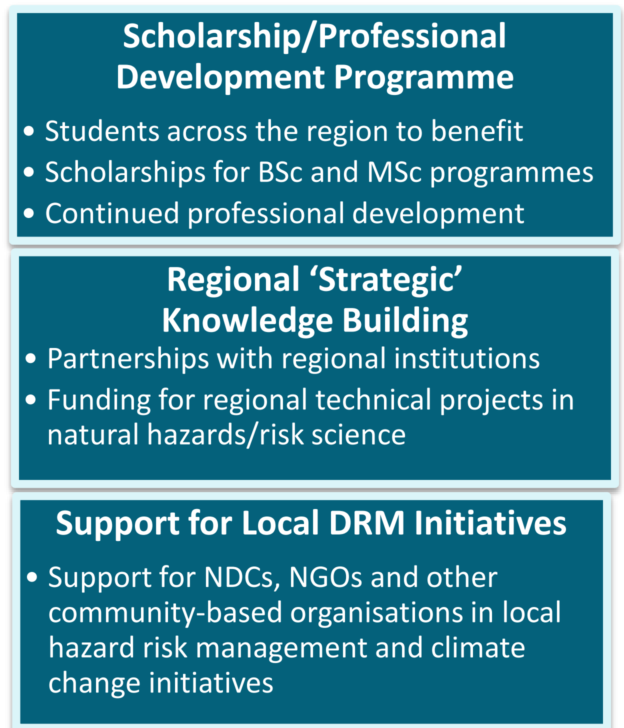


Figure 7: Components of the CCRIF Technical Assistance Programme

This section describes CCRIF's scholarship programmes and provides an update on CCRIF's partnerships with regional organisations. It also describes a special initiative that provided assistance to three countries that were affected by Hurricane Sandy in 2012.

SCHOLARSHIP/PROFESSIONAL DEVELOPMENT PROGRAMME

The CCRIF Scholarship and Professional Development Programme provides scholarships to students to attend the University of the West Indies (UWI) and other institutions in the Caribbean and outside the Region and also provides assistance for Caribbean professionals to participate in important conferences and meetings that enable them to effectively carry out their responsibilities.

CCRIF SCHOLARSHIP PROGRAMME

In March 2014, the CCRIF Board approved the "CCRIF Scholarship Programme" which provides up to four scholarships per year for study in masters programmes in approved fields at universities in the US, UK and Canada as well as at regional universities (other than UWI), starting in 2014/2015. This replaces the Extra-Regional Scholarship Programme which provided scholarships at institutions outside of the Caribbean. The CCRIF-UWI Scholarship Programme remains as a special collaboration between the two entities.

The CCRIF Scholarship Programme provides scholarships for citizens of CARICOM member countries and CCRIF member countries wishing to obtain a Masters degree in select areas related to disaster risk management at a university in the Caribbean, United Kingdom, United States or Canada. The areas eligible for the scholarships include:

- (Catastrophe) Risk Management
- Property/Casualty Insurance
- Meteorology
- Other hazard/disaster related disciplines
- MBA with a major in Risk Management and/or Insurance or a related field

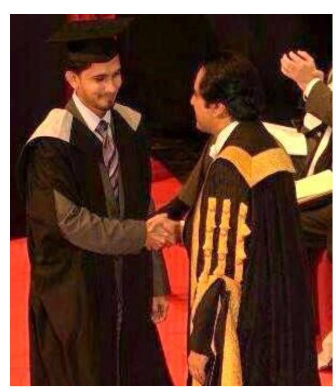
Scholarships are valued up to a maximum of US$40,000 (for extra-regional universities) or US$20,000 (for Caribbean institutions) and are awarded to applicants who demonstrate academic excellence, are involved in, or work in the field of risk/disaster management or sustainable development in the Caribbean and have a record of broader community involvement. All recipients of the scholarship are bonded to work in the Caribbean for a period of three years immediately after completion of their studies. Also, recipients of CCRIF scholarships undertake to conduct research for their thesis in areas that are of interest to CCRIF and its efforts to build capacity in disaster risk management in the Caribbean.

The 2013 extra-regional scholarship recipients were selected in July 2013. Thus far, four Caribbean nationals have been awarded scholarships – with a total value of US$178,612 – under the extra-regional scholarship programme:

- 2013 - Sean Hylton (Jamaica): MSc in Sustainability - Environment and Development, University of Leeds, UK
- 2013 - Germaine Maxwell (Saint Lucia): MSc in Risk Management, University of Southampton, UK
- 2012 - Mahendra Saywack (Guyana): MSc in Climate Change and Development, University of Sussex, UK
- 2012 - Annlyn McPhie (Grenada): Masters in Public Administration in Environmental Science and Policy, Columbia University, USA

Mr. Saywack and Ms. McPhie completed their studies in September 2013.

The current year's application process began in April 2014 and the successful applicants will be selected in July 2014.



On 29 January 2014 Mahendra Saywack received his degree of Master of Science with Distinction in Climate Change and Development from the University of Sussex

CCRIF-UWI Scholarship Programme

Through the CCRIF-UWI Scholarship Programme, CCRIF provides scholarships to undergraduate and post-graduate students who are pursuing study at the University in areas related to disaster management. In July 2013, the scholarship guidelines were revised to expand the scope of the scholarships – to include the Cave Hill (Barbados) campus and additional programmes of study. For the 2013/2014 academic year, scholarships worth a total of US$46,000 were provided to the students listed in Table 1 below.

Table 1: Recipients of CCRIF-UWI Scholarships for 2013/2014

Recipient/Country	Degree Programme & Campus
UWI Postgraduate Recipients	
Douglas Brown – Jamaica	MSc. Natural Resource and Environmental Management, Cave Hill, Barbados
Jodi-Ann Petrie – Jamaica	MSc. Natural Resource and Environmental Management, Cave Hill, Barbados
UWI Undergraduate Recipients	
Odaine Morgan – Jamaica	BSc. Meteorology/Earth Science, Cave Hill, Barbados
Sarah Buckland – Jamaica	BSc. Geography, Mona, Jamaica
Tristan Rhyon-Levorne Ashman – Jamaica	BSc. Civil with Environmental Engineering, St. Augustine, Trinidad & Tobago

Since the launch of the programme in 2010, CCRIF has provided a total of nineteen scholarships to students at the Mona (Jamaica), St. Augustine (Trinidad & Tobago) and Cave Hill (Barbados) campuses of the University with a total value of US$176,250.

In January 2014, CCRIF and UWI signed a Memorandum of Understanding which outlines the framework for the enhanced administration and management of the CCRIF-UWI Scholarship Programme.

Scholarship Support to the Government of Belize

In 2011, CCRIF provided two scholarships to the Government of Belize, for Michele Natalie Smith and Shanea Latoya Young, two meteorological officers at the National Meteorological Service to pursue studies for a Bachelor of Science degree in Meteorology to be undertaken at the University of West Indies, Cave Hill Campus, Barbados. This year, the two students entered their final year in the programme and were provided with the final tranche of funds.

This support to the Government of Belize was granted by CCRIF under its Technical Assistance Programme to fill a capacity gap caused by recent retirement of experienced professionals from the Meteorological Service.

CONTRIBUTIONS TO POST-HURRICANE SANDY RECOVERY

After the passage of Hurricane Sandy in October 2012, CCRIF engaged in discussions with Jamaica, Haiti and The Bahamas regarding support for recovery activities following the hurricane which affected these countries. CCRIF sought to supplement government and donor support for specific projects aimed at reducing risk at the community level in each of these three countries. Small-scale, community-level projects in Jamaica, Haiti and The Bahamas were identified by key stakeholders in each country to receive assistance from CCRIF. Updates on these projects are presented below.

JAMAICA

CCRIF made a donation of US$100,000 to the Government of Jamaica in January 2013 to support the rehabilitation of residential childcare facilities which were damaged by the hurricane. The Child Development Agency almost completed work at Muirton Boys Home on construction of a new kitchen, rehabilitation of external bathroom and construction of ramps for the disabled. Notably, the kitchen is the only concrete slab roof structure on the facility and will be resilient to hurricanes and storms.

Photos of the refurbished kitchen at Muirton Boys Home

Metal grill work, painting, ramp for the disabled with handrails

Kitchen cupboards and kitchen sink installed

Waterproofing Membrane installed on roof slab

HAITI

Following a review of appropriate post-Sandy disaster risk reduction projects compiled by the United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA), CCRIF provided a donation of US$115,305 in May 2013 to Fondation Amour de Dieu (FADA), a humanitarian non-governmental organisation in Haiti, for a project focusing on soil conservation of flooded arable lands around the Bainet River. Activities included constructing biological barriers for gullies, erecting fences on gently sloping slopes, planting fruit seedlings as well as forging relationships, increasing awareness of hazards and vulnerabilities and preventative actions/measures, thus building capacity and leadership within the community

The Bainet River Bank - before and after the project

THE BAHAMAS

In October 2013, CCRIF and the Government of The Bahamas signed a grant agreement for the provision of US$85,000 towards efforts to strengthen coastal defences damaged by Sandy. During this year, the Ministry of Transport and Works began the process to hire a contractor to construct a new sea wall at Sandyport Beach.

The eastern portion of the work site at Sandyport Beach

Partnerships and Strategic Alliances

CCRIF remains committed to developing and strengthening partnerships with key entities in the region through the development of Memoranda of Understanding (MoUs) and collaborative programmes to improve disaster risk management, increase climate resilience and reduce vulnerabilities in the Caribbean.

This year, CCRIF signed an MoU with the University of the West Indies regarding the CCRIF-UWI Scholarship Programme described earlier in the section on the scholarship/professional development programme.

CCRIF continued discussions with the Institution of Structural Engineers (IStructE) Caribbean Division regarding a possible partnership. The facility sponsored IStructE's annual conferences in 2010, 2011 and resumed sponsorship for the 2014 conference which was held in April. It is expected that this new partnership would work towards improving the standard of construction throughout the region.

Progress made with respect to CCRIF's partnerships with organisations in the region over the last year is described in Table 2. During this time, CCRIF worked with partner organisations to develop detailed work plans to facilitate the timely implementation of the MoUs and to begin implementing these work plans.

