CCRIF

CARIBBEAN CATASTROPHE
RISK INSURANCE FACILITY

ANNUAL REPORT
2008-2009

CCRIF Annual Report 2008-2009

CCRIF is the first multi-country risk pool in the world, and is also the first insurance instrument to successfully develop parametric policies backed by both traditional and capital markets. It is a regional catastrophe fund for Caribbean governments designed to limit the financial impact of devastating hurricanes and earthquakes by quickly providing financial liquidity when a policy is triggered. Sixteen governments are currently members of the fund: Anguilla, Antigua & Barbuda, Bahamas, Barbados, Belize, Bermuda, Cayman Islands, Dominica, Grenada, Haiti, Jamaica, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Trinidad & Tobago and Turks & Caicos Islands. During 2008/09 CCRIF paid out approximately US$6.3M to Turks and Caicos Islands in the aftermath of Hurricane Ike.

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CCRIF Customer Values

The clients of the not-for-profit CCRIF are the member countries of the Caribbean Community. CCRIF promises its clients to:

1. Fill a gap in available insurance offerings for natural catastrophes
2. Ensure a joint reserve mechanism for future benefits
3. Provide member countries confidence in its ability to provide financial support
4. Supply tools for enhanced disaster risk management
5. Provide the highest degree of service at the best possible price
6. Ensure speedy payouts
7. Provide a transparent payout mechanism

Vision Statement

CCRIF will be a key partner with the Caribbean region in its disaster risk management strategies to support long term sustainable development goals.

Mission Statement

Our Mission is to serve Caribbean governments and their communities in reducing the economic impact of natural catastrophes. We provide immediate liquidity through a range of affordable insurance products in a way that is financially responsible and responsive to their needs.

Board of Directors

Milo Pearson, Chairman of the Board

Milo Pearson has over 35 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, 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.

Isaac Anthony, CARICOM appointed board member

Chairman and founding member of the Caribbean Public Finance Association (CAPFA), Isaac Anthony currently serves as a CCRIF board member appointed by CARICOM. He is presently the Director of Finance in the Ministry of Finance, International Financial Services and Economic Affairs in St. Lucia and serves as the Registrar of Insurance with responsibility for supervising and regulating the insurance industry. With a B.Sc. in Economics and Accounting and an Executive MBA from the University of the West Indies, Anthony also serves on the Boards of a number of St. Lucian companies and authorities.

Dr. Warren Smith, Caribbean Development Bank appointed board member

Appointed to the CCRIF Board by the Caribbean Development Bank (CDB), Dr. Warren Smith has more than 30 years experience in Economics and Planning and holds a BA (Hon.) in Economics, a M.Sc. in Agricultural Economics and a PhD in Economics from Cornell University. Currently, he is the Director of Finance and Corporate Planning at the CDB. He has held positions at the National Investment Bank of Jamaica, Prudential Stockbrokers Limited, Life of Jamaica, LIAT and the Petroleum Corporation of Jamaica.

Garry Wilkins, Board Member

Garry Wilkins lends to the CCRIF Board his experience as a retired banker with over 40 years experience with executive positions in a variety of countries around the world. He was employed by the Barclays Bank Group for 31 years, has worked with a number of advisory bodies on fraud and money laundering prevention and was employed by Cayman National Corporation as their Group Internal Auditor. Since his retirement, he has provided independent directorships for a number of banks, funds and other financial institutions. He is an Associate of the Chartered Institute of Bankers (ACIB) London.

Ken Blakeley, Board Member

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. Blakeley has also served as the deputy chairman, Jamaica Association of General Insurance Companies, chairman of the Board of Studies, the Insurance Institute of Jamaica and as chairman of the Insurance Institute of Jamaica.

The CCRIF Team

Caribbean Risk Managers Ltd, Facility Supervisor

Caribbean Risk Managers Limited (CaribRM) was formed through the merger of GeoSY (a consultancy company led by Dr. Simon Young) and the risk management arm of the CGM Gallagher Group. As Facility Supervisor, CaribRM is responsible for leading the operational and risk management functions within CCRIF. CaribRM has completed projects for clients in both the public and private sectors throughout the Caribbean. CaribRM is headed by Simon Young who is supported by Martin Goddard, Ekhosuehi Iyahen and the rest of the CaribRM technical team. CaribRM has offices in Barbados, Jamaica and Washington D.C.

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. James Rawcliffe is Sagicor's appointee to CCRIF.

London & Capital Ltd, Asset Manager

London & Capital is a specialist asset management company. 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.

Aon Benfield Group, Reinsurance Broker

Aon Benfield is the premier reinsurance intermediary and capital advisor. Formed through the December 2008 merger between Aon Re Global and Benfield, it offers clients access to every traditional and alternative market in the world, through an international network of offices spanning 50 countries and more than 4,000 professionals. Clients of all sizes and in all locations are able to access the broadest portfolio of integrated capital solutions and services, world-class talent, and unparalleled global reach and local expertise, to best meet the objectives of their business. Peter Hollom, Andy Coyle and David Simmons are Aon Benfield's team leaders for CCRIF.

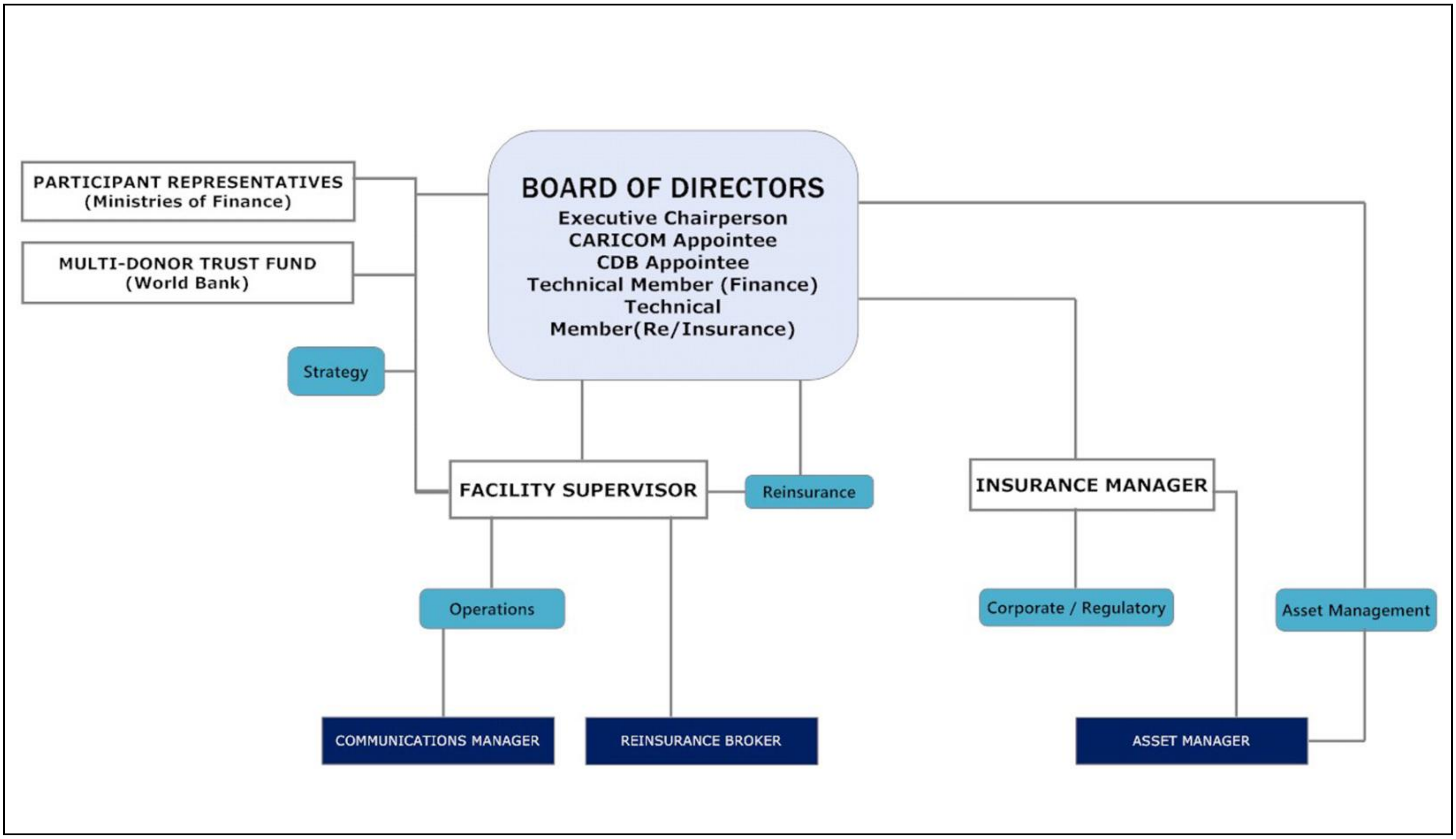
Sustainability Managers, Communications Manager

Sustainability Managers, a consultancy company based in Jamaica, is a multi-disciplinary team of professionals that offers a range of services to public and private sector entities as well as international and regional organisations. As Communications Manager, Sustainability Managers provides CCRIF with the following services: publications development; events planning; public relations and media relations management; advertising management; strategic planning; and training & facilitation. Elizabeth Emanuel and Gina Sanguinetti are Sustainability Managers' team leaders for CCRIF.

CCRIF Organisational Structure

CCRIF's operations are laid out in an Operations Manual and are executed by a number of service-provider companies:

- Facility Supervisor
- Insurance Manager
- Reinsurance Broker
- Asset Manager
- Communications Manager



Chairman's Report

On behalf of the Board of Directors and staff of the Caribbean Catastrophe Risk Insurance Facility (CCRIF), I am pleased to provide you with our second Annual Report. This report covers our operations and presents our audited financial statements for the year ending 31 May 2009.

At the completion of its second full year, CCRIF remains the world's only multi-national catastrophe fund, offering unique parametric hurricane and earthquake coverage to its participating governments. We continue to provide coverage to sixteen Caribbean countries, who receive short-term liquidity protection against the negative economic effects of hurricanes and earthquakes.

I am very pleased to note that, even in these difficult economic times, all sixteen countries renewed their coverage for the 2008-2009 year, demonstrating their continued commitment to mitigation of the financial consequences of these natural catastrophes.

Highlights of the Past Fiscal Year

It has been a busy year for CCRIF. We developed our Strategic Plan which contains a new Vision and Mission and represents our continued commitment to the Caribbean region.

This year, CCRIF continued to grow, manage and invest its capital conservatively. Currently, CCRIF can comfortably pay losses for a 1 in 1,000-year series of catastrophe events. The Facility also reduced rates to member countries by 10% for the second year in a row – this is reflective of our very strong financial position. All but one of our members chose to increase coverage rather than to accept a lower premium. CCRIF made one pay-out of approximately US$6.3 million to the government of the Turks & Caicos Islands for losses suffered from Hurricane Ike.

CCRIF received a thorough review of its operations, undertaken on behalf of donors by the World Bank. I think that it is reasonable to state that all parties were pleased with the results. The World Bank made a number of recommendations which have either been implemented or are in the process of being implemented.

I am also very pleased to note that CCRIF received two major international awards during the year for our unique insurance product:

- The 'Reinsurance Initiative of the Year' Award at *The Review* Worldwide Reinsurance Awards – the leading magazine of the international reinsurance industry
- The 'Transaction of the Year' Award at the *Insurance Day* London Market Awards

We also developed various strategic alliances with organisations across the region aimed at developing a coherent programme of action to help Caribbean countries mitigate the effects of natural hazards.

Main Initiatives

On the policy side, CCRIF continues to evolve and to focus its efforts in helping to meet the needs of our constituency. To that end, we have committed substantial resources to the following initiatives:

- **Excess Rainfall Product** – CCRIF is pursuing the development of an excess rainfall product aimed at helping to mitigate the economic consequences of major rainfall events in the region. If the CCRIF is able to resolve the technical challenges associated with developing this programme, it will be the first of its kind in the world. Depending on the progress with the R & D phase, we aim to have the product available in the 2009/2010 policy year.

- **CARILEC** – In collaboration with the Caribbean Electrical Utility Services Corporation, CCRIF is working towards developing a programme to provide parametric hurricane coverage to electrical utilities in the region to enable cost-effective protection of their highly vulnerable overhead transmission and distribution systems.

- **Climate Change** – The potential impacts of climate change on Caribbean economies are a reality that cannot be ignored or taken lightly. The ever-changing risks of climate variability and the extremes associated with climate change threaten to undermine the economic base and, by extension, the social viability and sustainability of the Caribbean region. CCRIF has become involved in supporting the utilisation of financial tools as part of disaster risk management strategies within its member states. This is part of a broader regional strategy designed to support critical adaptation initiatives targeted at reducing the disproportionately high burden created by climate change on Caribbean countries. Similarly, CCRIF's contribution to global discussions on the use of insurance mechanisms to address some of the risks posed by climate change, as part of the negotiation process leading up to 15th meeting of the UN Conference of the Parties in Copenhagen (COP15) and the resulting post-Kyoto climate change treaty, is aimed at enhancing adaptation strategies to assist the mitigation of future impact of climate change.

Over the past several years, CCRIF has incorporated a number of changes to its programmes as a result of input from our various stakeholders and, most importantly, our members. I continue to believe that as an organisation, we evolve only through the critical input from all of our stakeholders. A constituency that is encouraged to provide input helps to engender organisational flexibility while never losing sight of our goal, to help our member countries and the region as a whole to build economic and social resilience to natural hazards and to foster conditions for long-term sustainable prosperity.

Milo Pearson
Chairman, CCRIF

Facility Supervisor's Report

The 2008/09 policy year began with all 16 member countries renewing their earthquake and hurricane policies with CCRIF. Member countries benefitted from a 10% reduction in rates from the previous year, with options to increase maximum coverage from $50 million to $100 million and lower hurricane deductibles to a 1 in 15 year event.

