As we approach the end of the first quarter, I have to tell you that 2021 is proving to be a different kind of year. Now that we have completely adjusted to working around the challenges brought about by the COVID-19 pandemic, I am confident that we will start to tick-off that to-do list with much more ease. Like everyone else, the ARC team has been following reports on the distribution of the various vaccines from across the globe with keen interest, trusting that there will be many success stories and that challenges are only a small hurdle to overcome. We can’t wait for the time that Africa reaches herd immunity and we can put this challenging phase behind us. In the meantime, we have a lot to get through and I’m glad to have another opportunity to report on what’s been happening at ARC.

This week, we kicked-off the much anticipated engagement tour of our West and Central Africa (WCA) stakeholders after a prolonged period of planning and waiting for travel restrictions to ease. I have to tell you that the team and I have been especially excited to be making headway towards this critical aspect of the ARC 2021 work programme. A detailed update on this visit follows.

Update from ARC Joint-Board meeting

On Friday 5 March 2021, we held a joint meeting of the Agency and Ltd Boards whose purpose was to consider the recommendations of the Finance and Audit Committee following its review of the budget and 2021 Programme of Work and budget. I am pleased to inform you that we received the green light as the Board recommended these two important items for consideration by the Conference of the Parties (CoP) scheduled for 7-8 April 2021. The CoP is the supreme governing body on matters concerning ARC and tabling any matter before this body means that the countries have the opportunity to critically look at the plans we have laid out and the related budget for their suitability to meet the needs of Member States. The meeting also interrogated some of the pertinent initiatives that we are undertaking and I am happy to report that the Board gave guidance and recommendations to the Secretariat on how to resolve some of the challenges that the organisation is facing.

ARC Ltd sponsors the PSI Africa Market Event

As a leading player in the development insurance industry in Africa, ARC Ltd is excited to be sponsoring PSI Africa Market Events to be held on 21 April 2021 as part of the UN’s Decade of Action towards the attainment of the UN Sustainable Development Goals. The event will offer an unprecedented opportunity for the global insurance industry to scale up action and impact through a set of “Insurance Sustainable Development Goals” (iSDG’s) that will harness insurance products and solutions to help achieve the SDGs. It will be specially convened for Public Services International (PSI) members and other leading insurance companies, insurance regulators, city/local and national government officials, key international initiatives, business and industry, civil society organisations, and academia.

Operating as a development insurer against natural disaster risks on the continent, ARC Ltd is well positioned to bring value to this platform and contribute towards the development of these iSDG’s. As we make inroads towards shaping the development insurance space, we see value in contributing to the bigger picture. In a pre-event discussion, Lesley Ndlovu, Chief Executive Officer of ARC Ltd, took the opportunity to showcase the ARC value proposition and share our ambition to provide a diversified product offering, broaden our client base to include cover for non-governmental organisations and support the growth of the African insurance industry based on our reinsurance capacity. We look forward to taking part in this and more platforms such as this one as we contribute to Africa’s development.
This week, we embarked on our visit to the West and Central African region (still ongoing) where we are and will be meeting with authorities in Côte d’Ivoire, Togo, Gambia, and Senegal and taking care to observe all COVID-19 protocols. From our previous communication, you would know that stakeholder engagement at all levels is a key priority for the ARC Group. The value of solidifying relationships with continental and regional authorities, Member States and partners alike in shaping the service we render is not lost on us and as such, every effort is made to ensure that we are in constant communication to understand needs and expectations.

With the appointment of the ARC Group Director General (GDG) having been confirmed at the height of travel restrictions in 2020, this engagement tour is particularly important and serves as an official face-to-face introduction of the GDG to some of our stakeholders. We kicked off the tour with a visit to Côte d’Ivoire, the new permanent Headquarters for the ARC Group (moving process delayed by lockdown conditions). Unfortunately, our visit coincided with the passing of Prime Minister Hamed Bakayoko. In a visit to the family home, the GDG took the opportunity to offer our condolences to the family and to the country at large during this time of bereavement.

The meetings have been tailor-made for each country and engagement is planned with key decision makers, including Finance, Agricultural and Environmental Ministries, as well as other partners in the region. This visit is particularly instrumental in finding common ground with some of our Member States and key stakeholders that shape our work. Discussions are focusing on the needs of each country and the ARC solution.

While in Côte d’Ivoire, the ARC delegation also engaged with World Food Programme, International Fund for Agricultural Development (IFAD) and African Development Bank (AfDB), critical partners to the ARC Group. As we work to strengthen such partnerships, we are able to explore potential synergies and better deliver on our mandate.

The WCA visit is an extension of our ongoing country engagement work where efforts are directed towards growing the disaster management concept, cementing relationships with key government departments and other stakeholders, and developing countries’ capacity to take informed decisions Disaster Risk Management. We are confident that such engagements always serve to enhance the work that we do as we all strive for better Africa.
In an era where unpredictable global climate patterns continue to cause devastation of unforeseen proportion, the value of parametric insurance in protecting governments and their populations against natural disaster perils cannot be underestimated. Extreme weather events are fast becoming a regular occurrence, challenging many governments whose responsibility it is to protect lives and livelihoods, and lead mitigation efforts to minimise the impacts thereof. Despite the different development levels, the African narrative is no different from the rest of the world. The continent is not immune to these extreme weather events and is equally burdened to build resilience to protect lives and livelihoods.