MEMORANDA OF UNDERSTANDING

At this time, CCRIF has MoUs with eight organisations:

- Caribbean Community Climate Change Centre – CCCCC
- Caribbean Disaster Emergency Management Agency – CDEMA
- Caribbean Institute for Meteorology and Hydrology – CIMH
- Inter-American Development Bank – IDB
- Organisation of Eastern Caribbean States – OECS
- United Nations Economic Commission for Latin America and the Caribbean – UNECLAC
- University of the West Indies – UWI
- University of the West Indies Seismic Research Centre – UWI SRC

Table 2: Progress of MoUs in the 2013/2014 Policy Year

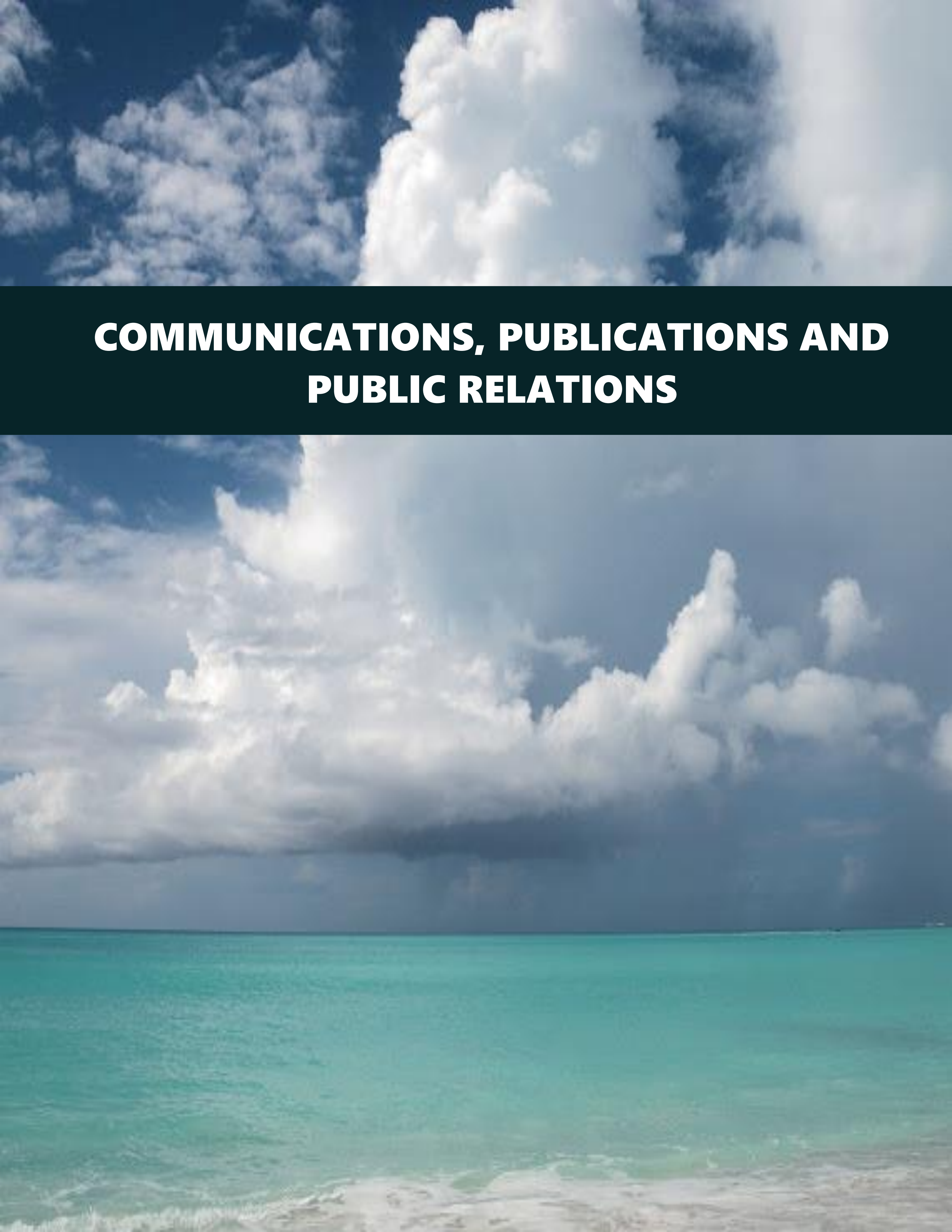
Partner	Progress in 2013/14 Policy Year
CCCCC Caribbean Community Climate Change Centre	• Activities implemented within the IDB MoU regarding the Economics of Climate Adaptation (ECA) study in Trinidad & Tobago complemented CCCCC's interests. The work plan remains under discussion.
CDEMA Caribbean Disaster Emergency Management Agency	• A new MoU was developed by CDEMA and CCRIF and signed on 5 November 2013. This agreement replaces the MoU between CCRIF and CDEMA signed in 2009. The new MoU is designed to strengthen and expand common or mutual efforts of the two organisations towards the promotion and facilitation of comprehensive disaster management within the Caribbean region, focusing on the advancement, development and implementation of disaster mitigation and resilience-building initiatives. CCRIF and CDEMA developed a draft work plan under the new MoU. • As part of its commitment under the MoU, CCRIF provided $25,000 to support the 8th Caribbean Conference on Comprehensive Disaster Management held in December 2013 in Montego Bay, Jamaica. • CCRIF and CDEMA are collaborating on the publication of a joint technical series on disaster resilience, disaster risk reduction (DRR) and disaster risk financing from papers presented at the 2013 Conference. • The CDEMA work programme includes the preparation of a concept paper on the country risk officer (CRO) and the hosting of a regional stakeholder forum on the CRO concept, which will be conducted in collaboration with the OECS. This workshop is expected to be conducted during the next fiscal year.
CIMH Caribbean Institute for Meteorology and Hydrology	• CIMH continued to support CCRIF in providing real-time hurricane hazard forecasts through the RTFS for member governments during the 2013 Atlantic Hurricane Season. CIMH collaborated with CCRIF, KAC and CDEMA to deliver online RTFS training to Caribbean nationals in the meteorological and disaster management sectors.

Partner	Progress in 2013/14 Policy Year
	• CIMH and CCRIF continued discussion on a revised MoU, which will replace the agreement signed in 2007.
IDB Inter-American Development Bank	• Through this MoU, CCRIF provides support to the Trinidad & Tobago ECA project funded by IDB, with CCRIF supporting the regional capacity building aspect.
OECS Organisation of Eastern Caribbean States	• The OECS work plan includes three areas of focus: building capacity of key stakeholders within OCES countries in the use of the CCRIF RTFS; identification and prioritisation of vulnerable communities and development of community disaster risk reduction action plans; and development of country risk officers to build capacity in understanding the risks faced by OECS countries. • Deliverable 1, "Usage of the CCRIF RTFS in OECS Countries, 2010-2013", was prepared and an online RTFS training programme for OECS member countries and the OECS Secretariat is to be offered during the next quarter. • A workshop on risk management, including the introduction of the CRO concept will be conducted in collaboration with CDEMA in the next fiscal year.

UNECLAC
UN Economic Commission for Latin America and the Caribbean
	• CCRIF participated in a two-day workshop hosted by UNECLAC in February 2014 to review the first drafts of the reports that constitute Deliverables 1 & 2 from the work plan as follows:
	    ○ Evaluation of Post-Disaster Assessments
	    ○ Linking the DaLA to the PDNA
	• The final reports, which will incorporate stakeholder input from this workshop, will be provided by the UNECLAC consultants in next quarter.

UWI University of the West Indies	• In January 2014, CCRIF and UWI signed an MoU outlining the framework for the administration and management of the CCRIF-UWI Scholarship Programme. • Details of programme implementation are provided in the section on the Scholarship Programme.
UWI SRC University of the West Indies Seismic Research Centre	• The purpose of the MoU between SRC and CCRIF is to initiate a programme to establish and maintain a new Accelerometric Network in the Eastern Caribbean and Jamaica, through the deployment of 12 strong motion instruments in the Eastern Caribbean and Jamaica. • The remaining countries to be completed are Dominica, Saint Lucia, Saint Vincent and the Grenadines and Antigua.

COMMUNICATIONS, PUBLICATIONS AND PUBLIC RELATIONS



COMMUNICATIONS, PUBLICATIONS AND PUBLIC RELATIONS

CCRIF's Strategic Objective 4, "To deepen understanding and knowledge of catastrophe risk and the solutions CCRIF provides" focuses on facilitating and promoting informed decision making through communications and capacity development programmes and activities directed to its members, key stakeholders, policy makers and the general public.

The focus for 2013-2014 was on provision of materials to members to facilitate better understanding of CCRIF, timely reporting of CCRIF activities to stakeholders, maintenance and expansion of the capabilities of the CCRIF website to meet stakeholder needs, communication with the media and contribution to key regional and international events and publications related to disaster risk management and climate change.

CCRIF PUBLICATIONS AND PR

Over the policy year, CCRIF produced 11 publications including annual, semiannual and quarterly reports, newsletters and a booklet: "Understanding CCRIF Answers to Frequently Asked Questions". All CCRIF publications are available on the CCRIF website – www.ccrif.org.

Country Risk Profiles for the following seven member countries were published on the CCRIF website: Anguilla, The Bahamas, Bermuda, Cayman Islands, Dominica, St. Vincent and the Grenadines and Turks and Caicos Islands.

In November 2013, an article submitted by CCRIF – "The Hazard Landscape of Small States and the Role of Risk Transfer in Reducing Vulnerability to Natural Hazards" – was included in Disaster Digest 2013, published in the British Virgin Islands (BVI) Department of Disaster Management.

Also, CCRIF continues to be included in publications of a variety of organisations, mainly described as a good working model for disaster risk management and/or climate adaptation. In May 2014, Clear Path Analysis published *Insurance-Linked Securities for Institutional Investors 2014*, which includes CCRIF CEO Isaac Anthony's participation in a roundtable discussion on the future for insurance-linked securities.

CCRIF was included in publications and reports prepared by other organisations including the World Bank and the Munich Climate Insurance Initiative.

Coverage of CCRIF by the news media is as a result of press releases disseminated by CCRIF or partner organisations such as the World Bank, which often generate requests for information and interviews.

During the period 1 June 2013 to 31 May 2014, CCRIF was mentioned in various articles in the press and on organizations' websites/Facebook pages approximately 120 times. The focus of the press coverage was primarily on the Livelihood Protection Policy, the renewal of CCRIF members' policies for 2013/2014 and the 2014 Caribbean Scholarships, with some preliminary coverage of the proposed expansion of CCRIF to include Central American countries. Other articles promoted CCRIF as a good model for other regions.