The confidence of member states in the performance, utility and critical role of the Facility in mitigating the impacts of major natural disasters on Caribbean states was further supported by a contribution of approximately $16 million by the European Union to the Facility's reserve pool. This contribution increased the tally to over $65 million donated by CCRIF non-members and supports CCRIF's ability to continue to provide members with rapid access to financial liquidity when their policies are triggered.

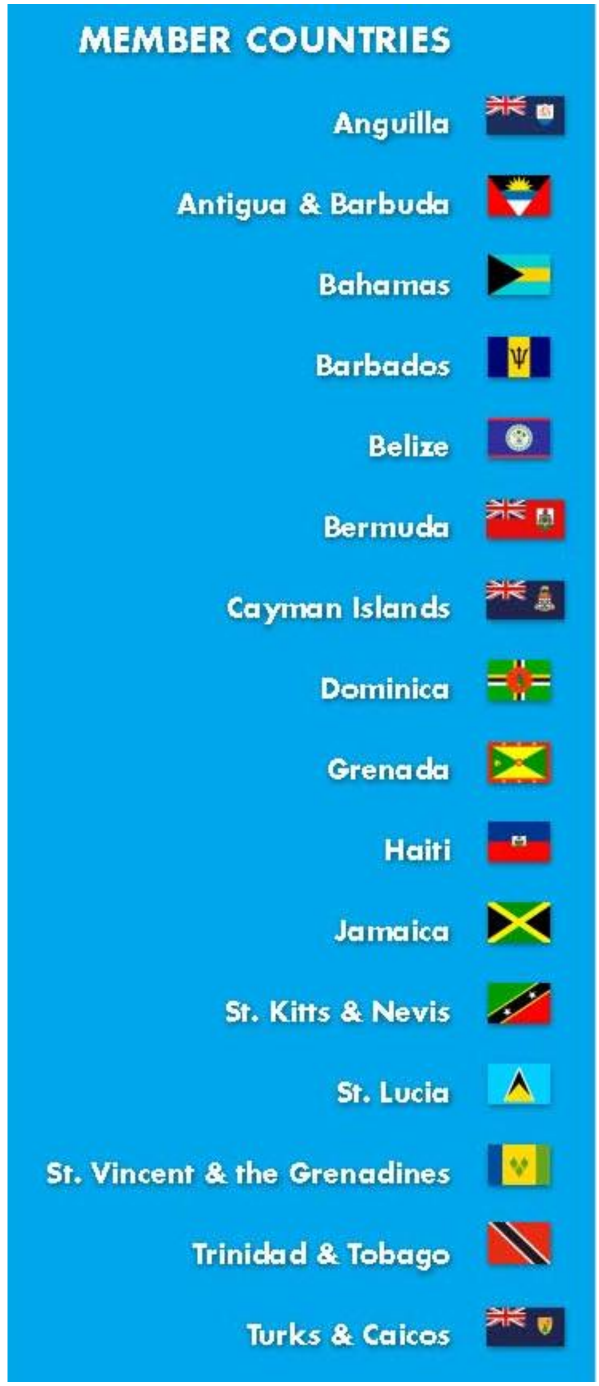
2008 was the fourth most severe hurricane season since reliable data has been maintained for the Caribbean region. There were a total of 16 named storms, of which 8 were of hurricane strength and 5 were major hurricanes.

Hurricanes Gustav, Hanna, Ike, Omar and Paloma were the only events which directly affected CCRIF member states and had notable impacts. Of these 5 hurricanes only Hurricane Ike resulted in significant wind damage. The triggering of the Turks and Caicos Islands' hurricane policy by Ike resulted in a payout of approximately US$6.3 million to the Government to assist with recovery efforts.

Although Hurricanes Gustav, Hanna, Omar and Paloma had notable impacts, these were all below the trigger threshold for the policies of the affected CCRIF member states. A further review of these events in the next section of this report will describe the paths of these hurricanes and explain why policies were not triggered.

An analysis of the performance of the CCRIF model in its first two years indicates that although it cannot absolutely replicate impacts, it performed well in approximating direct Government losses experienced within affected member states and across the region.

CCRIF's policies do not obviate the need for Caribbean governments to continue to invest in mitigation activities and in other financing mechanisms to cover relatively small losses that occur more frequently such as flash floods, tropical storms and heavy rainfall. CCRIF provides a cost-effective solution to one part of the larger comprehensive disaster management (CDM) process and will continue to support other aspects of CDM in the region in partnership with both international and regional institutions and its member Governments.



Strategic Plan 09/10-11/12

In the fiscal year 2008/09, the Board of Directors and the CCRIF team engaged in a strategic planning exercise to chart the way forward for the organisation over the next three years to 2012. This effort resulted in the development of the following organisational tools:

1. Vision and Mission Statements
2. Customer Value Proposition
3. External and Internal Scan of the Organisation
4. Strategic Objectives, Metrics and three-year Targets
5. Strategic Initiatives and Action Plans

Our Strategic Objectives

Strategic Initiatives and Action Plans

Over the three year period, various initiatives and actions will be implemented to support the achievement of CCRIF's mission. Some of these initiatives, actions and/or intended results include:

Specific Initiatives	Associated Actions/Intended Results
Develop a marketing plan	• Prepare material for new modelling and coverage • Organise forums to meet with clients • Specific outreach to Guyana, BVI, Suriname and Montserrat
Operational efficiencies and internal controls	• Update operations manual • World Bank operational review
Product development	• Execute rainfall implementation plan • Presentation to reinsurers
Pricing and financial stability policy	• Develop guidance document for maintaining financial sustainability through a structured pricing and solvency testing mechanism
Communications plan	• Develop communications plan

The Strategic Plan was approved by the Board in March. Discussions related to the Strategic Plan are included on all board agendas. The Plan will be updated in January 2010.

CCRIF

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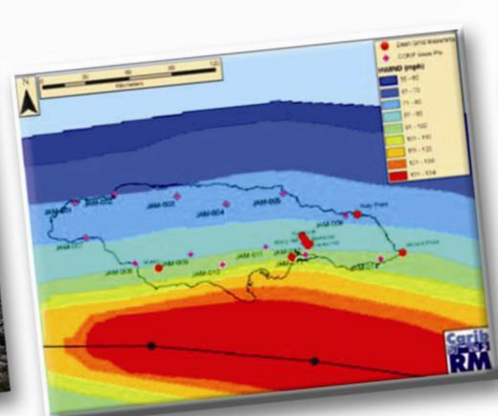
RISK INSURANCE FACILITY

YEAR IN REVIEW



Tropical Cyclone and Earthquake Review

CCRIF monitors and reports upon all tropical cyclone and earthquake activity in the Caribbean Basin that has the potential to affect one or more of its member countries. Two types of events are defined and routinely reported by CCRIF to its members and stakeholders – non-triggering and triggering events (see text box on this page).

Caribbean Catastrophe Events

Hurricanes

The 2008 Atlantic Basin Hurricane Season was very active with a total of 16 named storms, of which 8 were of hurricane strength and 5 were major hurricanes. These numbers were much higher than the long-term average, with 2008 being the fourth most severe hurricane season on record. 2008 also had the distinction of being the only year in which there was hurricane activity in each month from July through to November. Hurricanes Gustav, Hanna, Ike, Omar and Paloma had the most impact on CCRIF member countries (see Figure 1), with Hurricane Ike triggering the Turks and Caicos Islands hurricane policy with CCRIF. Each of these events is further reviewed.

Triggering Event

Tropical Cyclone: Any Tropical Cyclone event which produces an index value of greater than zero in one or more countries.

Earthquake: Any earthquake event which produces an index value of greater than zero in one or more countries.

Triggering events are summarised in a specific CCRIF Event Briefing, which is circulated to all stakeholders and which is available on the CCRIF web site – www.ccrif.org

Non - Triggering Event

Tropical Cyclone: Any named Tropical Cyclone event which moves within 230 km of any measuring point of any CCRIF member but does not generate an index value of greater than zero.

Earthquake: Any earthquake event with a body-wave magnitude of greater than 5.7 within a box bounded by the following - Latitude 2° and 41° N Longitude 97° and 51° W but does not generate an index value of greater than zero. These geographical areas are shown in Figure 1.

Non-triggering events are summarised in a CCRIF Quarterly Report, which is circulated to all stakeholders and which is available on the CCRIF web site.

Earthquakes

Although 15 earthquake events reached the CCRIF reportable criteria between 1 June 2008 and 31 May 2009, none of these events had a significant impact on any CCRIF member country or triggered any policies. The most noteworthy of these earthquakes occurred on 28 May 2009, and was a 7.3 magnitude event off the northern coast of Honduras (see Figure 1). Although some damage was reported in Belize (a CCRIF member), this was minimal. The earthquake was also felt as far away as the Cayman Islands, Jamaica, Colombia, Costa Rica, Cuba, Mexico, Nicaragua and Panama. The impact of this earthquake is reviewed later in this section.

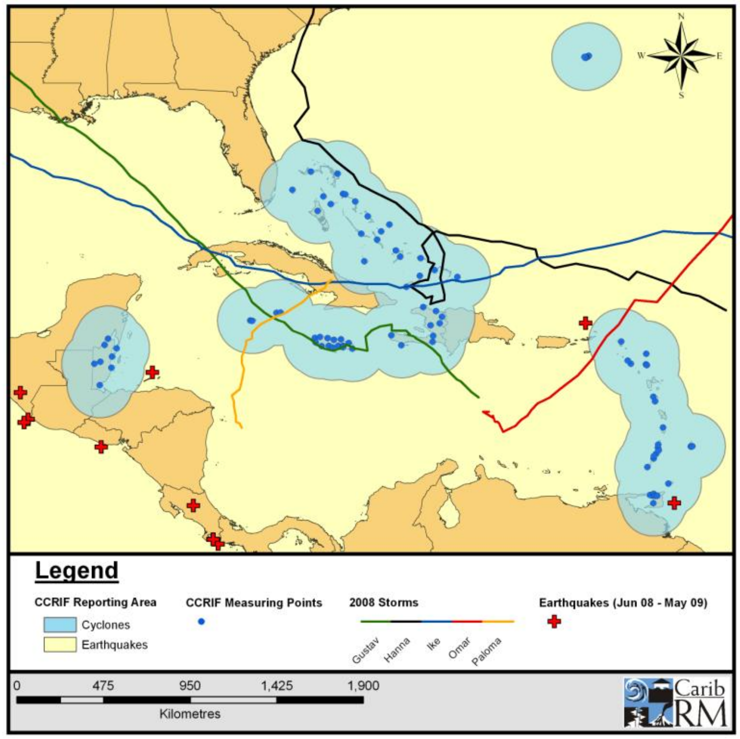


Figure 1: CCRIF reportable events, 1 June 08 – 31 May 09
Source: Track data from NOAA-NHC, earthquake locations from USGS

Review of Tropical Cyclone Events

Because damage to a particular territory from a named storm is strongly dependent on the distance between the storm and the territory, it is not only the intensity of a storm that is important but its exact path across or past each particular CCRIF member country. For example, a land-falling Category 1 storm in most cases will do more damage than a Category 5 storm 100 miles away. For the 2008/2009 policy year, each of the hurricanes which had a notable impact on a CCRIF member state is reviewed in detail below.

1 Hurricane Gustav

Gustav became the 7th named system of the 2008 hurricane season on 25 August when it was positioned to the south of Hispaniola. The storm then took a winding track through the northern Caribbean (Figure 1.1) and on into the Gulf of Mexico, making its final landfall west of New Orleans.

Gustav made landfall along the western part of the south coast of Haiti on 26 August as a Category 1 hurricane. Its track took it across the southwest peninsula, then westwards to the north of the peninsular towards Jamaica at tropical storm intensity. Heavy rain was produced over southern Haiti, totalling almost 400 mm (Figure 1.2) in the peak four days of rainfall.

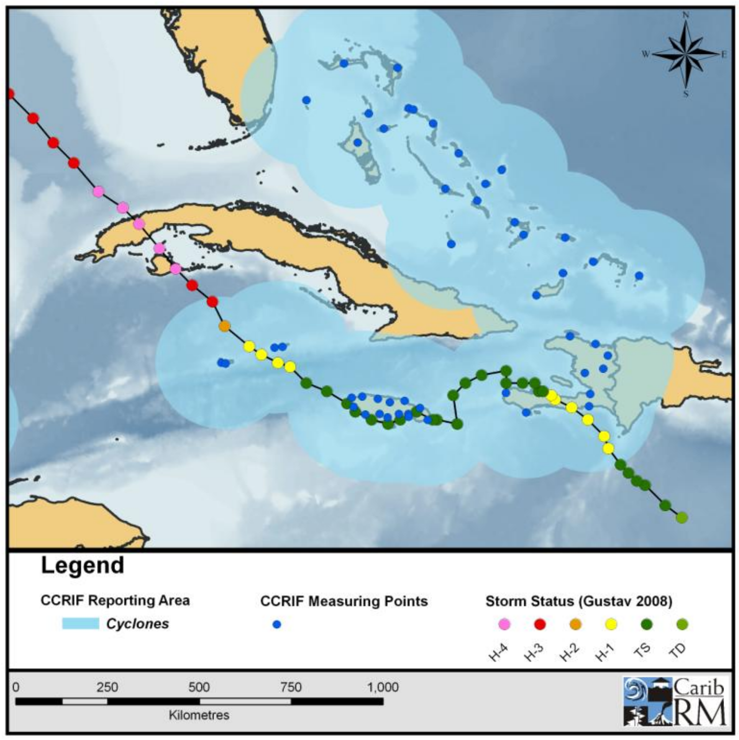


Figure 1.1 Hurricane Gustav, track and CCRIF Measuring Points
Source: Track data from NOAA-NHC

Gustav then headed generally westwards, making a second landfall as a Tropical Storm at Jamaica's easternmost point on 28 August. The storm moved slightly south over Kingston and then tracked along the south coast of the island. Although winds were below hurricane force throughout its interaction with Jamaica, Gustav brought heavy rain, totalling approximately 300 mm (Figure 1.3) in eastern Jamaica.

