

**PRESS RELEASE**

22 January 2015

**DROUGHT TRIGGERS ARC INSURANCE PAYOUT IN SAHEL AHEAD OF  
HUMANITARIAN AID**

**Johannesburg, South Africa** – ARC Insurance Company Limited (ARC Ltd) will pay US \$25 million in drought insurance claims to three countries in the Sahel this month. Mauritania, Niger and Senegal, which paid a combined premium of US \$8 million, will use the payout to mobilize early interventions in response to drought based on pre-approved contingency plans.

The catastrophe insurance model is tailored to African climate issues, developed by the African Risk Capacity (ARC), a Specialized Agency of the African Union, and its affiliated mutual insurance company, ARC Ltd. The inaugural pool was set up in 2014 to help Member States build resilience to extreme weather events and protect food insecure populations. Coverage for tropical cyclones and floods will be available in 2016.

“This African-owned approach is addressing specific country-level climate change concerns, decreasing reliance on external aid, and promoting a sustainable solution to one of our continent’s biggest challenges,” said Dr. Ngozi Okonjo-Iweala, Coordinating Minister for the Economy - Nigeria and Chair of ARC’s Governing Board.

By purchasing parametric drought insurance policies last year, Kenya, Mauritania, Niger and Senegal became the first African countries to embrace this new model of innovative funding, taking a major step in transforming the disaster response paradigm on the continent

Robert Piper, the UN regional humanitarian coordinator for the Sahel, acknowledged, “These first payouts by ARC represent a milestone in government leadership and financial innovation for emergency response across the Sahel”. ARC’s information and action is spearheading what will be a substantial global emergency response over the coming months to mitigate what could otherwise become a major food security crisis.

“For African governments, extreme weather events require significant response capacities and are often associated with large fiscal costs. With the payment of US \$16.5 million coming into the Treasury, we are fully convinced that it is possible to move from managing crises to managing risks,” said Amadou Ba, Minister of Economy and Finance for Senegal.

Payouts are made based on calculations using ARC’s in-house drought monitoring and loss calculation software, *Africa RiskView*. ARC and its Member States work in partnership to develop country-level contingency plans based on existing and scalable government programs. Prior to payouts being made, governments must submit a Final Implementation Plan, which is certified by the ARC Governing Board’s Peer Review Mechanism.



Dr. Richard Wilcox, Founding Director General of ARC Agency noted, “This is a transformative moment in African food security demonstrating the potential for cost effective disaster financing. ARC has the potential to transform disaster risk management on the continent. With the ability to scale to a multi-billion dollar portfolio, ARC could offer coverage to 20 plus countries by 2020.”

ARC Ltd. was capitalized through financing of US \$200 million by the United Kingdom’s Department for International Development (DFID) and Germany’s KfW development bank on behalf of BMZ, the German Ministry for Economic Cooperation and Development. Additional partners include the International Fund for Agricultural Development (IFAD), Rockefeller Foundation, Swiss Agency for Development and Cooperation (SDC), Swedish International Development Cooperation (SIDA), and the World Food Programme (WFP).

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### **About African Risk Capacity Agency**

The African Risk Capacity (ARC) was established as a Specialized Agency of the African Union to help AU Member States improve their capacities to better plan, prepare and respond to extreme weather events and natural disasters. The objective of the ARC is to assist AU Member States to reduce the risk of loss and damage caused by extreme weather events and natural disasters affecting Africa's populations by providing targeted responses to disasters in a more timely, cost-effective, objective and transparent manner. For more information, please contact: [www.africanriskcapacity.org](http://www.africanriskcapacity.org)

### **About African Risk Capacity Insurance Company Limited**

ARC Ltd was formed in late 2013 as the financial affiliate of ARC Agency, registered in Bermuda as a hybrid mutual insurer. ARC Ltd sells parametric insurance products to eligible ARC Agency Member States and pools the risk across the African continent to bring a sustainable risk financing solution at the lowest possible cost. <http://www.africanriskcapacity.com/>

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