St. Lucia's largest credit union offering Livelihood Protection Policy

The St. Lucia Civil Service Cooperative Credit Union – the country's largest credit union, has officially signed on to the Livelihood Protection Policy (LPP) through EC Global Insurance Company Limited. … This move has been described as a significant step in the right direction for the Livelihood Protection Programme in St. Lucia, and this will further improve accessibility to the product.

A number of insured persons in the north and south of the island recently benefited from the first-ever payout under the programme, following the Christmas Eve trough. … Severin Francois, assistant manager of Claims & Underwriting at EC Global Insurance, explained that the experience during the passage of the Christmas Eve Trough was a true reminder of the realities of climate change. He stressed the importance of taking decisive action to safeguard and protect livelihoods, societal and personal assets.

- St. Lucia News Online, 27 February 2014

Uniting Africa to face climate change

"Later this year, world leaders will gather in Warsaw for the United Nations' Climate Change Conference, and the agenda will include regional risk pools. Any effective mechanism for adapting to climate change needs to provide timely and reliable funding linked to weather events. Fundamentally this is an insurance proposition. The ARC and its Caribbean sister institution, the Caribbean Catastrophic Risk Insurance Facility (CCRIF), stand at the forefront of this effort."

- **Ngozi Okonjo-Iweala and Richard Wilcox - "This is Africa" series in *Financial Times* August 14, 2013**

Ngozi Okonjo-Iweala is Nigeria's Minister of Finance and Dr. Richard Wilcox is Interim Director General of the African Risk Capacity

CCRIF WEBSITE

CCRIF's Strategic Objective, "To Deepen Understanding and Knowledge of Catastrophe Risk and the Solutions CCRIF Provides" aims to facilitate and promote informed decision making among its members, key stakeholders, policy makers, and the general public towards deepening the understanding of catastrophe risk and solutions. The CCRIF website is an important tool used to support this objective. Two metrics have been chosen to measure the effectiveness of the website: total # visits on CCRIF website and # visits on specific pages of website on disaster management topics.

During this fiscal year, the CCRIF website was accessed 13,190 times from 156 countries. This represents a slight (2.6%) increase over the last policy year when it was accessed 12,859 times. The country with the most visitors was the United States, with approximately 22% of the total visits. The Caribbean country which accessed the site most often was Jamaica, with almost 10% of the visits.

Figure 8 shows the pages that were accessed most often during the year, indicating the number of visits to each page.

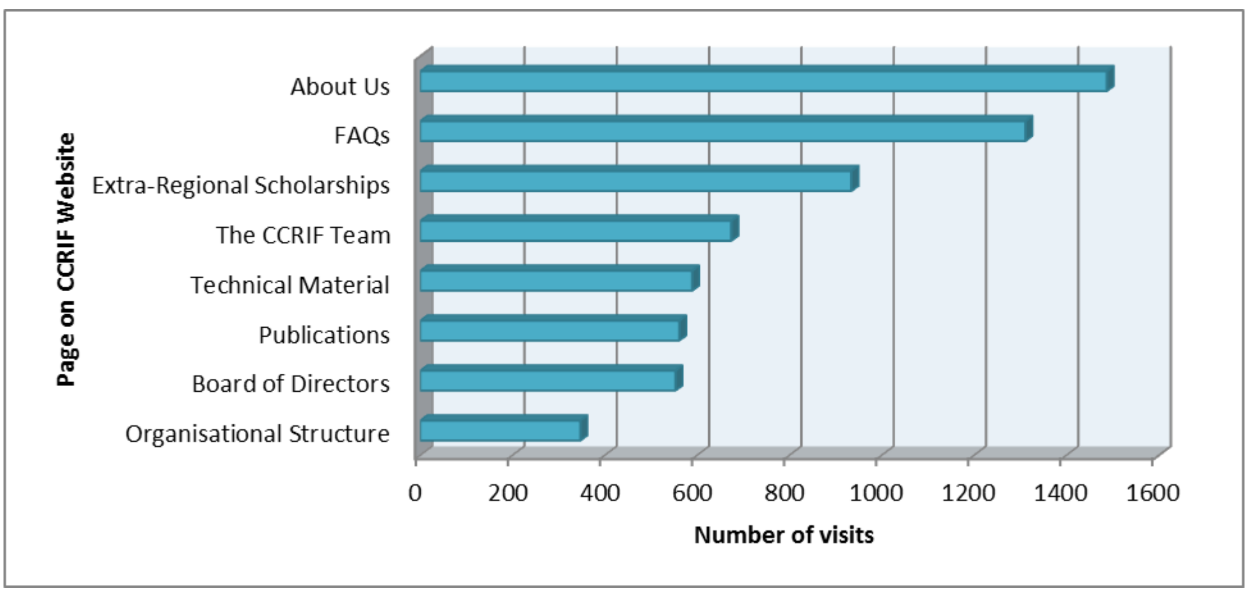


Figure 8: Visits to various pages on the CCRIF website for FY June 2013 – May 2014

CONFERENCES AND FORA

During this policy year, CCRIF was a sponsor of two events and members of the CCRIF Board and Team participated in conferences and meetings hosted by various regional and international organisations to share information about the facility and also to participate in discussions related to disaster risk management and climate adaptation in the Caribbean as well as other regions in the world.

CCRIF contributed US$25,000 towards the 8th Caribbean Conference on Comprehensive Disaster Management on 2-5 December 2013 in Montego Bay, Jamaica hosted by CDEMA and Jamaica's Office of Disaster Preparedness and Emergency Management (ODPEM). CCRIF has sponsored this annual conference for the past six years as part of the terms of the CCRIF-CDEMA MoU. CCRIF participated in the exhibition, showcasing CCRIF materials and conducting informal discussions with donors, disaster managers, media and other stakeholders regarding the facility and its products and services.

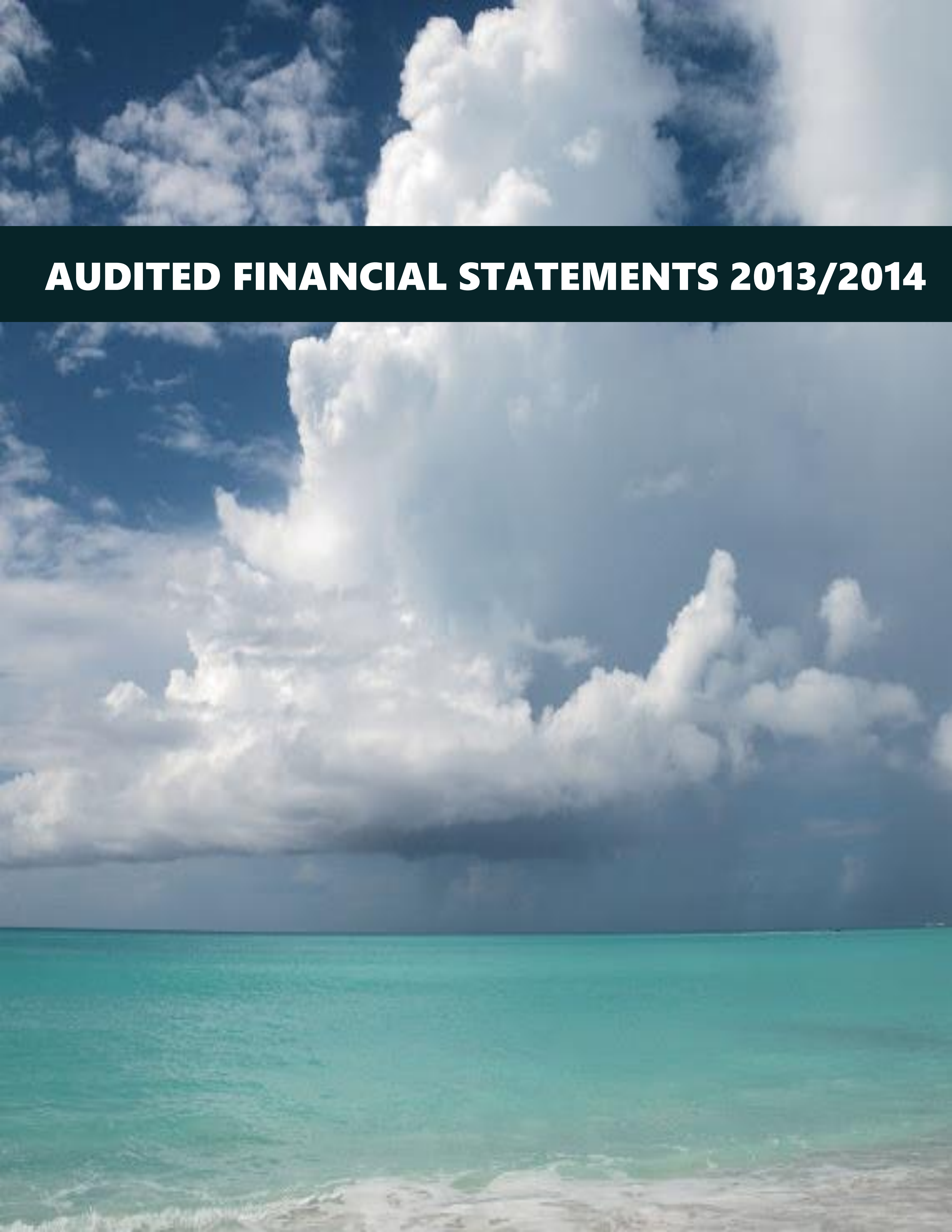
CCRIF provided US$10,000 to the Institute of Structural Engineers (IStructE) Caribbean Regional Group for its 7th Technical Conference held on 24-25 April 2014 in Port-of-Spain, Trinidad. The CCRIF funds facilitated the attendance of fifteen engineers and three student engineers.

CCRIF CEO, Mr. Isaac Anthony participated in a number of meetings to discuss the expansion of CCRIF to include Central American countries. Discussions focused on CCRIF and the opportunity to enhance access for Caribbean and Central American countries to affordable and high quality seismic and climate sovereign catastrophe risk coverage. These meetings included:

- Meeting of the **CARICOM Council for Finance and Planning** (COFAP) in St. Vincent and the Grenadines, seeking support from COFAP - February 2014
- Meeting on **Caribbean and Central America Partnership for Catastrophe Risk Insurance**, held during World Bank-International Monetary Fund Spring Meetings - April 2014. Other participants included representatives of the World Bank, US Department of the Treasury, CARICOM and COSEFIN.
- Meeting of **Caribbean Central America Action** (CCAA) in collaboration with the Embassy of the Dominican Republic in Washington DC, USA - 21 May 2014

Other key meetings in which CCRIF participated included the Third Global Biennial Conference on Small States, and a workshop on the ECA study in Trinidad and Tobago hosted by IDB.