On leaving Jamaica, Gustav headed west-northwest, passing close just to the west of Little Cayman on 30 August as a Category 1 hurricane. Hurricane force winds were felt on both Little Cayman and Cayman Brac, which also received heavy rainfall. Although Gustav passed close to the major economic and population centres in both Jamaica and Haiti, the relatively low wind speeds and small size of Gustav meant that wind-related losses estimated via the parametric formulae in the CCRIF policies were below the payout threshold (representing the policy deductible) in both islands.

For the Cayman Islands, loss generation is heavily weighted to Grand Cayman (where the vast majority of economic activity occurs), which received only minimal tropical storm force winds so that the policy did not trigger there.

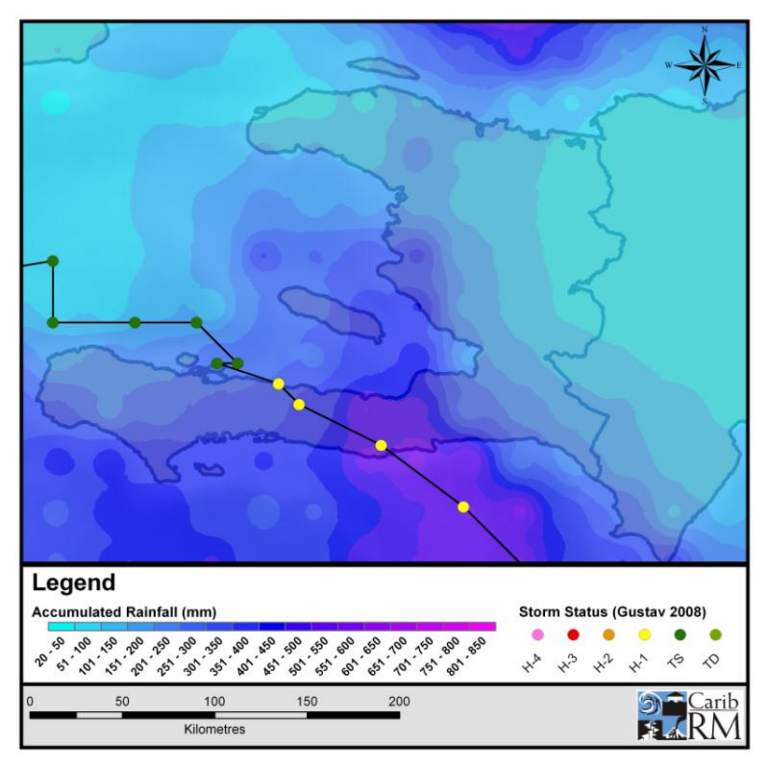


Figure 1.2 Hurricane Gustav, accumulated rainfall in Haiti Source: Track data from NOAA-NHC and rainfall data from TRMM

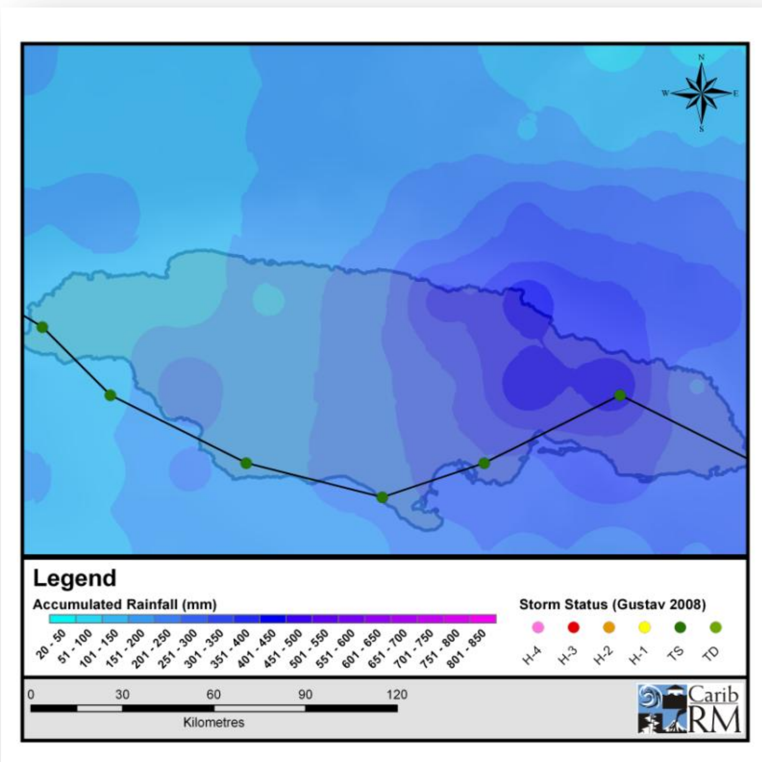


Figure 1.3 Hurricane Gustav, accumulated rainfall for Jamaica Source: Track data from NOAA-NHC and rainfall data from TRMM

2 Hurricane Hanna

Hanna became the 8th named system of the 2008 hurricane season on 28 August when it formed as a Tropical Depression east of the northern Lesser Antilles. The storm then took a looping track through the southern Bahamas (Figure 2.1) before heading northwest and into the US mainland.

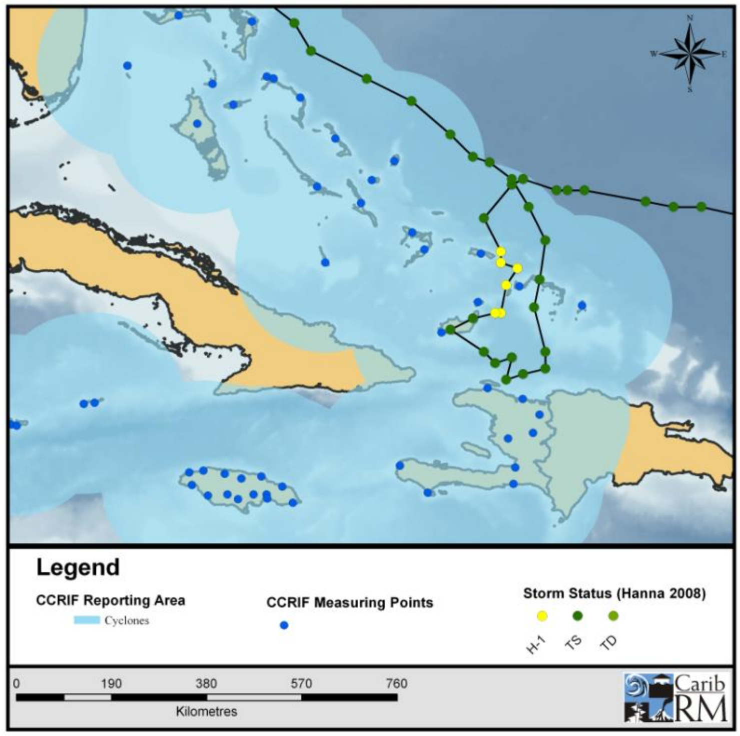


Figure 2.1 Hurricane Hanna, track and CCRIF Measuring Points
Source: Track Data from NOAA-NHC

Hanna made two landfalls in the southern Bahamas. The first one was on Great Inagua Island, the southernmost island of The Bahamas, on 2 September as the system was transitioning from a brief period as a minimal Category 1 hurricane to a Tropical Storm. The second landfall was the following day when it crossed North Caicos (in the Turks & Caicos Islands) as a Tropical Storm.

As shown in Figure 2.2, Hanna passed through the middle of the Turks & Caicos Islands (TCI). However, the relatively low wind speeds of Hanna meant that wind-related losses estimated via the parametric formulae in the CCRIF policies were below the payout threshold (representing the policy deductible) in TCI.

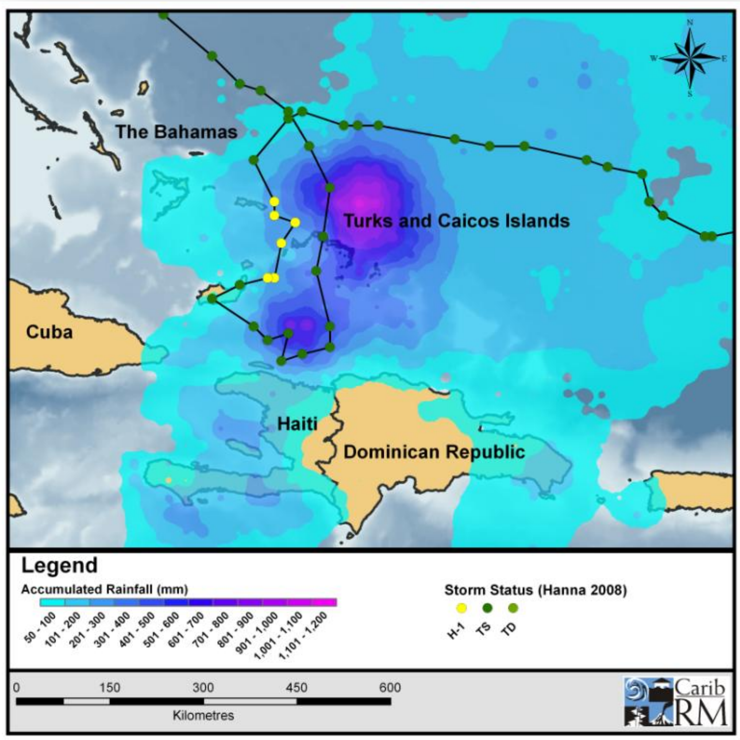


Figure 2.2 Hurricane Hanna, accumulated rainfall (mm)
Source: Track data from NOAA-NHC and rainfall data from TRMM

For The Bahamas, loss generation is heavily weighted to Nassau (where most of the economic activity occurs), which received no significant adverse wind conditions so that the policy did not trigger there. Hanna passed well to the north of Haiti's north coast during the southernmost part of its looping track. Although bringing a lot of rain to Haiti (and to the southern Bahamian islands), the wind speeds were not of Tropical Storm strength at any of the measuring points in Haiti.

3 Hurricane Ike

Ike became the 9th named system of the 2008 hurricane season and the third system in as many weeks to be a reportable event for CCRIF. Ike formed as a Tropical Depression on 1 September in the mid-tropical Atlantic. The storm then headed generally west-northwest then west-southwest, racing through the southern part of the Bahamas chain on 6 and 7 September as a Category 4 Hurricane (See Figure 3.1).

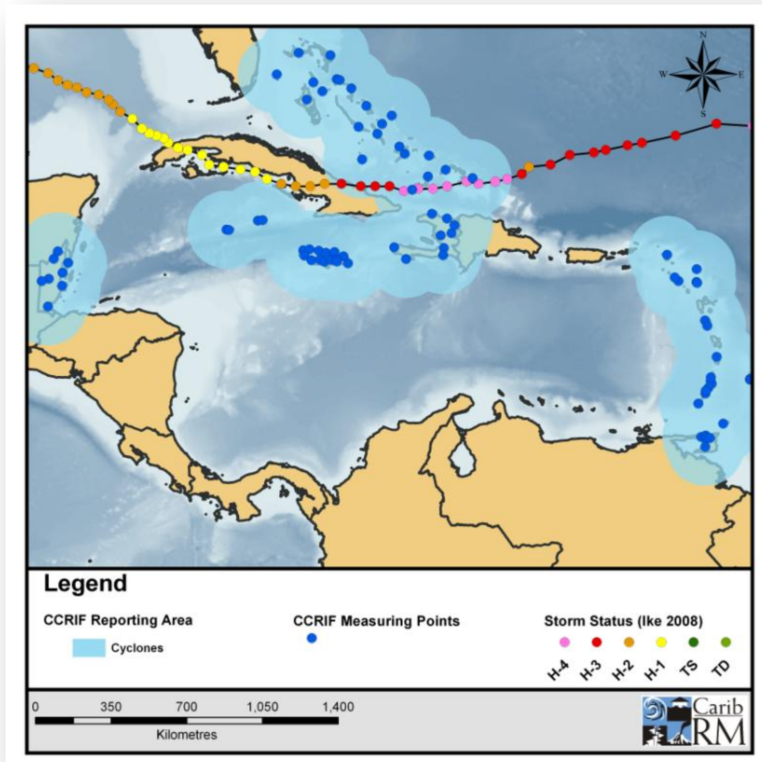


Figure 3.1 Hurricane Ike, track and CCRIF Measuring Points
Source: Track data from NOAA-NHC

Ike passed immediately south of Grand Turk, the largest of the Turks islands and the seat of government of the Turks & Caicos Islands, a British Overseas Territory. It then passed right over Great Inagua Island, the southernmost populated island of The Bahamas. This track took the storm 125 km or so north of the north coast of Haiti.

After the storm crossed southern Haiti, it very briefly came within 230 km of Cayman Brac and Little Cayman, which technically is within the CCRIF reportable event window. However, calculations for Cayman Islands indicated an index value of zero, with calculations for Haiti also resulting in an index value of zero, the nearest measuring point having been far from the storm track and on the left hand side of the storm.

For The Bahamas, although two measuring points (The Bahamas has a total of 20 measuring points) did register very high winds (Figure 3.2) and damage levels, the weighting of these points is very low (as the population and government exposure is very small relative to the entirety of the country) so that the calculated index value (and thus estimated loss for The Bahamas) was well below the payout threshold for the policy.