The role of ARC Ltd

ARC Insurance Company Limited (ARC Ltd) was founded in 2014 in response to disaster threats. It is a development insurer and financial affiliate of the African Risk Capacity responsible for carrying out commercial insurance functions of risk pooling and risk transfer to protect African governments in the case of disasters. By transferring the burden of weather and other natural disaster risks away from governments and their populations, it facilitates a more deliberate response approach to disasters, enabling governments to build resilience and better plan, prepare, and respond to extreme events.

ARC Ltd was established with a specific commercial mandate with membership by African Governments and capital contributors. Seeded by the UK’s FCDO and Germany’s BMZ through KFW, it is a mutual insurance company that equitably serves the vulnerable people of Africa.

Together with ARC Agency, the two entities provide ARC Member States with capacity building services and access to state-of-the-art early warning technology, contingency planning, and risk pooling and transfer facilities in order to minimise the impact of natural disasters on insured countries. The ARC value proposition brings together four critical elements of preparedness through early warning and contingency planning; weather risk insurance; early response and finally, accountability and transparency. The insurance model disburses financing to fund pre-approved contingency plans to respond to disaster events of a pre-agreed threshold.

The value of disaster sovereign insurance

Operating in largely third world economy where limited resources challenge timely and effective disaster response, the ARC Group sees value in entrenching a culture of insurance. Not only will this protect the continent’s hard-earned development gains, but building resilience will go a long way towards optimally positioning Africa as a global economy that it is.

ARC Ltd’s current focus

In line with the ARC Group mandate, the ultimate goal for the organisation is to ensure that AU Member States are insured against high risk natural disaster threats. The objective for the organisation is therefore to drive policy uptake and work with countries to build their resilience against disaster risks. As such, the following are priority focus areas:

Product diversification: Working across the vast African continent with diverse weather conditions, the ARC Group vision is to be the partner-of-choice for all AU Member States in providing tailor-made solutions to address country-specific perils. For ARC Ltd, this implies offering a diversified product portfolio to cover the many needs on the continent. ARC has been offering Drought insurance since 2014 and in November 2020, a Tropical Cyclone insurance was added to the portfolio. By the end of 2021, we expect the Outbreaks and Epidemics insurance as well as a Flood insurance product to be on the market. In addition, the development of other complimentary products such as micro and meso insurance is being prioritised and will ensure a comprehensive offering to the continent.

ARC Ltd works closely with the Research and Development Division to ensure that product development is in line with the needs of the continent. The ongoing drive to ensure that the ARC offering is representative of the continent’s needs is driven from all areas of the organisation and is viewed as essential to building the continent’s resilience.

Driving for investment into ARC Ltd: As the organisation grows, it is important to continue to drive for investment into ARC Ltd to enable the organisation to grow to its full potential. As relationships are strengthened with existing investors, works towards attracting new investors continues.

Market Expansion: While ARC’s sovereign policies can cover a large part of the risk faced by Member States, limits on premium affordability and the value proposition of insurance to cover severe and rare events may leave countries financially unprotected for a part of the risk. To manage this protection gap, ARC is developing a comprehensive disaster risk management and financing framework that will offer multiple solutions, each designed to address a specific type of risk layer. The development of a micro and meso insurance product to cover non-sovereigns to enable ARC to reach populations that are not covered by the government payouts is being prioritised.

Premium support: Having worked closely with many Member States over the past years, ARC is well versed in the challenges that the continent faces that limit insurance uptake. While factors such as fiscal limitations, a limited insurance culture on the continent, political challenges, and limited understanding of parametric insurance can be major factors, the Group is committed to finding solutions. Over the years, ARC has been fortunate to have partners come on board to provide premium support, one of the Group’s innovative initiatives designed to facilitate policy uptake amid the existing challenges. The relationships built with humanitarian actors and the ongoing innovative initiatives designed to facilitate policy uptake amid the existing challenges experienced while enabling beneficiary countries to find their feet, particularly during this COVID-19 period when the demands on governments are insurmountable.

Technical support to Member States: The ultimate goal of the ARC programme is to ensure that countries take full ownership of their resilience building strategies. As such, much time and effort is invested into ensuring that Member States are well equipped and technically astute to drive their own programmes. ARC Ltd works closely with countries to ensure that this becomes a reality.

Impact

When calculated, $1 spent through ARC, saves $4.40 in post-risk response costs, proving the value of parametric insurance and the importance of the ARC programme. For every payout made in respect of claims, the continent is slowly acknowledging the importance of insurance against natural disasters as evidenced by the growing interest in insurance.

Since 2014, ARC Ltd has provided USD 700 million cumulative insurance coverage for the protection of 71 million people. In addition, ARC Ltd has paid out an incredible USD 67 million in claims to countries in need of drought relief to benefit 3.8 million vulnerable populations in participating countries.

Operating under the continent’s tough economic conditions, ARC Ltd has been especially instrumental in cementing a culture of insurance on the African continent. Much effort has been invested towards educating target countries and helping them optimise their coverage, with national experts trained in 17 countries.

ARC Ltd has also been instrumental in investigating and availing alternative solutions to address the challenge of affordability. Instruments such as Replica policies (policies taken out by the donor community on behalf of a country) go a long way towards solving some of the fiscal challenges that hinder policy uptake.
PHOTO GALLERY: WEST AND CENTRAL AFRICA VISIT

Photospeak: ARC GDG meeting with West and Central Africa Country Engagement team

Photospeak: Meetings with WFP Representative and Country Director (Côte d’Ivoire), Ussama Osman, and with AfDB Secretary General, Professor Vincent Nmehielle.

Photospeak: ARC Group Director General
Individual engagements: ARC West and Central Africa Country Engagement team

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