AUDITED FINANCIAL STATEMENTS 2013/2014



CCRIF SPC

(Formerly CARIBBEAN CATASTROPHE RISK INSURANCE FACILITY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2014

CCRIF SPC

(Formerly CARIBBEAN CATASTROPHE RISK INSURANCE FACILITY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2014

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of CCRIF SPC

We have audited the accompanying consolidated financial statements of CCRIF SPC and its subsidiary (the "Group"), which comprise the consolidated balance sheet as at May 31, 2014, and the consolidated statements of income, changes in shareholder's equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CCRIF SPC and its subsidiary as at May 31, 2014, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers

September 11, 2014

PricewaterhouseCoopers , 5th Floor Strathvale House, P.O. Box 258, Grand Cayman, KY1- 1104, Cayman Islands, T: +1 (345) 949 7000, F: +1 (345) 949 7352, www.pwc.com/ky

CCRIF SPC

(Formerly CARIBBEAN CATASTROPHE RISK INSURANCE FACILITY)

CONSOLIDATED BALANCE SHEET

(Expressed in United States dollars)

	May 31, 2014	May 31, 2013
ASSETS		
Cash and cash equivalents (Note 4)	$ 5,711,626	$ 2,005,966
Investments, at fair value (Cost $120,854,859 (2013: $117,101,187)) (Note 5)	124,215,339	119,929,065
Unrealized gains on forward contracts (Note 10)	175,945	449,465
Due from investment broker (Note 20)	568,691	915,768
Development costs (Note 18)	199,000	300,585
Accrued interest	1,045,346	1,181,008
Prepaid expenses	215,047	218,863
Amounts due from Donor Funds (Note 6)	66,948	68,802
Total assets	$ 132,197,942	$ 125,069,522
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities		
Accounts payable and accrued expenses (Note 7)	$ 567,648	$ 563,404
Income from parametric contracts received in advance (Note 8)	2,475,000	600,000
Participation fee deposits (Note 9)	13,830,008	14,549,716
Total liabilities	16,872,656	15,713,120
Shareholder's equity		
Share capital (Note 11)	1,000	1,000
Non-voting redeemable preference shares (Note 11)	3	-
Share premium (Note 11)	119,000	119,000
Special reserve (Note 11)	-	5,068,170
Technical assistance reserve (Note 11)	-	370,455
Retained earnings	115,205,283	103,797,777
Total shareholder's equity	115,325,286	109,356,402
Total liabilities and shareholder's equity	$ 132,197,942	$ 125,069,522

Approved for issuance on behalf of the Board of Directors of CCRIF SPC by:

Milo Pearson	September 11, 2014
Director	Date
Desiree Cherebin	September 11, 2014
Director	Date

The accompanying notes are an integral part of these consolidated financial statements.

CCRIF SPC

(Formerly CARIBBEAN CATASTROPHE RISK INSURANCE FACILITY)

CONSOLIDATED STATEMENT OF INCOME

(Expressed in United States dollars)

	Year ended May 31, 2014	Year ended May 31, 2013
Operating income		
Income from parametric insurance contracts (Note 2)	$ 19,526,232	$ 20,272,680
Discounts awarded on parametric insurance contracts (Note 2 & 11)	(5,068,170)	(5,010,878)
Expenses on parametric reinsurance contracts (Note 2)	(9,307,450)	(10,400,000)
Net income on parametric contracts	5,150,612	4,861,802
Ceding commissions on parametric reinsurance contracts	367,750	417,500
Total operating income	5,518,362	5,279,302
Operating expenses		
Claims paid on parametric insurance contracts (Note 13)	-	-
Brokerage and facility supervisor fees	714,212	863,777
Total operating expenses	714,212	863,777
Net operating income	4,804,150	4,415,525
Other income and expenses		
Investment income (Note 14)	3,083,093	6,112,478
Income from Donor Funds (Note 6)	191,115	354,709
Amortisation of development costs (Note 18)	(171,585)	(205,540)
Technical assistance expenses	(509,977)	(476,162)
Contribution to Relief Efforts	-	(300 305)
Central American Initiative (Note 12)	(118,107)	-
Administrative expenses (Notes 15 and 16)	(1,309,808)	(1,199,707)
Net income for the year	$ 5,968,881	$ 8,700,998

The accompanying notes are an integral part of these consolidated financial statements.

CCRIF SPC

(Formerly CARIBBEAN CATASTROPHE RISK INSURANCE FACILITY)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

(Expressed in United States dollars)

	Share Capital	Non-voting redeemable preference shares	Share premium	Special reserve	Technical assistance reserve	Retained earnings	Total
Balance at May 31, 2012	$ 1,000	$ -	$ 119,000	$ 5,010,878	$ 846,617	$ 94,677,909	$ 100,655,404
Transfer to reserves	-	-	-	5,068,170	-	(5,068,170)	-
Net income for the year	-	-	-	-	-	8,700,998	8,700,998
Utilization of reserves	-	-	-	(5,010,878)	(476,162)	5,487,040	-
Balance at May 31, 2013	1,000	-	119,000	5,068,170	370,455	103,797,777	109,356,402
Issuance of shares	-	3	-	-	-	-	3
Net income for the year	-	-	-	-	-	5,968,881	5,968,881
Transfer from reserves	-	-	-	(5,068,170)	(370,455)	5,438,625	-
Balance at May 31, 2014	$ 1,000	$ 3	$ 119,000	$ -	$ -	$ 115,205,283	$ 115,325,286

The accompanying notes are an integral part of these consolidated financial statements.

CCRIF SPC

(Formerly CARIBBEAN CATASTROPHE RISK INSURANCE FACILITY)

CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in United States dollars)

	Year ended May 31, 2014	Year ended May 31, 2013
Operating activities		
Net income for the year	$ 5,968,881	$ 8,700,998
Adjustments to reconcile net income to net cash from operating activities:		
Adjustment for items not affecting cash:		
Participation fee deposits used towards income from parametric contracts*	(719,708)	(1,308,796)
Change in net fair value of investments	(532,602)	(681,345)
Net realized gains on investments	(1,715,769)	(2,782,257)
Change in unrealized loss on derivative instruments	273,520	179,403
Amortisation of development cost	171,585	205,540
Trading Securities:		
Purchase of securities	(111,825,797)	(105,000,831)
Proceeds from sale of securities	110,351,560	91,025,114
Net movement in short term investments	(563,663)	1,015,948
Due from/to broker	347,077	(930,870)
Changes in assets and liabilities:		
Accrued interest	135,662	(13,678)
Amounts due from Donor Funds	1,854	31,816
Accounts payable	4,244	123,151
Income from parametric contracts received in advance	1,875,000	(887,500)
Prepaid expenses	3,816	(197,859)
Net cash provided by / (used in) operating activities	3,775,660	(10,521,165)
Investing activities		
Development costs	(70,000)	(164,865)
Net cash used in investing activities	(70,000)	(164,865)
Net change in cash and cash equivalents	3,705,660	(10,686,031)
Cash and cash equivalents at the beginning of year	2,005,966	12,691,997
Cash and cash equivalents at the end of year	$ 5,711,626	$ 2,005,966
Interest and dividends received	$ 3,896,820	$ 4,182,190

*Non-cash decrease in participation fee deposits offset against income recoverable from parametric contracts (Note 9).

The accompanying notes are an integral part of these consolidated financial statements.

1. Incorporation and principal activity

The Company was incorporated as Caribbean Catastrophe Risk Insurance Facility on February 27, 2007 under the laws of the Cayman Islands and obtained an insurance licence under the provisions of the Cayman Islands Insurance Law on May 23, 2007. On May 27, 2014 the Company re-registered as a Segregated Portfolio Company under the name of CCRIF SPC. The Company's sole shareholder is Mourant Ozannes Corporate Services (Cayman) Limited as trustee (the "Trustee") of the CCRIF Star Trust (the "Trust").

The Company also owns all of the beneficial interests in the Global Managed (7) $ Fund (the "Investment Fund" or "Subsidiary") (a Segregated Portfolio of London & Capital Satellites SPC). Accordingly, the Company consolidates the results of the Investment Fund within these financial statements. The purpose of the Investment Fund is to conduct part of the investment activities of the Company. The Company and the Investment Fund are collectively referred to as "the Group" in these consolidated financial statements.

The principal activity of the Group, through the establishment of various segregated portfolios (the "Segregated Portfolios"), is to provide catastrophe risk coverage through parametric insurance contracts, specifically relating to tropical cyclones, earthquakes and excess rainfall ("Acts of Nature"), to certain Caribbean countries ("Participating Countries").

As of May 31, 2014, the Group as a whole comprises the general assets (the "Core"), composed of the assets and liabilities of the Group, which are not held in Segregated Portfolios. Additionally, at May 31, 2014, the following Segregated Portfolios had been established but had not commenced operations and accordingly held no segregated assets or liabilities:

- Caribbean EQ/TC SP
- Caribbean XSR SP
- Loan Portfolio Cover SP

See Note 21 regarding the subsequent events relating to the capitalisation and commencement of operations for these Segregated Portfolios.

In accordance with the relevant Cayman Islands laws, the assets and liabilities of the Segregated Portfolios are required to be kept separate and segregated from the assets and liabilities of the Core. Further, the assets and liabilities of each Segregated Portfolio are required to be kept segregated, separate and separately identifiable from the assets and liabilities of any other Segregated Portfolio. In the case of insolvency with respect to the Group's general business activities, creditors will be entitled to recourse only to the extent of the assets of the Core. In the case of insolvency with respect to or attributable to a particular Segregated Portfolio, creditors will be entitled to have recourse only to the assets attributable to such Segregated Portfolio; such a claim shall not extend to the assets attributable to the Core or any other Segregated Portfolio.

These financial statements reflect the assets and liabilities of the Group, which are not held in Segregated Portfolios, and the related income and expenses arising from the activities and transactions of the Group not attributable to any of the Segregated Portfolios. At May 31, 2014, the Segregated Portfolios had not commenced operations, nor been capitalised, accordingly there were no assets or liabilities held within Segregated Portfolios at May 31, 2014.