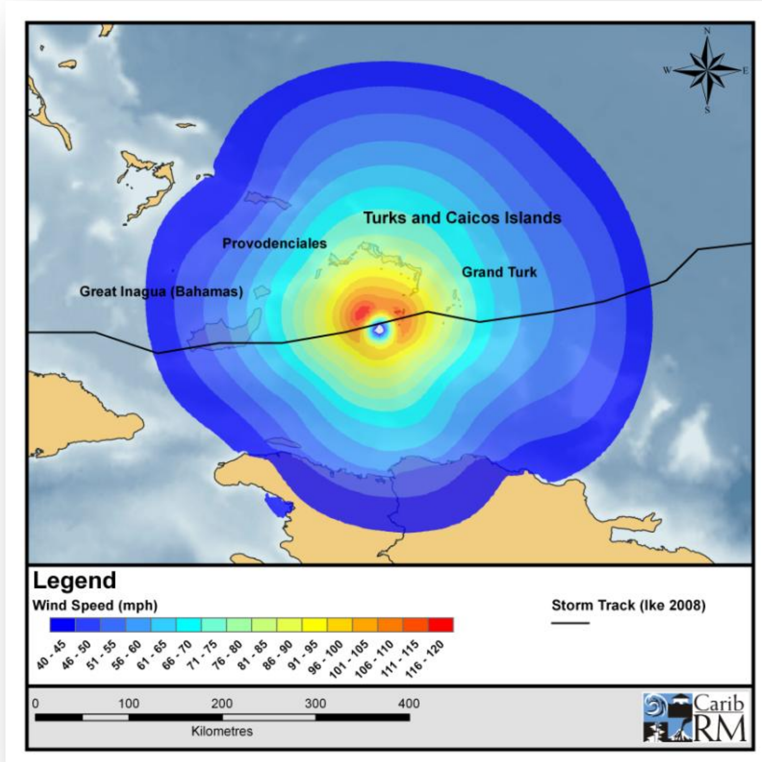


Figure 3.2 Hurricane Ike wind speeds
Source: Track data and surface wind Surface data from NOAA

For Turks & Caicos Islands, two measuring points are used (Figure 3.3), equally weighted, one in Providenciales to the northwest (the main economic hub) and one in Grand Turk to the southeast (the main government hub.) A small loss was calculated in the model for Provo (which was on the edge of the hurricane wind field) while a major loss was calculated for Grand Turk.

When aggregated using the weighting, the index value was 51,248, indicating an estimated government loss of US$51 million. When the Turks & Caicos Islands' selection of policy conditions were taken into account, the payout was approximately US$6.3 million.

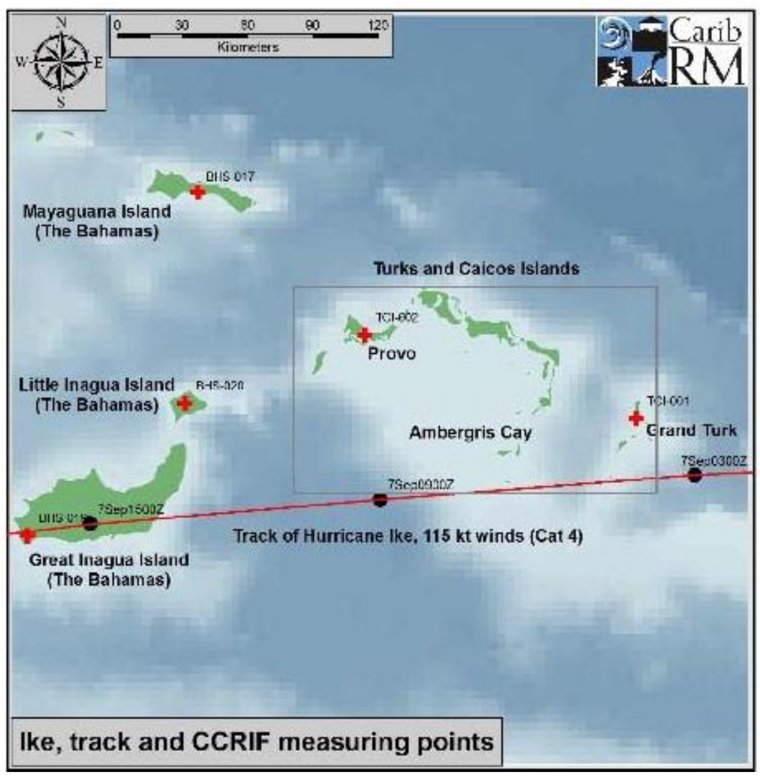


Figure 3.3 Hurricane Ike, track and CCRIF Measuring Points in the Turks and Caicos Islands

The index value represents a loss to the Government of TCI with a return period of around 46 years (based on the CCRIF loss curves).

Interestingly, the last event of this magnitude to affect TCI was Hurricane Donna in 1960, which tracked just north of the Caicos Islands as a Category 4 storm, 48 years previously to the day. The CCRIF payout of US$6.3M to the government of the Turks & Caicos Islands took place on 30 September 2008. This was just three weeks after the devastation of Grand Turk and the southernmost T&C islands by Hurricane Ike. The payout was the full claim payment due to the government under their hurricane policy issued by CCRIF, and assisted with its short-term financial needs, fulfilling the Facility's mandate.

Photos showing the aftermath of Hurricane Ike in the Turks and Caicos Islands

4 Hurricane Omar

Omar became the 15th named system of the 2008 hurricane season on 13 October when it formed as a Tropical Depression in the central Caribbean Sea. The storm then moved steadily northeastwards through the Anegada Passage and out into the Atlantic Ocean (see Figure 4.1).

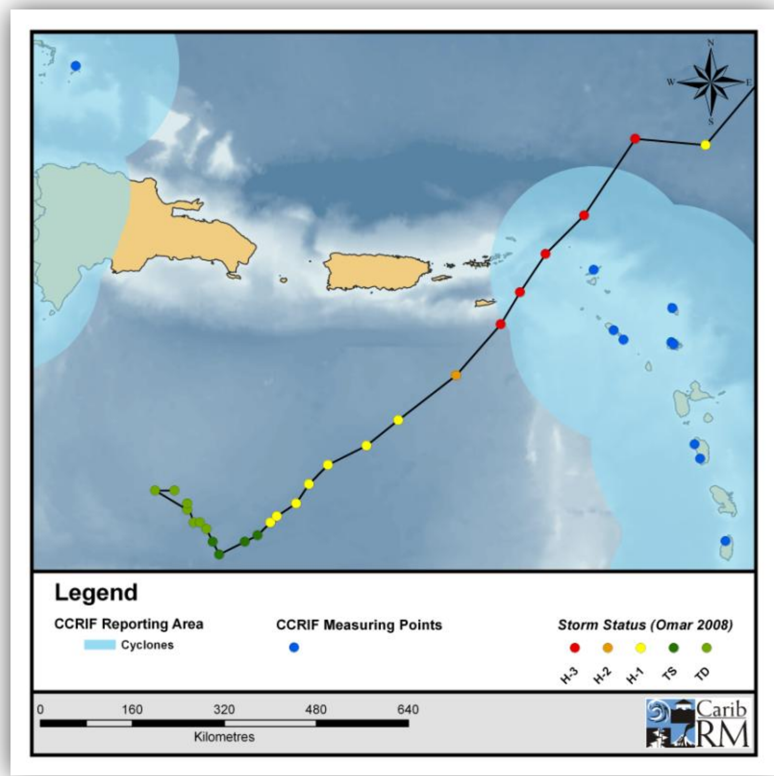


Figure 4.1, Hurricane Omar, tracks and CCRIF Measuring Points
Source: Track data from NOAA-NHC

Omar did not make landfall in the Caribbean, with Anguilla being the closest CCRIF participant to Omar's track. However, due to the generally west to east movement of Omar, sea swells (a combination of storm surge and waves) severely affected the western coastal areas of all of the islands in the eastern Caribbean southwards from Anguilla to Grenada.

Although the wind speed at Anguilla's single measuring point was sufficiently high to generate an estimated government loss, that loss was within the deductible on Anguilla's policy, so no payment was due and no claim was made (Figure 4.2). For St Kitts & Nevis and Antigua & Barbuda, the wind speeds at the measuring points in those territories were too low to generate a loss in the parametric model, and thus no claim or payment was made.

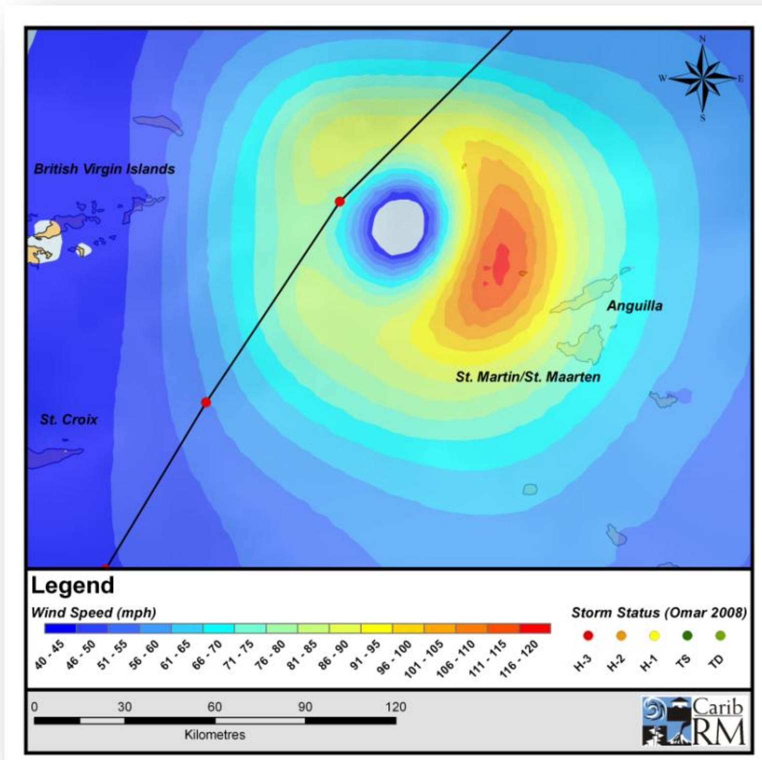


Figure 4.2 Hurricane Omar, wind speeds
Source: Track and wind surface data from NOAA

5 Hurricane Paloma

Paloma became the 16th named system of the 2008 hurricane season on 5 November when it formed as a Tropical Depression in the southwestern Caribbean Sea. The storm then moved steadily north and slightly eastwards before curving northeastward and passing close to the southeast of Grand Cayman and then even closer to the south and east of the Sister Islands. It then weakened as it approached Cuba, and lost its storm status as it left the northern Cuba coast (See Figure 5.1).

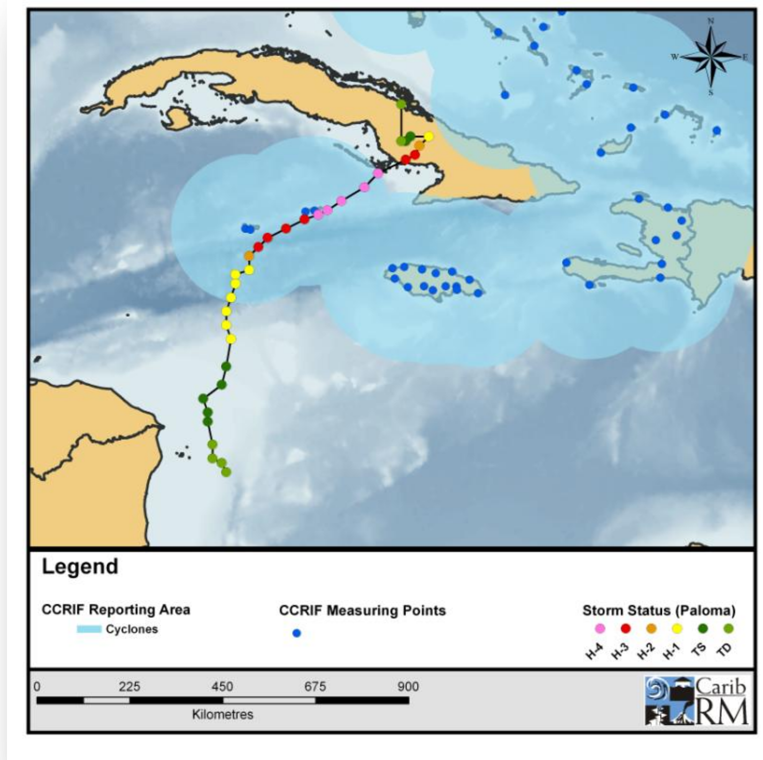


Figure 5.1 Hurricane Paloma, track and CCRIF Measuring Points
Source: Track data from UNISYS

The storm produced the strongest winds in the Sister Islands, where the measuring points have low weighting due to the low government exposure there compared to Grand Cayman (Figure 5.2). On Grand Cayman, highest winds were in the less-developed east of the island, so again, the measuring point with the main weighting had lower wind speeds.