2. Parametric contracts

Each Participating Country determines the level of aggregate coverage and attachment points which are then used to determine their individual premiums. Claims are based on model-derived estimates of government losses generated using a pre-defined and escrowed catastrophe loss model and input data regarding the nature of each physical hazard event, as set out in the "Claims Procedures Manual" (hereinafter the "Claim Payout") and not with reference to actual losses incurred by the respective Participating Countries. Accordingly, Claim Payouts are not triggered by actual losses but rather the occurrence of the specified Acts of Nature within the defined policy parameters. For the 2013/14 policy year (which terminated on May 31, 2014), the combined aggregate coverage limits for all Participating Countries were $368 million (2013: $372 million) for tropical cyclones events and $251million (2013: $254 million) for earthquake events, respectively.

The Group has ceded layers of this exposure to commercial reinsurers and the International Bank for Reconstruction and Development ("IBRD"). The following is a summary of the coverage in the program for the period up to May 31, 2014:

- The Group retains all losses up to $25 million (2013: $25 million).
- 50% (2013: 100%) of the next $5 million (2013: $5 million) of losses are reinsured with 10 (2013: 8) reinsurers with an A.M. Best rating of at least A for 9 of the reinsurers (2013: 8). The Group retains 50% (2013: Nil%) of losses in this layer.
- 100 % (2013: 100%) of the next $30 million (2013: $35 million) of losses are reinsured with 10 (2013: 8) reinsurers with an A.M. Best rating of at least A for 9 of the reinsurers (2013: 8). The Group retains Nil% (2013: Nil%) of losses in this layer.
- The next $75 million (2013: $80 million) of losses are ceded 80% to 9 (2013: 62.50% to 8) commercial reinsurers with an A.M. Best rating of at least A for 8 of the reinsurers (2013: 8), and 20% (2013: 37.50%) to IBRD.
- The Group retains all subsequent losses above $135 million (2013: $145 million). The modelled probability of a loss reaching this layer has been indicated to be a 1-in-526 year loss event.

Losses are determined in accordance with the formulae set out in the contracts and are recorded as an expense on occurrence of a covered event. At May 31, 2014 and 2013, there were no unpaid losses.

3. Significant accounting policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and are stated in United States dollars. A summary of the significant accounting and reporting policies used in preparing the accompanying consolidated financial statements is as follows:

Basis of preparation: The financial position, results of operations and cash flows of the Company and Subsidiary have been included in these consolidated financial statements. All material balances and transactions (and related gains/losses) between the Company and the Subsidiary have been eliminated upon consolidation.

Management estimates and assumptions: The preparation of consolidated financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates.

3. Significant accounting policies (continued)

Cash and cash equivalents: Cash and cash equivalents comprise of call accounts with the Group's banker and investment custodians, and fixed deposits with original maturities of three months, or less, recorded at amortised cost.

Investments: Investments consist of investments in equities, exchange-traded funds, retail mutual funds, corporate debt securities, sovereign debt securities and short-term investments. The Company trades these investment securities with the objective of generating profits on short-term differences in market prices; accordingly, the Group classifies its investments as trading securities.

The fair value of exchange-traded funds is based on quoted market prices. The fair value of equity and fixed income securities are determined based on quoted market prices and/or prices determined using generally accepted pricing models as provided by the Group's investment manager and custodian. The fair value of the retail mutual funds is based on the daily net asset values provided by fund administrators.

Unrealized gains and losses on investments are recorded as a change in fair value in the Consolidated Statement of Income. Realized gains and losses on investments are determined on the specific identification method and are credited or charged to the Consolidated Statement of Income.

Interest and dividend income is recorded on the accruals basis.

Forward and futures contracts: The Group permits its investment managers to invest, within prescribed limits, in financial exchange traded futures contracts for managing the asset allocation and duration of the fixed income portfolio. Initial margin deposits are made upon entering into futures contracts and can be made either in cash or securities. During the period the futures contracts are open, changes in the value of the contracts are recognized as unrealized gains or losses by "marking-to-market" on a daily basis to reflect the market value of the contracts at the end of each day's trading. Variation margin payments are made or received, depending upon whether unrealized losses or gains are incurred. When the contracts are closed, the Group records a realized gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the Group's basis in the contracts. Futures contracts are valued based on exchange traded prices.

The Group also permits its investment managers to invest in forward foreign exchange contracts to hedge or obtain exposure to foreign currency fluctuations in its securities which are denominated in currencies other than the U.S. dollar. These contracts are also valued daily using the "marking-to-market" method and are recognized in the balance sheet at their fair value, being the unrealized gains or losses on the contracts as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date. Open forward and futures contracts are valued using Level 2 and Level 1 inputs (as defined in the accounting policy below), respectively.

Realized gains and losses and movement in unrealized gains and losses on both futures and foreign currency forward contracts are recorded as a component of investment income in the Consolidated Statement of Income.

3. Significant accounting policies (continued)

Credit default swaps (“CDSs”) and over-the-counter (“OTC”) options: The Group permits its investment managers to enter into CDSs to manage its exposure to the market or certain sectors of the market, to hedge or obtain exposure to or protection from defaults of underlying debt instruments. OTC options are purchased or written to hedge against or obtain exposure to changes in the value of equities. CDSs and OTC options are generally valued based on estimates provided by broker dealers or derived from proprietary/external pricing models using quoted inputs based on the terms of the contracts. Net realized gains or losses are recorded with respect to periodic interest payments made or received on CDSs. Movement in unrealized gains and losses on CDSs and OTC options are recorded as a component of investment income in the consolidated statements of income. Open CDSs and OTC options are valued using Level 2 inputs (as defined in the fair value measurements accounting policy below).

Other Options and Warrants: The Group permits its investment managers to purchase exchange-traded options and warrants to hedge against or obtain exposure to changes in equity price. When an option or warrant is purchased, an amount equal to the premium paid is recorded as an investment and is subsequently adjusted to the current market value of the option or warrant purchased. Premiums paid for the purchase of options or warrants which expire unexercised are treated by the Group as realized losses on derivative contracts. If a purchased put option is exercised, the premium is subtracted from the proceeds of the sale of the underlying security, foreign currency or commodity in determining whether the Group has realized a gain or loss on derivative contracts. If a purchased call option or warrant is exercised, the premium increases the cost basis of the security, foreign currency or commodity purchased by the Group. Movement in unrealized gains and losses on other options and warrants are recorded as a component of investment income in the consolidated statements of income. Open options and warrants are valued using Level 2 inputs (as defined in the fair value measurements accounting policy below).

Fair value measurements: US GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under US GAAP are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Group has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors for debt securities. The fair value of investments in common stocks and exchange-traded funds is based on the last traded price. The Group uses the Net Asset Values (“NAV”) to estimate the fair value of its investments in non-exchange traded mutual funds. Investments in debt securities are valued based on observable inputs for similar securities and may include broker quotes.

3. Significant accounting policies (continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Group's investment managers and custodians. The investment manager and custodian consider observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant markets.

The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the investment advisors' perceived risk of that instrument. Investments are initially recorded at cost on trade date (being the fair value at date of acquisition) and are subsequently revalued to fair value.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities, certain U.S. government and sovereign obligations, exchange-traded funds and certain short-term, investments. The investment manager does not adjust the quoted price for such instruments.

Investments that trade in markets that are considered to be less active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include certain sovereign obligations, most government agency securities, liquid corporate debt securities, certain mortgage products, state, municipal and provincial obligations and non-exchange traded mutual funds. As Level 2 investments include positions that may not be traded in active markets and/or may subject to transfer restrictions, valuations may be adjusted, generally based on available market information.

None of the Group's investments are classified within Level 3.

Income from Donor Funds: In accordance with the agreements described in Note 6, the Group record income from Donor Funds on an accruals basis when costs reimbursable under the grant agreements were incurred and for which the Company was reimbursed.

Income and expenses from parametric contracts: Amounts payable/receivable for claims under the parametric policies written and ceded by the Group does not correlate directly to the policyholder's incurred insurable loss (see Note 2 for details). Accordingly, these policies are not accounted for as insurance contracts within these consolidated financial statements.

Income from parametric contracts is initially recognized as a liability (reinsurance expense ceded: as an asset) and subsequently reported at fair value. All subsequent changes in fair value of the parametric contracts are recognized in earnings as income (reinsurance expenses) attributable to parametric contracts. The fair value of the contracts is determined based on management's best estimate of the discounted payouts (recoveries) resulting from the reasonably probable occurrence, magnitude and location of insured/reinsured events (based on historical trends and statistics) during the unexpired period of the contracts. At May 31, 2014 and 2013, there was no unexpired period on either the written or ceded parametric contracts; accordingly, the fair value of these instruments was $Nil and accordingly, all income and expenses on such contracts are recognized as income/expenses in the consolidated statements of income.

3. Significant accounting policies (continued)

Participation fee deposits: Participation fee deposits are paid by Participating Countries to enter the program. Deposits received are recorded as a liability in the financial statements. Participation fee deposits are recognized as income when:

- they are no longer refundable to the Participating Countries (see Note 9); and/or
- they are required to fund losses (see Note 9)

Deposits that are utilized to fund losses will be reinstated to the extent available from subsequent retained earnings up to the maximum amount of the initial deposits.

Foreign currency translation: Foreign currency assets and liabilities are converted to U.S. dollars at the rate of exchange prevailing at the balance sheet date. Transactions in foreign currencies are converted into U.S. dollars at the rate of exchange prevailing at the date of the transaction. Foreign exchange differences are included in the Consolidated Statement of Income in the year to which they relate.

Uncertain income tax positions: The authoritative US GAAP guidance on accounting for, and disclosure of, uncertainty in income tax positions requires the Group to determine whether an income tax position of the Group is more likely than not to be sustained upon examination by the relevant tax authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For income tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements, if any, is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. The application of this authoritative guidance has had no effect on the Group's financial statements.

Technical assistance reserve: Effective June 1, 2010, the Group commenced appropriating retained earnings to the technical assistance reserve. The amount to be credited to the reserve is established by the Company’s Board of Directors based on a discretionary percentage applied to the prior year’s investment income. The Company’s Board of Directors has the discretion to eliminate or modify the basis of the appropriation in the future if it deems appropriate. The reserve was set up to fund special research projects such as the economic climate adaptation projects, scholarships in the field of climatology, certain marketing activities and ad-hoc donations. When expenses deemed to be “technical assistance” are approved by the Company’s board and are incurred, a corresponding amount is transferred to retained earnings from the Technical Assistance reserve. During the year ended May 31, 2014 the directors discontinued the use of the technical assistance reserve and transferred the remaining reserve back to retained earnings.

Special reserve: Special reserve represented an appropriation from retained earnings as determined by the Directors. This reserve was, at the sole discretion of the Directors, released to retained earnings if and when premium discounts were granted to Participating Countries under the parametric contracts issued by the Company for the subsequent underwriting year. When such discounts were applied against premiums written, a corresponding amount was transferred from special reserve to retained earnings. During the year ended May 31, 2014 the directors discontinued the use of the special reserve and transferred the remaining reserve back to retained earnings.

Provision for uncollectible receivables: Management evaluates credit quality by evaluating the exposure to individual counterparties; where warranted management also considers the credit rating of financial position, operating results and or payment history of the counterparty. Management establishes provisions for amounts for which collection is considered doubtful. Adjustments for previous assessments are recognized as income in the year in which they are determined. No receivables are due in more than 12 months. At May 31, 2014 and 2013, no receivables were determined to be past due or impaired and, accordingly, no provision for doubtful collection has been established.

(Expressed in United States dollars)

3. Significant accounting policies (continued)

Development costs: Development costs are amounts capitalized with respect to the development of the second generation catastrophe loss model which became operational, effective June 1, 2010, upgrade to the second generation loss model which became operational subsequent to May 31, 2012 and the excess rainfall model which is expected to became operational in 2014. The Group amortises the development cost on a straight line basis over 10 years for loss models (and 3 years for model upgrades), (being management's best estimate of the expected useful life) from the date the respective models become operational.

Due from broker: Due from broker is recorded at cost and subsequently revalued for any impairment that management consider necessary in order to write down these balances to their realizable value. These balances represent net amounts receivable from the Investment Fund's broker for unsettled trades occurring at or around year end.

4. Cash and cash equivalents

Cash and cash equivalents comprise accounts held by two banks in the Cayman Islands and are managed within guidelines established by the Board of Directors.

5. Investments

The Group has engaged the services of London and Capital and EFG Bank to provide asset management services under the terms of the related investment management agreements.

The following tables summarize the Group's investments that are measured at fair value at May 31, 2014 and 2013:

	Fair Value Measurements Determined Using:			
	Level 1 inputs	Level 2 inputs	Level 3 inputs	Total
At May 31, 2014:				
Non-exchange traded mutual funds	$ -	$ 7,949,493	$ -	$ 7,949,493
Exchange-traded funds	510,220	-	-	510,220
Equity investments	8,867,283	-	-	8,867,283
Corporate debt securities	-	101,250,016	-	101,250,016
Sovereign debt securities	-	4,216,142	-	4,216,142
Short term investments	1,422,185	-	-	1,422,185
	$ 10,799,688	$ 113,415,651	$ -	$ 124,215,339
At May 31, 2013:				
Non-exchange traded mutual funds	$ -	$ 14,197,320	$ -	$ 14,197,320
Exchange-traded funds	809,800	-	-	809,800
Corporate debt securities	-	96,710,884	-	96,710,884
Sovereign debt securities	-	7,352,540	-	7,352,540
Short term investments	858,521	-	-	858,521
	$ 1,668,321	$ 118,260,744	$ -	$ 119,929,065

5. Investments (continued)

At May 31, 2014, the Group holds positions in 5 (2013: 6) non-exchange traded open ended mutual funds, incorporated in Ireland and Luxembourg. The objectives of the funds are primarily to maximise total return and capital growth by investing in, among other securities, short to long term fixed and floating-rate investment grade and non-investment grade debt securities, and other debt securities issued by issuers located in European countries and other wealthy nations. Management considers these funds to be relatively liquid as the funds process subscriptions and redemptions on a daily basis, subject to their respective terms and conditions. Under certain circumstances, the respective administrators of the mutual funds have the ability to suspend redemptions if it is considered to be in the best interests of the shareholder group (of the respective funds) as a whole. There are no unfunded commitments to these mutual funds.

At May 31, 2014, approximately 21% and 35% (2013: 22% and 31%) of the debt securities were issued by counterparties in the United Kingdom and the United States, respectively. Most of the remaining debt securities were issued by counterparties in various other European countries. Approximately 35% (2013: 37%) of the debt securities had a credit rating of A- or higher, 27% (2013: 33%) were rated higher than BBB, but lower than A-, 38% (2013: 30%) had a credit rating of lower than BBB or were not rated. The debt securities portfolio had an average maturity of approximately 4.1 years (2013: 5.3 years) from May 31, 2014. The company is exposed to foreign exchange risk on debt securities that corresponds to the jurisdiction of the issuing counterparties.

Included within investments are corporate debt securities with fair value of $2,004,117 (2013: $1,466,015) that have been pledged to cover margin requirements with respect to the forward contracts (see Note 3 and 10).

Short term investments consist of cash held with the investment managers, term deposits and margin call accounts (see Note 10). Also, short term investments, are primarily amounts denominated in British Pound Sterling of $112,109 (2013: $114,487) and Euros of $57,554 (2013: $221,787). The margin call accounts are restricted cash balances required to be posted with respect to the futures contracts (see Note 3 and 10).

6. Donor Funds

During the year ended May 31, 2014 the Company was involved in the Munich Climate Insurance Initiative ("MCII") donor trust fund.

The MCII is funded by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety. Under the agreement, the Company is eligible to receive funding up to €608,880 over the 3 year period to March 15, 2014 for reimbursable costs involving the time costs and travel expenses of the Facility Supervisor project team in partnership with MicroEnsure (an independent entity specialising in the development of micro-insurance programs) to perform market research and assess demand for new micro-insurance parametric products, specifically for community business groups and regional development banks.

During the year ended May 31, 2014, $191,115 (2013: $354,709) relating to Munich Climate Initiative Project Costs were reimbursed and/or reimbursable by the Donor Funds:

(Expressed in United States dollars)

6. Donor Funds (continued)

At May 31, 2014 and 2013, the following cost reimbursements were due from the Donor funds:

	2014	2013
Munich Climate Initiative Project Costs	$ 66,948	$ 68,802
Amounts due from Donor Funds	$ 66,948	$ 68,802

At May 31, 2014 the unutilized amount under the MCII grant was approximately €76,600 (2013: €215,080) that was available for future eligible expenditure.

7. Accounts payable and accrued expenses

Accounts payable comprises accruals for expenses at year end. Included within accounts payable is an amount of $10,227 (2013: $14,991) relating to technical assistance expenses incurred (see Note 3).

8. Income from parametric contracts received in advance

At May 31, 3014, income from parametric contracts received in advance represents amounts paid by five participating countries (2013: three) with respect to their 2014/15 policies during the year ended May 31, 2014.

9. Participation fees deposits

Participating fee deposits represent non-recurring amounts required to be paid by each Participating Country to enter the program. The deposits are equivalent to a proportion of the annual premiums written in respect of each Participating Country. It is Management's intent that participation fee deposits are available to fund losses in the event that funds from retained earnings and reinsurers are insufficient. If deposits are used to fund losses, it is also Management's intent that any subsequent earnings generated by the Group will be used to reinstate the deposits to their original carrying value; however, for the period from inception to May 31, 2014, no deposits have been used to pay losses. The participation fees are refundable, without interest, in the event that the Group does not renew the coverage to participating countries. Participation fees are not refundable if a Participating Country leaves the program for more than one year in any five year period, and would be recognized as income at that point. Participating Countries, who leave the program resulting in participation fees being voided, may, at the discretion of the Directors, be required to repay participation fees if they want to rejoin the program subsequently. Further, participation fees deposits are partially refundable when a Participating Country's premium is reduced due to a reduction in coverage purchased, to the extent of the revised annual premiums.

During the year ended May 31, 2011, the Board of Directors approved a modification to the participation agreements such that up to 50% of the participation fees deposits paid by the Participating Countries could be used towards their respective premiums and during the years ended May 31, 2013 and 2014, some Participating Countries elected to use a proportion of participation fee deposits to partially settle their premiums (refer to consolidated statements of cash flow for amounts).

(Expressed in United States dollars)

10. Derivative instruments

The Group uses derivatives for hedging purposes and for portfolio management. The Group transacts in a variety of derivative instruments including futures, forwards, swaps and options with each instrument's primary risk exposure being interest rate, credit, foreign exchange, equity or commodity risk. The fair value of these derivative instruments are included as separate line items in the consolidated balance sheets with changes in fair value reflected as net change in unrealized gains/(losses) on derivatives as a component of the investment income line item in the consolidated statements of income (see Note 13).

The following tables indicate the realized and unrealized gains and losses on derivatives, by contract type, as included in investment income in the consolidated statements of income (see Note 13).

For the year ended May 31, 2014:

	Gross realized gains	Gross realized loss	Total realized gains/(loss)	Change in unrealized gains/(loss)
Commodity contracts	$ 298,575	$(1,019,864)	$(721,289)	$ -
Equity contracts	1,205,365	(1,304,651)	(99,286)	-
Credit contracts	1,246,352	(798,413)	447,939	-
Foreign exchange contracts	1,314,183	(3,006,738)	(1,692,555)	(273,520)
Total	$ 4,064,475	$(6,129,666)	$(2,065,191)	$(273,520)

For the year ended May 31, 2013:

	Gross realized gains	Gross realized loss	Total realized gains/(loss)	Change in unrealized gains/(loss)
Commodity contracts	$ 187,664	$(1,246,093)	$(1,058,429)	$ -
Equity contracts	262,781	(508,658)	(245,877)	-
Credit contracts	236,543	(98,308)	138,235	-
Foreign exchange contracts	2,638,412	(2,620,754)	17,658	(179,403)
Total	$ 3,325,400	$(4,473,813)	$(1,148,413)	$(179,403)

Credit default swap transactions

The buyer of a CDS is generally obligated to pay the seller a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. Generally, a credit event for corporate or sovereign reference obligations means bankruptcy, failure to pay, obligation acceleration, repudiation/moratorium or restructuring. For CDSs on asset-backed securities, a credit event may be triggered by events such as failure to pay principal, maturity extension, rating downgrade or write-down. If a credit event occurs, the seller typically must pay the contingent payment to the buyer, which is typically the par value (full notional value) of the reference obligation, though the actual payment may be mitigated by terms of the agreement, allowing for netting arrangements and collateral. After a credit event occurs, this amount may be reduced by anticipated recovery rates, segregated collateral and netting arrangements that may incorporate multiple transactions with a given counterparty.