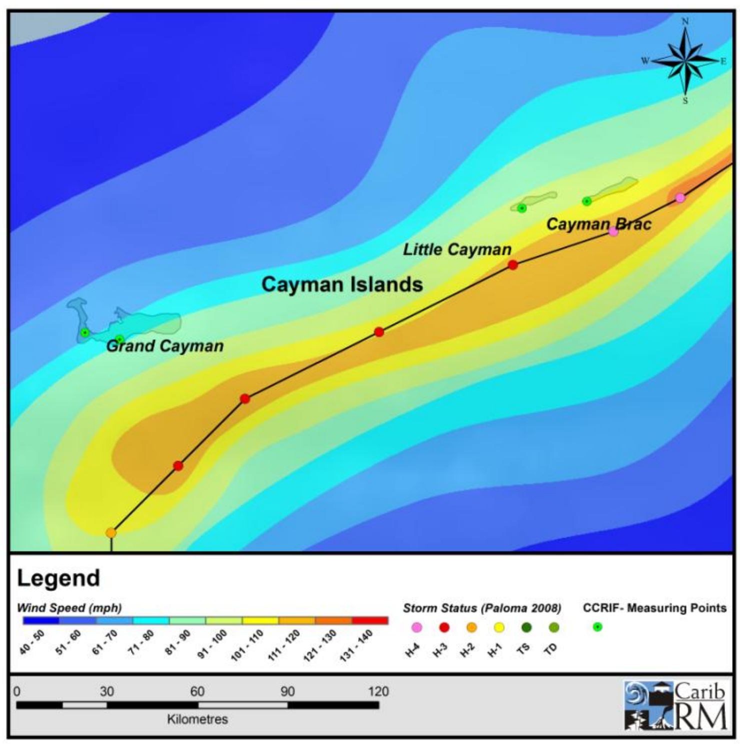


Figure 5.2 Hurricane Paloma, track and wind speeds
Source: Track and wind surface data from NOAA

CCRIF's index calculations showed that the Cayman Islands endured some damage, with an index value of a little under 26,000 for the country, equivalent to US$26 Million of direct government losses. This amount fell within the deductible on Cayman's policy and hence no payout was made by CCRIF. It was estimated that the event had a return period of around 12 to 13 years (in terms of level of impact in the Cayman Islands). The event did not affect any other CCRIF members as it was no longer at Tropical Storm status by the time it had its nearest approach to The Bahamas.

Review of Earthquake Event

6 East of Honduras, 28 May 2009

This event occurred in an area to the northeast of Honduras on 28 May 2009 at 08:24:45 UTC (2:24am local time). It was measured on the Richter Scale as a 7.3 magnitude earthquake and classified as a shallow event with a depth of just 10km (6.2 miles). Located at 16.730°N, 86.209°W (see Figure 6.1), its epicentre was close to the Bay Islands, and shaking was felt strongly across much of Honduras as well as in Belize (a CCRIF member state), El Salvador and Guatemala. A tsunami watch was issued for these countries but was lifted 30 minutes after the event.

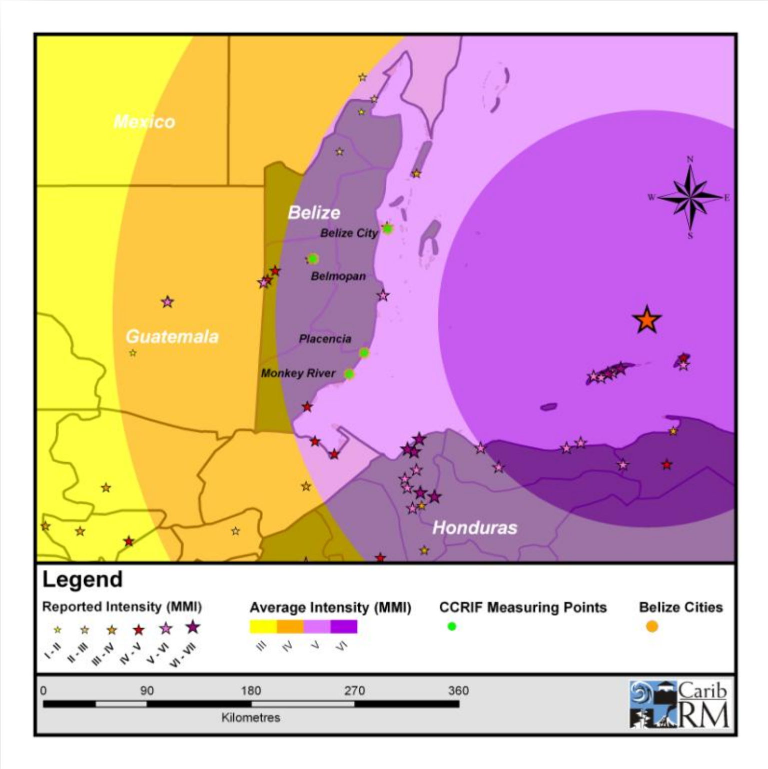


Figure 6.1 Earthquake offshore Honduras, 28 May 2009
Source: Data from USGS

The event produced an index value greater than zero for Belize (indicating that CCRIF's parametric models estimated that some damage and losses to government would occur in Belize from this event). However, the index value was below the policy attachment point (equivalent to the deductible on a conventional policy) and hence a payment was not triggered.

Impact in Belize

The earthquake epicentre was located about 140 miles from Belize City, and hence shaking was felt throughout the country, but most powerfully south of Belize City and Belmopan. Most of Belize experienced an earthquake shaking intensity of between III to V (Modified Mercalli Index), generally not sufficient to cause significant structural damage to buildings. Most of the damage which did occur was concentrated between Placencia and Monkey River. Intensity and impact of the earthquake varied due to localised conditions.

Although no deaths were recorded, at least 5 buildings were destroyed, 25 severely damaged and some structural damage inflicted on many buildings and bridges in the areas closest to the epicentre. Water supply was also temporarily cut off to Independence Village, which is located north of Monkey River and which has a resident population of 3,000. This was a direct result of a collapsed reservoir due to the earthquake.

Photos of earthquake impacts contributed by: Tatyana Perez

Ground cracks and possible soil liquefaction were observed at Monkey River, with gaping holes up to four feet being recorded. The last significant earthquake registered in Belize was a magnitude 5.7 event which occurred on 23 August 1998.

CCRIF Policy Developments

Second-Generation Modelling Framework

Extensive work has been undertaken in the development of the second-generation loss modelling framework by Kinetic Analysis Corporation (KAC) specifically for CCRIF. The second generation hurricane and earthquake model will be run alongside the first-generation EQECAT index-based model for the 2009/10 policy year. This is to ensure that reinsurance partners and clients are comfortable with the new model, which both they and CCRIF see as the best basis for developing current products and providing new products to member countries.

The new model will reduce the 'basis risk'* inherent in the loss indexing approach used in the first generation model. This is because of improvements in hazard and loss modelling techniques, and the use of a modelled loss approach in the second generation model, thereby making the model highly scalable and applicable at a wide range of modelling resolutions, and addressing the issue of basis risk to some extent. These improvements and the benefits accrued through the development of the second generation model are outlined in the table on this page.

IMPROVEMENTS IN HAZARD AND LOSS MODELLING	
FIRST GENERATION MODEL	**SECOND GENERATION MODEL**
No terrain model used	Uses digital terrain model at 90om grid
Assets-at-risk (exposure) are compiled from limited country data and assumptions where data are lacking	Exposure is constructed from satellite imagery, and published population and economic data. Quality is uniform across all territories
Exposure is concentrated in one or a few points per territory	Exposure is draped over terrain at 90om grid
Uses fixed wind attenuation factor over terrain	Wind attenuation is based on actual terrain friction, delivered from satellite imagery
Storm surge not modelled	Storm surge hazard explicitly modelled
Seismic hazard is modelled with fixed amplification factors	Seismic hazard is modelled with amplification factors based on local geology
No hazard results are available	Results of hazard modelling are available
The Facility is provided with loss index curves for each territory from which it can derive policy costing and event payouts	The Facility is provided with a stand-alone loss model that allows it to model any historic or real-time event, to price policies, and to calculate payout based on the event as modelled.

Although it is impossible to completely eliminate the basis risk, as by definition, the measure used in a parametric contract is a proxy for the real loss, it is equally important to note that the objective of the Facility is not to cover the entire loss faced by affected states, but to provide some liquidity in case of a major adverse natural event.

Key Strengths of the Second Generation Modelling:

- Built on strong, validated hazard modelling base at a 900m grid cell resolution
- The same techniques/code are used for historical hazard/loss modelling and real-time event modelling/payout calculation
- It is implemented using open modelling techniques from published scientific literature
- It is highly scalable and can be applied at a wide range of modelling resolutions
- It is implemented on a geographic base, enabling map outputs

*Basis risk emerges when an insurance payout does not exactly match the actual loss. To enable rapid payouts and reduce administrative expenses, parametric contracts use a proxy for the real loss, and thus there is the possibility that the proxy relationship may lead to under- or overestimation of the actual loss. Parametric index design seeks to minimise basic risk and CCRIF is at the leading edge of global progress in this regard.

Excess Rainfall Coverage

Many CCRIF participating countries and stakeholder partners have expressed a strong interest in being able to contract for catastrophic flood coverage. In response, CCRIF engaged the Caribbean Institute for Meteorology and Hydrology (CIMH) to conduct a study of the adequacy of existing rainfall and flooding data in the region for the purpose of supporting parametric flood insurance. The study analysed the quality and extent of existing data, and attempted to link relevant data sets to selected historic flood events. The main conclusion of the study was that the database is currently insufficient to develop the region-wide hydrologic basin flood models needed for producing flooding probabilities, and that an alternative approach, based on excess rainfall, held the best promise for a workable parametric insurance solution to rain-induced impacts in the Caribbean.

CCRIF subsequently contracted with CIMH and KAC to develop and test a parametric excess rainfall insurance product. The excess rainfall product will utilise a modelled rainfall index developed within the second-generation modelling framework. A proof of concept has been completed, and comprehensive testing of the concept is being undertaken during the summer of 2009, alongside outreach activities designed to ensure client feedback and reinsurer familiarity. As of publication time efforts were concentrated on testing the performance of different methodology options with an aim to have an operational system and initial products in place by late in 2009 or early in 2010.

Agricultural Insurance

CCRIF continues to monitor developments in agriculture risk management within the region. The recently completed World Bank pre-feasibility study of weather risk management in the agricultural sector in Jamaica highlighted the potential role which CCRIF could play in acting either as a primary underwriter of index insurance for aggregated risks, or as a reinsurer (and as a focus of international reinsurer support) for the sector.

CCRIF recognises the synergies between this initiative and internal CCRIF research and development initiatives in developing an excess rainfall index, and will seek to leverage its institutional experience and expertise in supporting governments in the transfer of risks from the agricultural sector via parametric products.

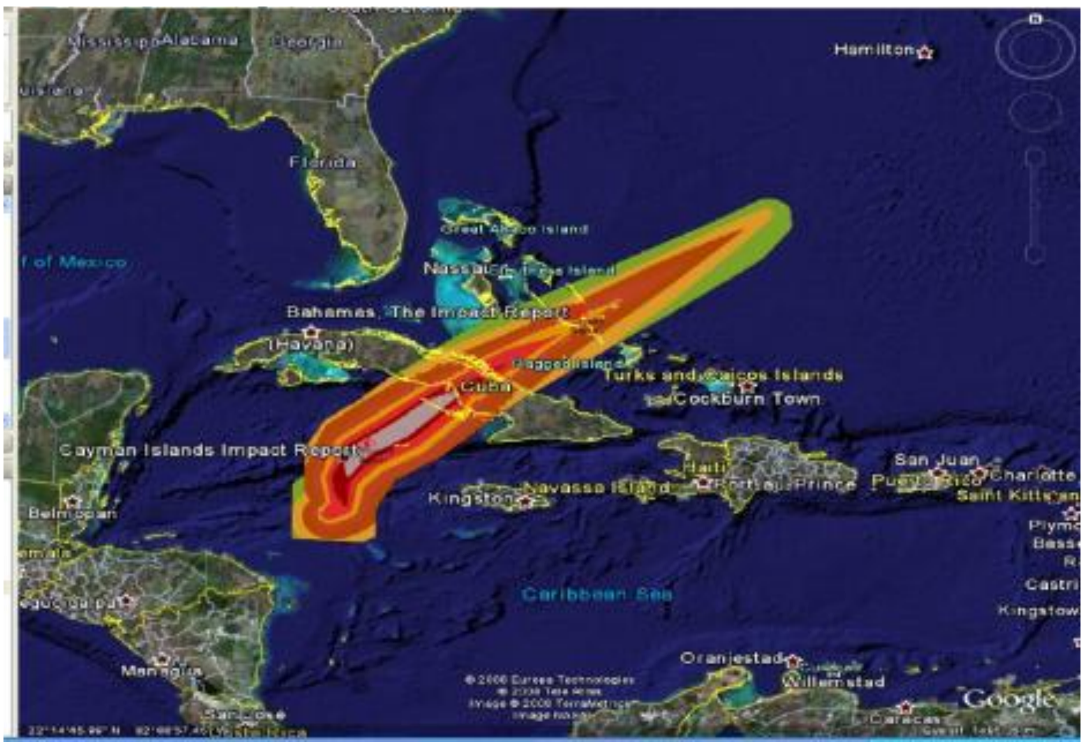
Electric Power Distribution Systems

In June 2009, the CCRIF Board approved the work plan for the continued development of a parametric product for overhead electrical transmission and distribution systems for Caribbean Electrical Utility Services Corporation (CARILEC) members. This initiative began when CCRIF was approached by CARILEC about developing a parametric solution for insuring transmission and distribution systems against catastrophic losses due to hurricanes. Within the Caribbean, transmission and distributions systems are usually not insured due to the prohibitive costs in the open market, hence CCRIF's role in pooling these risks and providing affordable parametric coverage options.

The CCRIF interest in this initiative is based on the recognition that Caribbean Governments continue to hold equity interest in or own many of the CARILEC utilities and an awareness of the vital role that rapid repair of the electrical distributions system plays in post disaster recovery within Caribbean countries.