10. Derivative instruments (continued)

The contingent payment may be a cash settlement or a physical delivery of the reference obligation in return for payment of the face amount of the obligation. If the Group is a buyer and no credit event occurs, the Group may lose its investment and recover nothing. However, if a credit event occurs, the buyer typically receives full notional value for a reference obligation that may have little or no value. As a seller, the Group receives a fixed rate of income throughout the term of the contract, provided that no credit event occurs. If a credit event occurs, the seller may pay the buyer the full notional value of the reference obligation.

During the year ended May 31, 2014, where the Group was buying protection and where the Group was the seller of protection, the Group's maximum notional exposure at any one point in time was approximately $13m (2013: $32m) and $Nil (2013: $Nil) respectively. The notional amounts approximate the maximum potential amount of future payments that the Group could be required to make if the Group were the seller of protection (or receive if the Group were a buyer of protection) if the respective credit events were to occur. During the year ended May 31, 2014, the Group realized gains of $9,250 (2013: $Nil) and incurred losses of $189,071 (2013: $75,988) in CDS transactions.

As of May 31, 2014, the Group is the buyer ("receiving protection") on a total notional amount of $Nil (2013: $Nil) and is the seller ("providing protection") on a total notional amount of $Nil (2013: $Nil).

Credit default swaps are carried at their estimated fair value, as determined in good faith by management. In determining fair value, management considers the value provided by the counterparty as well as the use of third party vendors. In addition to credit quality, management monitors a variety of factors including cash flow assumptions, market activity, market sentiment and valuation as part of its ongoing process of assessing payment and performance risk. As payment and performance risk increases, unrealized appreciation is recognized for bought credit protection contracts and unrealized depreciation is recognized for sold credit protection contracts.

Forwards, futures and options

The exposures on derivative contracts are generally short-term as these contracts are settled or lapse within a short time frame. The positions held in foreign exchange contracts at May 31, 2014, are reflective of the average positions held in forward and futures contracts during the year. With respect to futures and option contracts, the maximum notional exposure at any one point in time during the year ended May 31, 2014 amounted to $24.9m (2013: $7.9m) and $26.5m (2013: $19.8m) respectively. There were no open futures or options contracts at May 31, 2014 and 2013.

(Expressed in United States dollars)

10. Derivative instruments (continued)

As at May 31, 2014, the Group had the following outstanding forward foreign currency contracts:

	Expiry date	Notional value	Fair Values
Euros forward (bought € sold US$)	June 2014	€650,000 (at forward rate of US$1.364513 : €1)	$ (7,135)
Sterling forward (bought £ sold US$)	June 2014	£350,000 (at forward rate of US$1.677196 : £1)	(2,987)
Sterling forward (bought £ sold US$)	June 2014	£300,000 (at forward rate of US$1.677196 : £1)	(1,252)
United States Dollars forward (bought US$ sold €)	June 2014	$1,497,397 (at forward rate of US$1.364513: €1	(3,567)
United States Dollars forward (bought US$ sold £)	June 2014	$1,350,064 (at forward rate of US$1.677196: £1	8,307
United States Dollars forward (bought US$ sold €)	June 2014	$7,590,715 (at forward rate of US$1.364513: €1	85,893
United States Dollars forward (bought US$ sold £)	June 2014	$12,927,238 (at forward rate of US$1.677196: £1)	96,686
			$ 175,945

As at May 31, 2013, the Group had the following outstanding forward foreign currency contracts:

	Expiry date	Notional value	Fair Values
Euros forward (bought € sold US$)	June 2013	€1,050,000 (at forward rate of US$1.296026: €1)	$ 4,689
United States Dollars forward (bought US$ sold €)	June 2013	$8,469,173 (at forward rate of US$1.296026: €1)	109,805
United States Dollars forward (bought US$ sold £)	June 2013	$15,646,365 (at forward rate of US$1.51598: £1)	334,971
			$ 449,465

(Expressed in United States dollars)

11. Share capital, share premium, special reserve and technical assistance reserve

	2014	2013
Authorized:		
50,000 shares of $1 each divided into:	$ 50,000	$ 50,000
1,000 voting ordinary shares		
49,000 non- voting redeemable preference shares		
Issued and fully paid:		
1,000 ordinary shares of $1 each	$ -	$ 1,000
1,000 voting ordinary shares of $1 each	1,000	-
3 non-voting redeemable preference shares of $1 each	3	-
Share premium	119,000	119,000
	$ 120,003	$ 120,000

(i) The holders of the general common shares are entitled to receive notice of, attend and vote at any general meeting of the Group.

(ii) The preference shares were authorised by the Group so that they can be used to establish the Segregated Portfolios. The preference shares are non-voting and redeemable in accordance with the specific terms of each of the Segregated Portfolio's shareholder agreements. Each Segregated Portfolio will have a separate class of preference shares. The proceeds from allotment and issue of each class of preference shares will be applied to the Segregated Portfolio established for that class and designated by reference to it. Subject to the Cayman Islands Companies Law, the assets and liabilities and income and expenditures attributable thereto shall be applied to each segregated portfolio (refer to Note 21). At May 31, 2014, no Segregated Portfolios had been established.

On May 27, 2014 upon conversion of the Company to a Segregated Portfolio Company, with the Memorandum and Articles of Association restated, the 1,000 issued ordinary shares of the Company were converted to 1,000 voting ordinary shares of the Segregated Portfolio Company to the Trustee and the Company also issued three non-voting redeemable preference shares to the Trustee (Note 21) to establish three Segregated Portfolios (see Note 1).

The share premium account represents the excess of the proceeds from issued share capital over the par value of the shares issued. The share premium account was established in accordance with the Cayman Islands Companies Law, which restricts the uses of these reserves.

Pursuant to the Company's Articles of Association, the Directors may declare and authorize payment of dividends out of profits of the Company. Payment of any dividends is subject to approval by the Cayman Islands Monetary Authority ("CIMA").

Under the Cayman Islands Insurance Law the Company is required to maintain a minimum and prescribed net worth of $100,000.

CIMA has statutory powers that enable it to use its discretion to require the Company to conduct its operations in accordance with general or specific conditions which may be imposed by CIMA or may be agreed between CIMA and the Company. Generally, such matters are set out in the Business Plan which the Company files with CIMA and, amongst others, includes reference to the risks assumed and retained by the Company, the funding and capitalization levels, and the Company's investment policies.

(Expressed in United States dollars)

11. Share capital, share premium, special reserve and technical assistance reserve (continued)

During the year ended May 31, 2014, the Directors discontinued the use of the special reserve previously used in connection with a 25% no claims discount proposed to be awarded to Participating Countries in future periods, and accordingly the reserve balance was transferred back to retained earnings during the year. Discounts are recognized in the income statement in the period which the discount is granted. During the year ended May 31, 2014, discounts of $5,068,170 (2013: $5,010,878) on parametric insurance contracts were granted to Participating Countries.

During the year ended May 31, 2014, the Directors discontinued the use of the technical assistance reserve, previously available for expenses of a "technical assistance" nature and accordingly the reserve balance was transferred back to retained earnings during the year. Technical assistance expenses are recognized in the income statement in the period which they are incurred.

12. Central American Initiative

During the year ended May 31, 2014 the directors incurred expenditure relating to the future extension of the existing parametric insurance policy towards the countries of Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) and the Dominican Republic, represented by the Council of Finance Ministers of those countries (the "COSEFIN Countries").

13. Claims paid

There were no events in the year ended May 31, 2014 (2013: no events) which triggered claim payments to Participating Countries.

14. Investment Income

	2014	2013
Investment income comprises:		
Interest and dividend income	$ 3,761,158	$ 4,195,867
Change in fair value of investments	532,602	681,345
Net realized gains on sale of investments	1,715,769	2,782,257
Investment management, custody and fund administration fees	(1,004,836)	(988,062)
Foreign exchange gains	417,111	768,887
Net realized losses on derivative instruments (Note 10)	(2,065,191)	(1,148,413)
Change in unrealized loss on derivative instruments (Note 10)	(273,520)	(179,403)
	$ 3,083,093	$ 6,112,478

(Expressed in United States dollars)

15. Administration expenses

Administration expenses comprise:

	2014	2013
Audit and other professional fees	$ 52,250	$ 60,750
Captive management fees	120,000	120,000
Consultancy fees	69,332	105,772
Board and executive management remuneration	573,434	372,426
Directors' and Officers' insurance	23,750	23,750
Legal fees (including SPC conversion costs)	21,088	8,218
Government fees	16,585	11,462
Meeting expenses	65,137	77,146
Publicity, conferences & workshops	139,466	118,140
Trust expenses (Note 16)	30,000	30,000
Munich Climate Initiative Project (Note 6)*	188,457	261,527
Sundry expenses and bank charges	10,309	10,516
	$ 1,309,808	$ 1,199,707

* Parts of these expenses were reimbursed under a grant.

16. Related party transactions

During the year ended May 31, 2014 and 2013, the Group incurred the following expenses on behalf of the Trust:

	2014	2013
Trustee fees	$ 20,000	$ 20,000
Enforcer fees	10,000	10,000
	$ 30,000	$ 30,000

During the year ended May 31, 2014, key management compensation consisted of salaries and expenses amounting to $344,733 (2013: $127,529) for 2 employees (2013:1) which are included within administration expenses.

17. Taxation

No income, capital or premium taxes are levied in the Cayman Islands and the Company has been granted an exemption until May 29, 2027, for any such taxes that might be introduced. The Group intends to conduct its affairs so as not to be liable for taxes in any other jurisdiction. Accordingly, no provision for taxation has been made in these financial statements.

(Expressed in United States dollars)

18. Development costs

	Second Generation Loss Model	Second Generation Loss Model upgrade	Excess rainfall	Total
Cost:				
Balance carried forward at May 31, 2012	$ 180,000	$ 214,890	$ 60,000	$ 454,890
Additions during the year	-	164,865	-	164,865
Balance carried forward at May 31, 2013	180,000	379,755	60,000	619,755
Additions during the year	-	-	70,000	70,000
Balance carried forward at May 31, 2014	180,000	379,755	130,000	689,755
Accumulated amortisation:				
Balance carried forward at May 31, 2012	36,000	71,630	6,000	113,630
Amortisation charge for the year	18,000	181,540	6,000	205,540
Balance carried forward at May 31, 2013	54,000	253,170	12,000	319,170
Amortisation charge for the year	18,000	126,585	27,000	171,585
Balance carried forward at May 31, 2014	72,000	379,755	39,000	490,755
Net book value at May 31, 2013	$ 126,000	$ 126,585	$ 48,000	$ 300,585
Net book value at May 31, 2014	$ 108,000	$ -	$ 91,000	$ 199,000

Development cost above represents fees paid to third parties for development of computer loss modeling software for the Group which is necessary for the underwriting operations of the Group.