Real Time Impact Modelling and Risk Mapping

For the 2008/09 season CCRIF offered members and supporting partner organisations access to KAC's Real Time Hazard and Impact Forecasting System (RTFS), which is a storm impact forecast tool, built on the core TAOS modelling technology which also supports CCRIF's second-generation loss model. This provided access to hazard maps in Google Earth showing wind speed over terrain, wave height in open water, storm surge height and inundation along the coast, cumulative rainfall over duration of storm and wind effects on vegetation, structures and electrical power. Through this platform, information was also provided on expected impacts on populations, land area, ports and airports. The Caribbean Institute for Meteorology and Hydrology (CIMH) provided outreach support to national meteorological and disaster management agencies, the latter via the Caribbean Disaster and Emergency Response Agency (CDERA).



Paloma Wind Impact Swath: 7 am EST, 7 November 2008

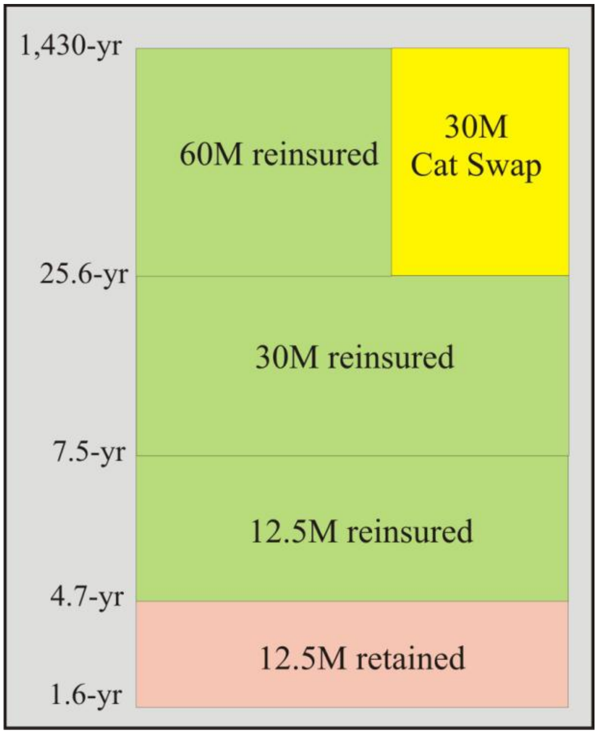
CCRIF's Financial Stability

CCRIF issued 30 annual policies to 16 CARICOM countries for the 2008-2009 policy/financial year. Annual premium income came to approximately US$22 million with capital raised from donor contributions amounting to approximately US$65 million by the end of the financial year. A further $22 million has been contributed by member governments.

CCRIF's aggregate exposure for policies written was just over $560 million. $12.5 million was retained by CCRIF, with $132.5 million in reinsurance being purchased above that to increase the claims paying capacity of the Facility (see figure at right). Reinsurance was purchased from the international reinsurance markets, including Munich Re, Swiss Re, Paris Re and Lloyd's of London syndicate Hiscox. One third 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 $145M, provided claims paying capacity for aggregate annual losses with a less than 1 in 1,400 chance of occurring.

With CCRIF's own additional capital, the claims paying capacity of CCRIF for the 2008-2009 policy year was greater than the modelled aggregate annual loss with a 1 in 10,000 chance of occurring. Hence CCRIF would have been able to survive a series of loss events with a less than one in 10,000 chance of occurring within the 2008-2009 year.

CCRIF is backed by donor funds held by the World Bank as a Multi-Donor Trust Fund. These funds complement the Facility's own reserves to cover operating expenses and provide claims-paying capacity. These donor funds help reduce CCRIF's dependence on the reinsurance market, allowing for a larger share of the premium collected to build its reserves.



Key Achievements

CCRIF received the 'Reinsurance Initiative of the Year' Award on 8 September 2008, for the reinsurance initiative that has generated the most promising change to a significant area of business. The award was offered by *The Review*, the leading magazine of the international reinsurance industry, founded in 1869. The award was accepted on behalf of CCRIF by the Jamaican High Commissioner to the United Kingdom, His Excellency the Honourable Burchell Whiteman.

At the *Insurance Day* London Market Awards 2008 held on 4 December, CCRIF was named 'Transaction of the Year'. The award was accepted on behalf of the Facility by Nick Moss from Aon Benfield, CCRIF's reinsurance broker.

His Excellency, Honourable Burchell Whiteman (right), Jamaica's High Commissioner to the UK, accepts the award on CCRIF's behalf

Conferences and Fora

Contributing to Regional and International Discussions on Hazard Risk Reduction

CCRIF was invited to and was represented at a number of conferences, workshops and summits over the 2008/09 policy year. These included

- The third annual meeting of the **World Forum of Catastrophe Programmes** in Iceland in June 2008

- The **Natural Catastrophe Risk Insurance Mechanisms for Asia and the Pacific Conference** in Tokyo, Japan in November 2008. The conference was supported by the Asian Development Bank and the Government of Japan. The CCRIF presentation was entitled "The Caribbean Catastrophe Risk Insurance Facility as a Technical Model"

- **The CARICOM Heads of Government meeting** in Belize in March 2009. The CCRIF presence focused on addressing questions or queries from members while putting in place groundwork for the 1 June 2009 renewals

CCRIF Executive Chairman Milo Pearson participated in a panel discussion entitled **"Climate Change and Caribbean Economies: Implications, Adaptation and Risk Management"** at the **CDB Board of Governors' meeting**, in Providenciales, Turks and Caicos Islands on 27 May 2009. CaribRM wrote a supporting briefing paper which was also released by the CCRIF, outlining the role of risk management in the region's adaptation strategy in the face of climate change.

At the request of CDERA, CaribRM, on behalf of CCRIF, provided a presentation for a conference held between 12 and 15 May, 2009 in Fiji. The conference was organised by the **Pacific Islands Applied Geoscience Commission (SOPAC)** in association with the United Nations International Strategy for Disaster Risk Reduction (UN ISDR) Pacific Sub Regional Office. The presentation focused on providing insight into the CCRIF experience in the Caribbean for the benefit of the Pacific partners and was entitled **"CCRIF: A**

Natural Catastrophe Risk Insurance Mechanism for Caribbean Islands"

CaribRM, on CCRIF's behalf, also participated in the following events:

- A World Bank regional workshop on climate risk in agriculture, held in October 2008 in Mexico, at which a presentation about CCRIF as a risk pooling vehicle was made.

- The Caribbean Institute for Meteorology and Hydrology (CIMH) Open Day in celebration of World Water Day and World Meteorological Day. The event was held on 23 March 2009. CaribRM participated in the lunch-time lecture series and provided a presentation entitled "Hydro-Meteorological Hazards and Catastrophe Risk Management"

- A CDERA regional workshop for the Development of the Regional Disaster Risk Management Strategy and Plan of Action and Standards for conducting Hazard Mapping, Vulnerability Assessment and Economic Valuation for Risk Assessment for the Tourism Sector. The symposium was held in Macoya, Trinidad and Tobago between 5 and 6 May 2009.

CCRIF was presented by members of the Aon Benfield reinsurance brokerage team at the following events:

- FIDES annual conference in Managua in October 2008.

- Chinese Insurance Regulatory Commission conference on risk pools in Beijing in October 2008.

- Insurance Institute of Barbados training event in November 2008.

CCRIF was represented by members of the World Bank and/or CaribRM at a number of events, including:

- Insurance Association of the Caribbean conference in Curaçao in June 2008.

- Caribbean constituency meeting and other meetings at the World Bank/IMF Annual Meeting in Washington DC in October 2008.

Co-Sponsorship

CCRIF hosted a professional development session on Parametric Insurance and New Product Developments/Modelling, as part of the annual Caribbean Conference on Comprehensive Disaster Management, held in Barbados between 8 and 12 December 2008. The session was led by Simon Young (CEO of CaribRM) supported by Jan Vermeiren (CEO of Kinetic Analysis Corporation). Entitled "Measuring and managing public-sector catastrophe risk: Current role and new directions for CCRIF and parametric insurance", the workshop focused on the concepts of catastrophe risk modelling, parametric insurance and alternative risk transfer. It highlighted new CCRIF initiatives and programmes being supported by developmental agencies to assist Caribbean governments to better understand, mitigate and manage catastrophe risk exposures. Dr Young also made a presentation on behalf of the CCRIF in the review session for the 2008 hurricane season at the same conference.

Upcoming Events in the Next Fiscal Year

CCRIF will co-sponsor the **Safe Hospitals and Other Critical Facilities Conference** to be held in Barbados between 11 and 12 June 2009. This event, to be hosted by the Caribbean Division of the Institution of Structural Engineers in partnership with the Pan American Health Organisation (PAHO), Council of Caribbean Engineering Organisations (CCEO) and the Barbados Association of Professional Engineers (BAPE), will focus on earthquake resistant design and construction, particularly in respect to hospitals and other critical facilities. It is expected to attract over 100 persons, drawn mainly from engineering and health professions as well as the construction industry in Barbados and the wider Caribbean.

At the invitation of the Martinique Regional Directorate for the Environment (DIREN), CaribRM will participate in **the Seismic Mitigation in the Caribbean Region (SEISMCARE) assembly** between 22 and 24 June 2009. The assembly will gather officials and experts involved in seismic risk prevention, mitigation and remediation within the Caribbean region to share experiences and knowledge and to initiate technical exchanges or projects between Caribbean nations. CCRIF will provide a poster presentation entitled **"Developments in Caribbean Seismic Hazards and Loss Modelling"** which will highlight the second-generation earthquake model developed by Kinetic Analysis Corporation (KAC) for CCRIF.

Strategic Alliances

Caribbean Institute for Meteorology and Hydrology(CIMH)

A Memorandum of Understanding (MoU) is currently in place with CIMH and two contracts have already been let under the MoU. CIMH is actively assisting with developing the rainfall product, with outreach for the RTFS, and in post-event analysis (via call-down) for the 2009 hurricane season.

Caribbean Disaster and Emergency Response Agency (CDERA)

CCRIF will sign an MoU with CDERA in August 2009. This MoU will facilitate capacity building through the elaboration and enhanced use of tools in the concept of catastrophe risk modelling, parametric insurance and alternative risk transfer, drawing heavily on CCRIF as a case-study; the introduction of the new products and programmes and initiatives to assist Caribbean governments in better understanding and financing catastrophe risk exposures; and the provision of real time hurricane hazard and impact information for all CDERA member states. Another area of focus will be the development of common strategies for mitigating the physical and socio- economic impacts of natural disasters on low to middle-income small island developing states.

UWI Disaster Risk Reduction Centre and the World Bank (Global Fund for Disaster Risk Reduction Programme)

The University of the West Indies (UWI) Disaster Risk Reduction Centre (DRRC) and the World Bank will sign the grant agreement for the Caribbean Risk Atlas for floods, hurricanes and earthquakes project in mid-June 2009. CCRIF has been liaising with the UWI team principals to finalise an MoU to enable UWI-DRRC to utilise CCRIF's Second Generation risk modelling platform. The MoU will also highlight other opportunities for working together as well as mutually beneficial synergies. The MoU finalisation and signing will be completed by late 2009.

OECD International Network on the Financial Management of Large-Scale Catastrophes

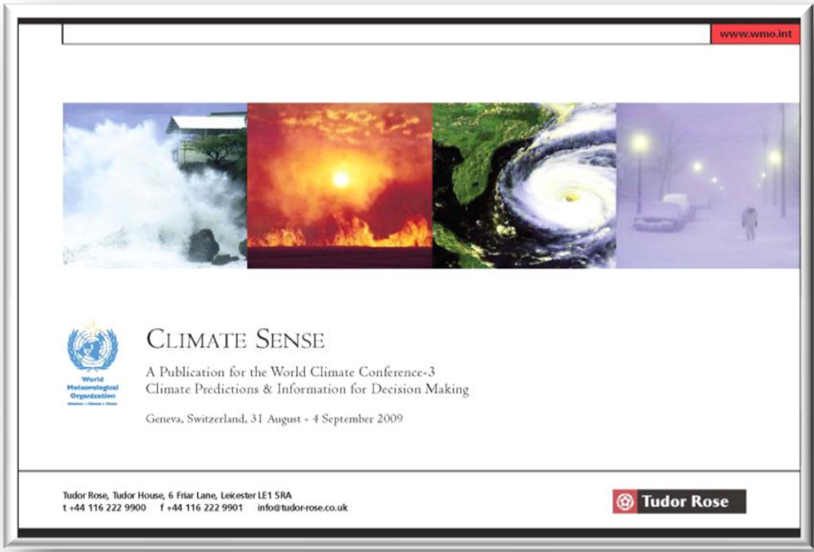
The OECD's 'International Network on the Financial Management of Large-Scale Catastrophes', has shown keen interest in CCRIF and will be using CCRIF as a coordinating agency for benchmarking disaster risk management in the Caribbean. CCRIF has also been invited to the second general meeting of the network in Bangkok in September 2009.

CARICOM, UN-ECLAC and CARILEC

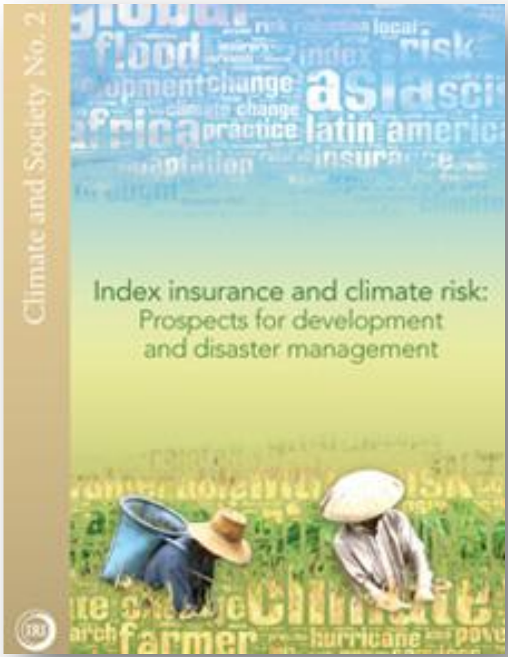
Discussions regarding MoUs are currently being held with CARICOM, UN-ECLAC and CARILEC. These MoUs are aimed at facilitating greater transfer of information, efficiency and coordination between these institutions and CCRIF with respect to areas where there is an overlap of interests.

Publications

CaribRM, on behalf of CCRIF, completed a contribution for the United Nations World Meteorological Organisation (UN-WMO) publication ***Climate Sense*.** The title of the submitted paper is: ***"Innovative Risk Transfer Options as Adaptation Strategies to Growing Hydro-Meteorological Risks in the Caribbean"***.



Climate Sense will be a fully illustrated 250-page book with over 100 authors relating their work in weather, climate and water services at international, regional, national, municipal and local levels of activity. Their commentaries will draw upon experiences around the world reflecting how people are using climate information to improve the security and sustainability of their lives. It also reflects the progress and challenges in these fields, highlighting good practices in a wide variety of societies and disciplines.



CaribRM also completed a contribution on CCRIF to the recently released publication from Columbia University's International Research Institute for Climate and Society. The publication is entitled ***Index Insurance and Climate Risk: Prospects for Development and Disaster Management***.

CCRIF in the News

Over the past year, CCRIF received significant press coverage and positive exposure in the region and internationally (including, increasingly, the mainstream international financial press as well as the London-oriented insurance press).

Several key publications released by the International Monetary Fund (IMF) make mention of CCRIF and its critical role in helping Caribbean countries to access disaster insurance in order to meet immediate liquidity gaps in the aftermath of a natural disaster. As an additional point, these reports also highlight the benefits accrued through a significant reduction in resource gaps over the long run, as insurance coverage against natural disasters can provide some fiscal space for governments to deal with the consequences of these events and help to reduce associated accumulation of public debt.

News and Notes...

Within the wider climate change dialogue leading up to the Copenhagen Conference of the Parties (COP15) in December 2009, CCRIF has also been cited in several key documents as a working example of what a risk pooling agency within the Copenhagen Treaty might look like. This is evident in publications by the Munich Climate Insurance Initiative (MCII) in their substantial contributions to the COP15 negotiation process, and by a number of insurance-industry contributions including those by the Geneva Association, Lloyd's and others. These have prompted further discussions with key regional and international stakeholders and CCRIF involvement in the negotiation process leading up to the COP15 conference.

CCRIF

CARIBBEAN CATASTROPHE
RISK INSURANCE FACILITY

AUDITED FINANCIAL STATEMENTS

CARIBBEAN CATASTROPHE RISK INSURANCE FACILITY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2009 AND THE PERIOD

FROM FEBRUARY 27, 2007 (DATE OF INCORPORATION)

TO MAY 31, 2008

CARIBBEAN CATASTROPHE RISK INSURANCE FACILITY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2009 AND THE PERIOD FROM FEBRUARY 27, 2007 (DATE OF INCORPORATION) TO MAY 31, 2008

CONTENTS

To The Board of Directors and Shareholder of
Caribbean Catastrophe Risk Insurance Facility

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of changes in shareholder's equity and of cash flows present fairly, in all material respects, the financial position of Caribbean Catastrophe Risk Insurance Facility and its subsidiary (the "Group") as at May 31, 2009 and 2008, and the results of its operations and its cash flows for the year ended May 31, 2009 and the period from February 27, 2007 (date of incorporation) to May 31, 2008, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers

August 26, 2009

CARIBBEAN CATASTROPHE RISK INSURANCE FACILITY

CONSOLIDATED BALANCE SHEETS

(expressed in U.S. dollars)

	May 31, 2009	May 31, 2008
ASSETS		
Cash and cash equivalents (Note 4)	$ 17,827,229	$19,363,071
Investments (Note 5)	53,174,430	30,710,645
Accrued interest	611,499	40,684
Prepaid expenses	30,418	30,418
Unrealized gains on forward and futures contracts (Note 10)	159,274	-
Amounts due from Multi Donor Trust Fund (Note 6)	6,819,540	2,045,285
Total assets	$ 78,622,390	$52,190,103
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities		
Accounts payable (Note 7)	262,818	1,007,648
Income from parametric contracts received in advance (Note 8)	11,587,280	11,724,781
Participation fee deposits (Note 9)	21,888,512	19,488,512
Unrealized losses on forward and futures contracts (Note 10)	1,463,323	18,648
Total liabilities	35,201,933	32,239,589
Shareholder's equity		
Share capital (Note 11)	1,000	1,000
Share premium (Note 11)	119,000	119,000
Retained earnings	43,300,457	19,830,514
Total shareholder's equity	43,420,457	19,950,514
Total liabilities and shareholder's equity	$ 78,622,390	$52,190,103

Approved for issuance on behalf of the Board of Directors of Caribbean Catastrophe Risk Insurance Facility by:

Milo Pearson	August 26, 2009
Director	Date
Garry Wilkins	August 26, 2009
Director	Date

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

CARIBBEAN CATASTROPHE RISK INSURANCE FACILITY

CONSOLIDATED STATEMENTS OF INCOME

(expressed in U.S. dollars)

	Year ended May 31, 2009	Period from February 27, 2007 (date of incorporation) to May 31, 2008
Operating income		
Income from parametric contracts (Note 2)	$ 21,838,512	$19,488,512
Expenses on parametric reinsurance contracts (Note 2)	(9,461,164)	(7,947,500)
Net income on parametric contracts	12,377,348	11,541,012
Ceding commissions on parametric contracts	184,058	104,375
Total operating income	12,561,406	11,645,387
Operating expenses		
Claims paid on parametric contracts (Note 12)	6,303,913	946,997
Brokerage and facility supervisor fees	528,310	463,838
Total operating expenses	6,832,223	1,410,835
Net operating income	5,729,183	10,234,552
Other income and expenses		
Investment income (Note 13)	2,597,588	1,207,546
Income from Multi Donor Trust Fund (Note 6)	16,021,033	9,369,160
Administrative expenses (Notes 14 and 15)	(877,861)	(860,744)
Net income for the year/period	$ 23,469,943	$19,950,514

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

CARIBBEAN CATASTROPHE RISK INSURANCE FACILITY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

(expressed in U.S. dollars)

	Share capital	Share premium	Retained earnings	Total
Balance at February 27, 2007 (date of incorporation)	$ -	$ -	$ -	$ -
Issuance of shares	1,000	119,000	-	120,000
Net income for the period	-	-	19,950,514	19,950,514
Dividends declared (see Note 15)	-	-	(120,000)	(120,000)
Balance at May 31, 2008	1,000	119,000	19,830,514	19,950,514
Net income for the year	-	-	23,469,943	23,469,943
Balance at May 31, 2009	$ 1,000	$ 119,000	$43,300,457	$43,420,457

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

CARIBBEAN CATASTROPHE RISK INSURANCE FACILITY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in U.S. dollars)

	Year ended May 31, 2009	Period from February 27, 2007 (date of incorporation) to May 31, 2008
Operating activities		
Net income for the year/period	$ 23,469,943	$19,950,514
Adjustments to reconcile net income to net cash from operating activities:		
Adjustment for items not affecting cash:		
Net realized losses on sales of securities	1,012,599	76,030
Change in fair value of investments	(2,392,265)	86,801
Changes in assets and liabilities:		
Unrealized gains/losses on forward and futures contracts	1,285,401	18,648
Accrued interest	(570,815)	(40,684)
Prepaid expenses	-	(30,418)
Amounts due from Multi Donor Trust Fund	(4,774,255)	(2,045,285)
Accounts payable	(744,830)	1,007,648
Income from parametric contracts received in advance	(137,501)	11,724,781
Net cash provided by operating activities	17,148,277	30,748,035
Investing activities		
Purchase of securities	(69,509,902)	(17,431,921)
Proceeds from sale of securities	29,923,727	8,216,944
Net movement in short term investments	18,502,056	(21,658,499)
Cash used in investing activities	(21,084,119)	(30,873,476)
Financing activities		
Issuance of shares *	-	-
Dividends paid *	-	-
Participation fee deposits received	2,400,000	19,488,512
Net cash provided by financing activities	2,400,000	19,488,512
Net change in cash and cash equivalents	(1,535,842)	19,363,071
Cash and cash equivalents at the beginning of year/period	19,363,071	-
Cash and cash equivalents at the end of year/period	$ 17,827,229	$19,363,071

* For non-cash items, see Note 15.

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

1. Incorporation and principal activity

Caribbean Catastrophe Risk Insurance Facility, Ltd. (the "Company") was incorporated on February 27, 2007 under the laws of the Cayman Islands and obtained an unrestricted Class "B" Insurer's licence under the provisions of the Cayman Islands Insurance Law on May 23, 2007. The Company's sole shareholder is the CCRIF Star Trust (the "Trust"). The Trustees of the Trust are based in the Cayman Islands.

The principal activity of the Company is to provide catastrophe risk coverage through parametric contracts, specifically relating to tropical cyclones and earthquakes ("Acts of Nature"), to certain Caribbean countries ("Participating Countries").

The Company also owns all of the beneficial interests in the Global Managed (7) $ Fund (the "Investment Fund" or "Subsidiary") (a Segregated Portfolio Cell 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 the investment activities of the Company. The Company and the Investment Fund are referred to as "the Group" in these consolidated financial statements.

2. Parametric contracts

The principal activity of the Group is to provide catastrophe risk coverage to governments of Participating Countries, through parametric contracts, specifically relating to defined Acts of Nature that occur in or in close proximity of the Participating Countries.

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 calculated index values using specified terms, conditions and formulae 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 2008/09 policy year (which terminated on May 31, 2009), the combined aggregate coverage limits for all Participating Countries were $384.4 million (2008: $364.9 million) for tropical cyclones events and $177.7 million (2008: $129.9 million) for earthquake events, respectively.

The Group has ceded layers of this exposure to commercial reinsurers and the International Bank for Reconstruction and Development ("World Bank"). The following is a summary of the coverage in the program for the period up to May 31, 2009 and 2008:

- The Group retains all losses up to $12.5 million (2008: $10 million) per annum.
- The next $12.5 million (2008: $15 million) of losses are reinsured with 4 (2008: 3) reinsurers with an A.M.Best rating of at least A-.
- The next $30 million (2008: $25 million) of losses are reinsured with 4 (2008: 3) reinsurers with an A.M.Best rating of at least A-.
- The next $90 million (2008: $70 million) of losses are ceded 66.7% to 3 (2008: 71.4% to 2) commercial reinsurers with an A.M.Best rating of at least A-, and 33.3% (2008: 28.6%) to the World Bank.
- The Group retains all subsequent losses above $145 million (2008: $120 million).

Notwithstanding the arrangements outlined above, currently all losses incurred in the Group's retention limits are reimbursed to the Group by the Multi Donor Trust Fund until exhaustion of the funds available within that fund (see Note 6).

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, 2009 and 2008, 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 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 financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents: Cash and cash equivalents comprise of call accounts and deposits with maturities of three months or less on date of purchase.

Investments, investment transactions and investment income: Investments consist of investments in retail mutual funds, corporate debt securities, sovereign debt securities, future contracts, forward exchange contracts and short-term investments. The Group has adopted FASB Statement 159 "The Fair Value Option for Financial Assets and Financial Liabilities" ("FAS 159") and concurrent with the adoption of this statement, adopted the provisions of FASB Statement 157 "Fair Value Measurements" ("FAS 157"). FAS 157 requires management to designate investments into three categories depending on how fair value is determined:

- Level 1 inputs are 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 are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability. Investments are the only class of asset or liability which the Group has made the election to adopt FAS 159.

Investments are initially recorded at cost on trade date (being the fair value at date of acquisition) and are subsequently revalued to fair value. The fair value of fixed income securities are determined based on quoted market prices, matrix prices and prices determined using generally accepted pricing models as provided by the Group's investment advisers. The fair value of the mutual funds is based on the daily net asset values provided by the respective fund administrators.

Unrealized gains and losses on investments are recorded as a change in fair value in the Consolidated Statements 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.

Income from Multi Donor Trust Fund: In accordance with the grant agreement described in Note 6, the Group records income from Multi Donor Trust Fund on an accruals basis when costs reimbursable under the grant agreement are incurred and for which management intend to seek reimbursement. Accordingly, the Group does not record amounts available from the Multi Donor Trust Fund as income until such time when reimbursable costs are incurred (see Note 6) and management intend to seek reimbursement for such costs. Amounts due from Multi Donor Trust Fund represent unsettled claims for reimbursements under the grant agreement and accruals for reimbursable costs incurred for which no reimbursement claims had been submitted at the balance sheet dates.

3. Significant accounting policies (continued)

Income and expenses from parametric contracts: Amounts payable/receivable for claims under the parametric policies written and ceded by the Group do 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 are initially recognized as a liability (reinsurance 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 events (based on historical trends and statistics) during the unexpired period of the contracts. At May 31, 2009 and 2008, 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.

Forward and futures contracts: The Group permits its investment manager to invest, within prescribed limits, in financial exchange traded futures contracts and to sell securities not yet purchased ("Short Selling") for hedging purposes and 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.

The Group also permits its investment manager to invest in forward foreign exchange contracts to hedge against 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. In accordance with FAS 157, open forward and futures contracts are valued using Level 2 and Level 1 inputs, 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 Statements of Income.

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.

(Expressed in United States dollars)

4. Cash and cash equivalents

Cash and cash equivalents comprise:	2009	2008
Current and call accounts	12,133,810	4,286,190
Fixed term deposits	5,693,419	15,076,881
	$17,827,229	$19,363,071

Cash and cash equivalents are primarily held by one bank in the Cayman Islands and managed within guidelines established by the Board of Directors.

5. Investments

All of the Group' investing activities are conducted through the Investment Fund, which is managed by an investment manager under an investment management agreement (see Note 1).