19. Certain risks and financial instruments

(a) Geographical concentration of risk

The Group's principal activity comprises parametric catastrophe risk coverage for Participating Countries in the Caribbean region.

19. Certain risks and financial instruments (continued)

(b) Fair value

With the exception of balances in respect of insurance contracts, which are specifically excluded under U.S. GAAP, the carrying amounts of all financial instruments, except for investments, approximate their fair values due to their short-term maturities, and have been determined using Level 2 inputs; aside from cash and restricted cash which have been determined using Level 1 inputs. Investments and derivative instruments are carried at fair value as described in Notes 3, 5 and 10.

(c) Credit risk

Financial assets which potentially subject the Group to concentrations of credit risk consist of cash and cash equivalents, investments in debt instruments, due from broker derivatives (see also (h), (i) and (j) below) and accrued interest receivable. The maximum amount of loss the Group at May 31, 2014 would incur if the counterparties to the transactions do not meet their obligations, would be the carrying amount of such assets in the balance sheet. The Group's cash and cash equivalents and investments are placed with or held in custody by high credit quality financial institutions. Similarly, the Group's investment policy requires that the investment managers invest in securities with a high credit quality (see Note 5). Derivatives are subject to the credit risk of the respective counterparties. The Group manages credit risk by transacting only with counterparties considered highly reputable and creditworthy and within established investment/derivative guidelines.

(d) Interest rate risk

The Group invests in fixed interest securities, the fair value of which will be affected by movements in interest rates. An analysis of the Group's investment portfolio is shown in Note 3. The fair value of the forward and futures contracts may also be affected by movements in interest rates.

(e) Market risk

Market risk exists to the extent that the values of the Group's monetary assets fluctuate as a result of changes in market prices. Changes in market prices can arise from factors specific to individual securities, their respective issuers, securities/markets to which they are linked, or factors affecting all securities traded in a particular market. Relevant factors for the Group are both volatility and liquidity of specific securities and of the markets in which the Group holds investments.

(f) Liquidity risk

Liquidity risk exists to the extent that the Company and its underlying mutual funds' investments may not be able to access cash and/or redeem their investments on a timely basis to settle losses. The frequency of redemption of the Investment Fund is monthly and subject to appropriate notice period. The underlying mutual funds' investments and the Investment Fund are also subject to liquidity risk to the extent that certain securities may be thinly traded. The Group mitigates liquidity risk by maintaining a proportion of assets in cash and short-term investments.

(g) Foreign exchange risk

In the normal course of business, the Group may hold assets and liabilities in currencies other than U.S. dollars. To reduce its risk to foreign exchange fluctuations the Group may enter forward on the foreign exchange contracts. The Group is exposed to currency risks to the extent of any mismatch between foreign exchange forward contracts and the corresponding financial instruments denominated in foreign currencies. Foreign currency forward contracts commit the Group to purchase or sell the designated foreign currency at a fixed rate of exchange on a future date. The fair value of the forward foreign exchange contracts will fluctuate as a result of changes in the corresponding market rate of exchange. See Note 10 for details of forward foreign exchange contracts entered into by the Group during the period.

19. Certain risks and financial instruments (continued)

(h) Futures contracts risk

In the normal course of business, the Group trades financial futures, which are carried at fair value. These futures contracts represent future commitments to purchase financial instruments on specific terms at specified future dates. The fair value of the futures contracts will fluctuate corresponding to the fair value of the underlying financial instruments (see Note 10). The notional value of the underlying financial instruments represents the Group's maximum risk of loss. The Directors consider this risk to be mitigated because of the short terms of the futures contracts and the underlying financial instruments being investment grade. At May 31, 2014 and 2013, the Group had no open futures contracts (see Note 10).

(i) Swaps

The Group enters into swap contracts to manage interest rate risk and hedge or obtain exposure to credit risk. The Group uses CDSs to provide protection against or obtain exposure to the credit default risks of sovereign or corporate issuers.

CDSs involve greater risks than if the Group had invested in the reference obligation directly. In addition to general market risks, CDSs are subject to liquidity risk and counterparty credit risk. The Group enters into CDSs with counterparties meeting certain criteria for financial strength. Where the Group is buying protection, the Group will recover none of the payments made to purchase that protection should a credit event not occur. During the year ended May 31, 2014 and 2013, the Group did not sell credit protection.

In connection with equity swap contracts, cash or securities may be posted to or received from the swap counterparty in accordance with the terms of the swap contract. The Group earns or pays interest on cash posted or received as collateral.

Off-balance sheet risks associated with all swap contracts involve the possibility that there may not be a liquid market for these agreements, that the counterparty to the contract may default on its obligation to perform and that there may be adverse changes in currency rates, credit status, market prices and interest rates. Notional contract amounts are presented in Note 10 to indicate the extent of the Group's exposure to such instruments. At May 31, 2014 and 2013, the Group had no open swap contracts (see Note 10).

(j) Options

Transactions in options carry a high degree of risk. The following section describes the core types of option contracts and the corresponding risks:

Purchased call options represent right to purchase a stock at a set price (the "exercise price") on a future specified date (in return for a premium i.e. the price paid for the option) but create no obligation to buy the stock but rather the right to do so until the expiration date.

If the stock price at expiration is above the exercise price by more than the premium paid, the transaction will result in a gain. If the stock price at expiration is lower than the exercise price, the call option will expire worthless and the loss recorded will be the amount of the premium paid (plus any transaction costs). Compared to owning the respective stock, purchased call options leverage upside gains when a stock price increases because for the same amount of money, the Company has exposure to a much larger number of the securities, however, unlike owning the stock (when the entire cost of the investment is at risk), the maximum loss that can be incurred with a purchased call option is the premium paid plus transaction costs.

19. Certain risks and financial instruments (continued)

(j) Options (continued)

Purchased put options represent the right to sell a stock at a fixed exercise price on a future specified date but create no obligation to sell the stock but rather the right to do so until the expiration date. If the stock price at expiration is below the exercise price by more than the premium paid, the transaction will result in a gain. If the stock price at expiration is above the exercise price, the purchased put option will expire worthless and the loss recorded will be the amount of the premium paid (plus any transaction costs). Compared to selling short the respective stock, purchased put options leverage upside gains when a stock price decreases because for the same amount of capital invested and pledged as security, the Company has exposure to a much larger number of the securities, however, unlike selling a stock short (when there downside risk is unlimited for the duration the security is sold short), the maximum loss that can be incurred with a purchased put option is the premium paid plus transaction costs.

Written put options represent an obligation to buy the stock at a fixed exercise price at the buyer's option. Selling (writing) options represents a significantly higher degree of risk to the Company. If the stock price at expiration is above the exercise price, the Written put option will result in a gain equal to the amount of the premium received (less any transaction costs). If the stock price at expiration is below the exercise price by more than the amount of the premium, the written put options will result in a loss, with the potential loss being up to the full value of the exercise price of the stock for the entire contract quantity. Compared to owning the respective stock, written put options limit upside gains to the premium received less transaction costs but leverage downside losses gains when a stock price decreases because for the same amount of capital invested and pledged as security the Company has exposure to a much larger number of the securities (and therefore much larger losses).

Written call options represent the obligation to sell the stock at a fixed exercise price at the buyer's option and represent the highest possible degree of risk to the Company. If the stock price decreases, the written call options will result in a gain equal to the amount of the premium received (less any transaction costs). If the stock price increases over the exercise price, for the entire contract quantity, by more than the amount of the premium received, the written call options will result in a loss. Since a share price has no limits to how far it can rise, where a written call option is not covered (i.e. the Company does not own the corresponding quantity of the underlying security), the written call option is exposed to unlimited risk of loss. Compared to selling short the respective stock, written call options exposure the Company to leveraged downside losses when a stock price increases because for the same amount of capital invested and pledged as security, the Company has exposure to a much larger number of the securities (and therefore much larger losses).

At May 31, 2014 and 2013, the Company had no open option contracts (see Note 10).

(k) Custody risk

There are risks involved in dealing with a custodian who settles trades. Under certain circumstances, the securities and other assets deposited with the custodian may be exposed to a credit risk with regard to such parties. In addition, there may be practical or time problems associated with enforcing the Company's rights to its assets in the case of an insolvency of any such party.

20. Due from broker

Due from broker amount of $568,691 (2013:$915,768) represents amounts receivable from the Group 's investment broker (custodian) for unsettled investment security transactions (sales and maturity proceeds, payables for purchases, or other unsettled investment security proceeds or payables) entered into at or around the year end that had not been settled by the balance sheet date.

The amounts are recorded at the transaction value on the trade date and receivables are subsequently adjusted to record any impairment that management consider necessary in order to write down these balances to their realizable value. At May 31, 2014 and 2013 and during the years then ended there were no impaired receivables due from the brokers.

21. Subsequent events

Management has performed a subsequent events review from June 1, 2014 to September 11, 2014, being the date that the financial statements were available to be issued. Management concluded that the following subsequent events require additional disclosure in these financial statements.

Subsequent to the year end the Group plans to capitalize and commence operations of the following Segregated Portfolios (see also Note 1):

- Caribbean EQ/TC SP;
- Caribbean XSR SP; and
- Loan Portfolio Cover SP.

Effective June 1, 2014, the Caribbean EQ/TC SP commenced writing Earthquake and Hurricane Risks and the Caribbean XSR SP commenced writing Excess Rainfall Risks. In the year ended May 31, 2015, the Group plans to capitalize the Caribbean EQ/TC SP and the Caribbean XSR SP through capital contributions, from the Core, of $42,500,000 and $25,000,000, respectively, with approval from the Cayman Islands Monetary Authority and the Trustee having been received. The consequence of this future restructuring and the launch of a new product to policyholders renewing their EQ/TC policies is a reduction in capital available for the settlement of claims on these EQ/TC policies. Actuarial analysis underpins management's decisions regarding capitalisation of each Segregated Portfolio and in purchasing reinsurance for the EQ/TC policies, and management's view is that the Segregated Portfolio for EQ/TC has sufficient claims-paying capacity (capital plus reinsurance) to settle total annual claims with a probability of occurrence of less than 1 in 1,000 years, thus maintaining a level of sustainability in excess of that laid out in CCRIF SPC's Operations Manual.

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