The following table summarizes the Group's investments in the Investment Fund that are measured at fair value at May 31, 2009:

	Fair Value Measurements Determined Using: Level 1 inputs	Level 2 inputs	Level 3 inputs	Total
Mutual funds	-	7,763,862	-	7,763,862
Corporate debt securities	-	31,639,729	-	31,639,729
Sovereign debt securities	10,614,396	-	-	10,614,396
Short term investments	3,156,443	-	-	3,156,443
	$ 13,770,839	$ 39,403,591	$ -	$ 53,174,430

The following table summarizes the Group's investments in the Investment Fund that are measured at fair value at May 31, 2008:

	Fair Value Measurements Determined Using: Level 1 inputs	Level 2 inputs	Level 3 inputs	Total
Mutual funds	-	3,366,960	-	3,366,960
Corporate debt securities	-	5,685,186	-	5,685,186
Short term investments	21,658,499	-	-	21,658,499
	$ 21,658,499	$ 9,052,146	$ -	$ 30,710,645

At May 31, 2009, approximately 66% of the debt securities were based in the United Kingdom (36%), the United States (16%) and Germany (14%). Most of the remaining debt securities were based in various European countries. Approximately 92% of the debt securities had a credit rating of A- or higher and the remaining 8% were rated BBB or higher. The debt securities portfolio had an average maturity of approximately 3 years from May 31, 2009.

5. Investments (continued)

Short term investments consist of cash held with the investment manager, term deposits and margin call accounts (see Note 10). Also included in short term investments, are amounts denominated in British Pound Sterling, of $331,463 (£205,552) (2008: $98,810 (£50,000)) and Euros of $762,437 (€538,654) (2008: nil). The margin call accounts comprise restricted cash required to be posted with respect to the futures contracts (see Note 3 and 10).

At May 31, 2009, the Group held investments in various classes of a mutual fund which can be redeemed subject to specific restrictions on transferability and disposal as specified in the offering memoranda of the respective mutual funds. Under certain circumstances, the funds have the ability to suspend subscriptions and redemptions if it is considered to be in the best interests of the shareholder group (of the respective funds) as a whole.

The Group's investments are valued through the use of net asset values ("NAVs") as provided by the respective fund administrators. Management believes those NAVs are representative of fair values.

The Group's investments in mutual funds at May 31, 2009, are comprised as follows:

Name of fund	Net Asset Value	Units Held	Total value (US$)
Bluebay Investment Grade	€111.46 (US$157.77)	7,317.8	1,154,500
Blackrock Short Duration Bond Fund	US$10.43	52,789.98	550,599
JB Dollar Medium Term Bond	US$165.97	13,703.16	2,274,313
Morgan Stanley SICAV	US$33.55	18,598.88	623,992
PIMCO Total Return Bond Fund	US$20.37	116,617.71	2,375,503
PIMCO Investment Grade Credit	US$10.41	75,403.84	784,955
Total			$7,763,862

The above NAVs take into consideration any fixed fees and performance-related fees payable to the respective administrators of the funds.

The investment objectives, as per the respective offering memoranda of each mutual fund held, are as follows:

Bluebay Investment Grade
The fund's objective is to achieve a total return in excess of the iBoxx Euro Corporates Index from a portfolio of investment grade-rated fixed income securities. The fund invest principally in fixed income securities rated investment grade and issued by entities domiciled with the European Union or other Euro countries.

Blackrock Short Duration Bond Fund
The fund's objective is to maximize returns. The fund invests at least 80% of its total assets in investment grade fixed income transferable securities. At least 70% of the fund's total assets are invested in fixed income transferable securities denominated in US dollars with a duration of less than five years. The average duration is not more than three years. Currency exposure is flexibly managed.

JB Dollar Medium Term Bond
The fund is intended for investors wanting a slightly higher rate of return than the US dollars money market without being exposed to excessive risk. The fund invests mainly in fixed-rate or variable-rate securities with credit ratings of at least "A", denominated in United Sates dollars with a residual maturity of between one and five years from issuers of good creditworthiness from recognized countries.

(Expressed in United States dollars)

5. Investments (continued)

Morgan Stanley SICAV
The fund's objective is to provide an attractive rate of return through market, instrument and currency selection. It uses a top-down macro orientation for the central strand of investment policy. The fund invests in a diversified portfolio of government, agency, corporate, asset-backed and convertible debt instruments in a range of developed markets globally.

PIMCO Total Return Bond Fund
The fund has a diverse portfolio of intermediate-term, investment grade securities, actively managed to maximize total return while minimizing risk relative to the benchmark. The fund invests primarily in US government, mortgage and corporate bonds, but may have tactical allocations to municipal, high yield and non-US markets.

PIMCO Investment Grade Credit
The fund has an actively managed portfolio that invests at least two-thirds of its assets in primarily investment grade global corporate and credit instruments. Portfolio duration may vary within two years of the benchmark and the fund may tactically invest up to 10% of assets in below-investment grade issues.

6. Multi Donor Trust Fund

The CCRIF Trust Fund (hereinafter referred to as the "Multi Donor Trust Fund" or "Donor Trust"), was created by the World Bank as part of a grant arrangement with the Company. Under this arrangement, the World Bank has established a grant framework to assist the Company financially in its operations. Costs reimbursable under the grant agreement include certain:

(a) professional service fees, administrative fees, banking initiation fee, and registration fees, including related travel expenses which are incurred by the Company in connection with the establishment of the program;
(b) administrative fees, professional fees, audit costs, exchange rate costs, banking fees, reinsurance premiums, and remuneration and travel expenses of board members of the Company;
(c) insurance payouts of the Company, to the extent that such payouts are not covered by any reinsurance purchased by the Company (see Note 3); and
(d) such other operational expenses of the Company agreed with the World Bank.

The Donor Trust has an expected life of 5 years which is extendable upon negotiations between the World Bank and the donors to the Donor Trust. At the termination of the grant arrangement, the reimbursements will cease. Any unused funding at the date of termination will no longer be available to the Group.

During the year ended May 31, 2009 and the period ended May 31, 2008, the following costs were reimbursed and/or reimbursable by the Donor Trust:

	2009	2008
Expenses on parametric reinsurance contracts	9,277,106	7,943,125
Claims paid on parametric contracts	6,303,913	946,997
Directors' fees and expenses	55,914	118,728
Facility management fees and expenses	384,100	360,310
	$16,021,033	$9,369,160

(Expressed in United States dollars)

6. Multi Donor Trust Fund (continued)

At May 31, 2009 and 2008, the following cost reimbursements were due from the Donor Trust:

	2009	2008
Expenses on parametric contracts	6,350,625	1,893,281
Directors' fees and expenses	84,815	68,430
Facility management fees and expenses	384,100	83,573
	$ 6,819,540	$2,045,285

At May 31, 2009, prior to settlement of the above outstanding reimbursements of $6,819,540 (2008: $2,045,285), $51,829,665 was available from the Donor Trust to finance future reimbursable costs of the Group during the remaining period of the arrangement described above; $31,429,417 represents funds committed to the Facility via the Grant Agreement and the balance of $20,400,248 represents funds in the Donor Trust not yet granted to the Group but that will be transferred to the Group in future amendments to the Grant Agreement.

7. Accounts payable

Accounts payable comprises:

	2009	2008
Accruals	262,818	132,648
Amounts due to broker for unsettled trades	-	875,000
	$ 262,818	$1,007,648

8. Income from parametric contracts received in advance

Income from parametric contracts received in advance represents amounts paid by Participating Countries with respect to the 2009/10 policy during the year ended May 31, 2009 (2008: amounts paid with respect to the 2008/09 policy during the period ended May 31, 2008).

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 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, reinsurers and the Donor Trust (see Note 6) 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. 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.

10. Forward and futures contracts

As at May 31, 2009, the Group had the following outstanding forward foreign currency and futures contracts:

	Expiry date	Notional value	Fair Values at May 31, 2009
British Pound Sterling forward (bought £ sold US$)	June 2, 2009	£1,450,000 (at forward rate of US$1.5027: £1)	$ 159,274
United States Dollars forward (bought US$ sold £)	June 2, 2009	$10,580,339 (at forward rate of US$1.5106: £1)	(714,025)
United States Dollars forward (bought US$ sold €)	June 2, 2009	$12,964,228 (at forward rate of US$1.3381: €1)	(749,298)
			$(1,463,323)

As at May 31, 2008, the Group had the following outstanding forward foreign currency and futures contracts:

	Expiry date	Notional value	Fair Values at May 31, 2008
British Pound Sterling forward	June 3, 2008	£400,000 (at forward rate of US$1.9762: £1)	1,203
U.S 2 Year Note future	September 30, 2008	$2,200,000	(7,390)
U.S 5 Year Note future	September 30, 2008	$1,100,000	(12,461)
Total			$(18,648)

At May 31, 2009, the Group had placed cash collateral on deposit of $nil (2008: $19,852) with a third party to meet margin requirements for futures contracts. This balance was included in short-term investments (see Note 5).

At May 31, 2009 and 2008, the Group held securities denominated in foreign currencies with a fair value of $21,419,390 (€9,107,014 and £5,289,052) (2008: $693,192 (£350,770)) and short-term investments denominated in British Pound Sterling of $331,463 (£205,552) (2008: $98,810 (£50,000)) and Euros of $762,437 (€538,654) (2008: nil). The Group uses forward and futures contracts to hedge against associated foreign currency risks.

11. Share capital and share premium

	2009	2008
Authorized:		
50,000 shares of $1 each	$ 50,000	$ 50,000
Issued and fully paid:		
1,000 shares of $1 each	1,000	1,000
Share premium	119,000	119,000
	$ 120,000	$ 120,000

(Expressed in United States dollars)

11. Share capital and share premium (continued)

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 net worth of US$120,000.

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.

12. Claims paid

Claims paid in the year ended May 31, 2009 relate to Hurricane Ike which triggered a claim payment to a Participating Country in September 2008.

Claims paid in the period ended May 31, 2008 relate to the payment of claims with regards to an earthquake event that affected the Martinique Region of the Caribbean in November 2007.

13. Investment Income

Investment income comprises:

	2009	2008
Investment income received	1,349,677	1,455,388
Change in fair value of investments	2,392,265	(86,801)
Net loss on sale of investments	(1,012,599)	(76,030)
Investment management, custody and fund administration fees	(549,369)	(66,363)
Foreign exchange gains	1,703,015	-
Net unrealized losses on forward and futures contracts	(1,285,401)	(18,648)
	$ 2,597,588	$ 1,207,546

Change in fair value of investments is calculated where a security is held at the beginning of the year or acquired during the year, and is also held at the end of the year. Net loss on sale of investments is the difference between sales proceeds (net of any transaction costs) and original cost.

(Expressed in United States dollars)

14. Administration expenses

Administration expenses comprise:

	2009	2008
Audit and other professional fees	44,500	58,500
Captive management fees	100,000	65,000
Consultancy fees	215,467	177,350
Directors' fees	18,000	100,455
Executive Director's fees	135,920	104,780
Directors' and Officers' insurance	31,775	-
Legal fees	2,898	114,884
Government fees	9,720	14,091
Meeting expenses	77,491	12,203
Publicity	95,742	62,252
Trust expenses (see Note 15)	43,000	101,725
Startup expenses	-	40,000
Registered office fee	-	2,500
Charitable donation to UNESCO	100,000	-
Sundry expenses and bank charges	3,348	7,004
	$ 877,861	$ 860,744

15. Related party transactions

During the year ended May 31, 2009 and the period ended May 31, 2008, the Group paid the following expenses on behalf of the Trust:

	2009	2008
Trustee fees	33,000	91,257
Enforcer fees	10,000	10,468
	$ 43,000	$ 101,725

During the period ended May 31, 2008, the Company declared a dividend of $120,000, payable to the Trust. This balance was settled against the share capital contribution of $120,000 due from the Trust.

16. 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.

16. Taxation (continued)

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109 ("FIN 48"). This interpretation establishes guidance for the measurement, classification, recognition and presentation in financial statements of a tax position taken or expected to be taken in a tax return as well as certain other transactions related to taxation. The Group has elected to take advantage of the deferral conveyed by FIN 48-3, Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises ("FSP 48-3"), accordingly, FIN 48 will first become effective for the Group for the year ended May 31, 2010. The Group's accounting policy is to accrue for liabilities relating to uncertain tax positions only when such liabilities are probable and reasonably estimable. The Group has determined that the adoption of FIN 48 will not have a material impact on the Group's consolidated financial statements. However, the Group's conclusions regarding FIN 48 may be subject to review and adjustment at a later date based on on-going analyses of tax laws, regulations and interpretations thereof and other factors.

17. Financial instruments

(a) Geographical concentration of risk

The Group's principal activity comprises parametric catastrophe risk coverage for Participating Countries in the Caribbean region. Accordingly, the Group's risks are not geographically diversified.

(b) Fair value

The carrying amount of the Group's financial assets and liabilities, excluding investments, approximate their fair value due to their short term maturities. Investments and forward and futures contracts 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, futures and forward contracts, accrued interest receivable and the balance receivable from the Multi Donor Trust Fund. The maximum amount of loss the Group 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 manager invests in securities with a high credit quality. See Note 6 for details of amounts due from the balance due from the Multi Donor Trust Fund. Futures and forward contracts are subject to the credit risk of the respective counterparties. The Group manages this credit risk by transacting only with counterparties considered highly reputable and creditworthy.

(d) Interest rate risk

The Group's term and fixed deposits are at fixed interest rates and mature within three months. The Group also 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 is market prices can arise from factors specific to individual securities or their respective issuers, 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.

17. Financial instruments (continued)

(f) 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. See Note 10 for details of forward foreign exchange contract entered into by the Group during the period.

(g) 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 U.S. Treasury Notes.

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