



World Food
Programme

Sovereign Climate Risk Insurance *The example of ARC Replica*

SAVING
LIVES
CHANGING
LIVES

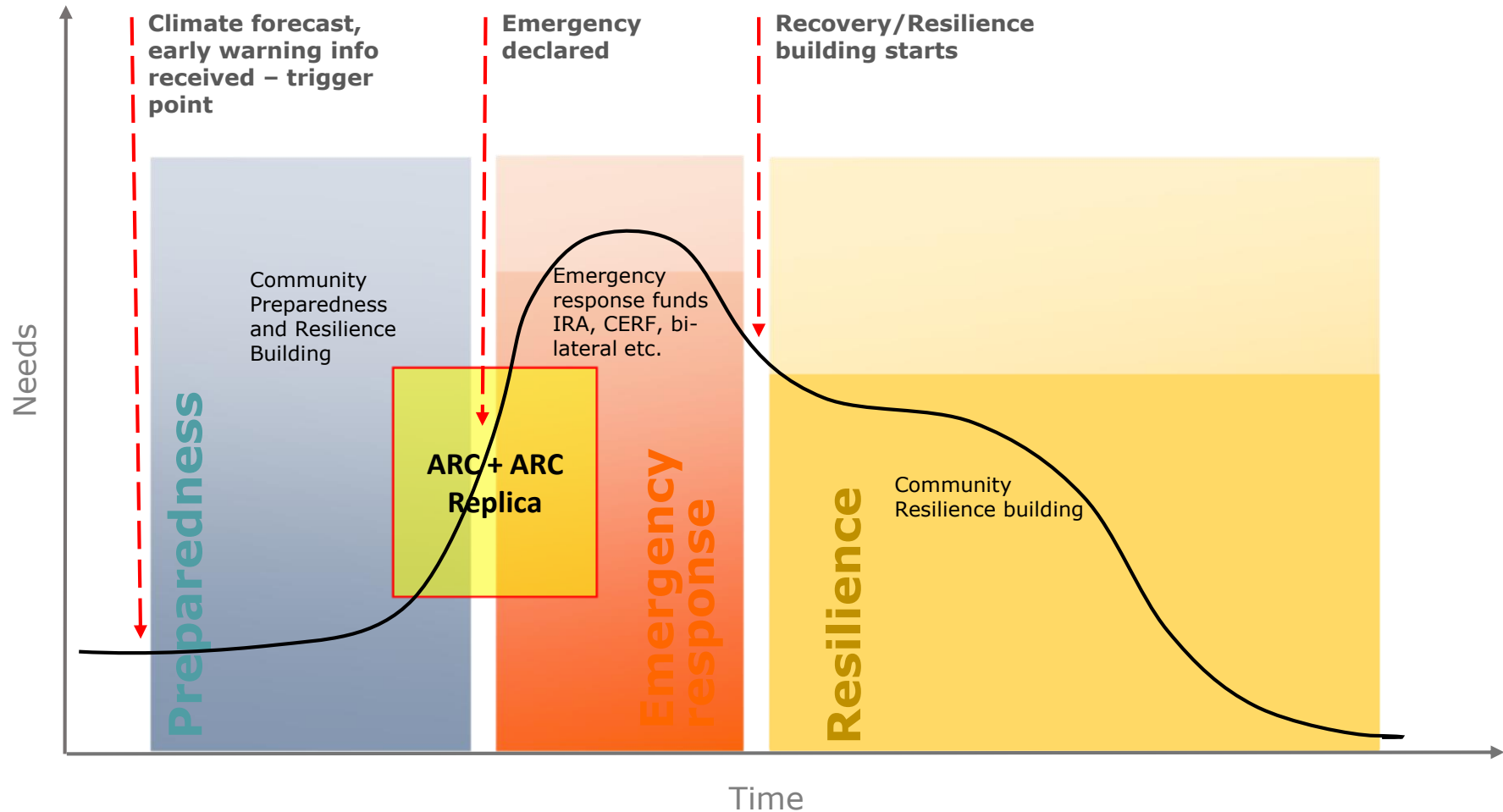
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Context

- Developing countries governments' need to manage climate risks
 - allocation of domestic resources
- 100 million people currently covered by climate risk insurance
- Countries need international support
- G7 InsuResilience initiative commitment to expand coverage to 400 million people by 2020
 - including 300 million through sovereign mechanisms

Where does ARC Replica fit



Cost of late response

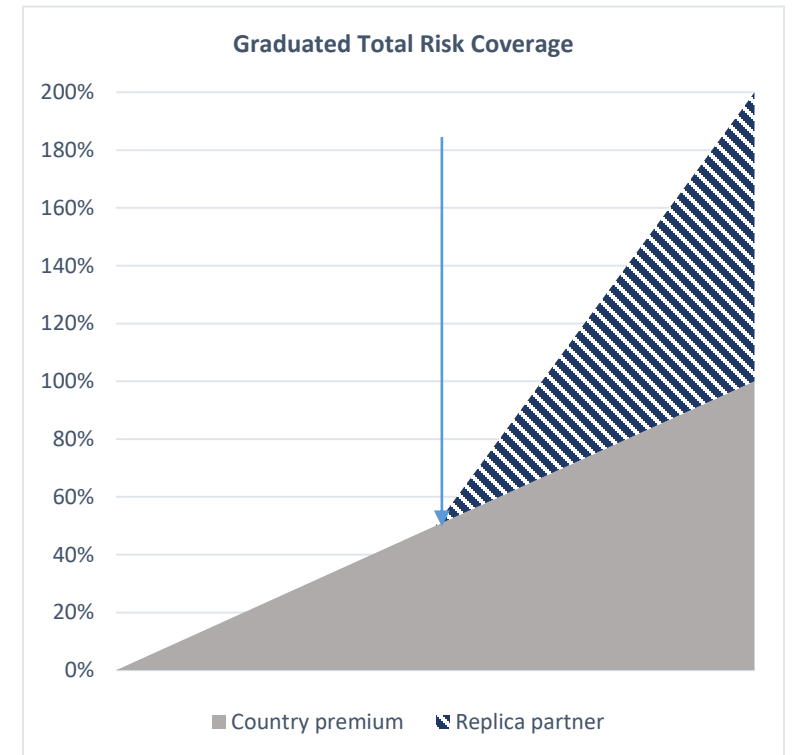
- Early and predictable response saves money
 - 2004/2005 food crisis in Niger (WFP): from **USD 7** per person four months after appeal to **USD 23** ten months after
 - 2012-13 study in **5 countries** (DFID): early response was cost-effective in all 5 countries – in Niger, saved an average **USD 75 million per year**
 - 2012 (BCG for ARC): **USD 1 spent** on early intervention saves nearly **USD 4.5 spent** after a crisis

ARC and ARC Ltd.

- ARC is composed of **two entities**:
 - The **African Risk Capacity (ARC)** is a Specialized Agency of the African Union (AU)
 - helps Member States to better plan, prepare and respond to extreme weather events and natural disasters
 - **ARC Insurance Company Limited (ARC Ltd.)** is the financial affiliate
 - carries out commercial insurance functions of risk pooling and risk transfer
- WFP supported its establishment

ARC Replica- *What is it?*

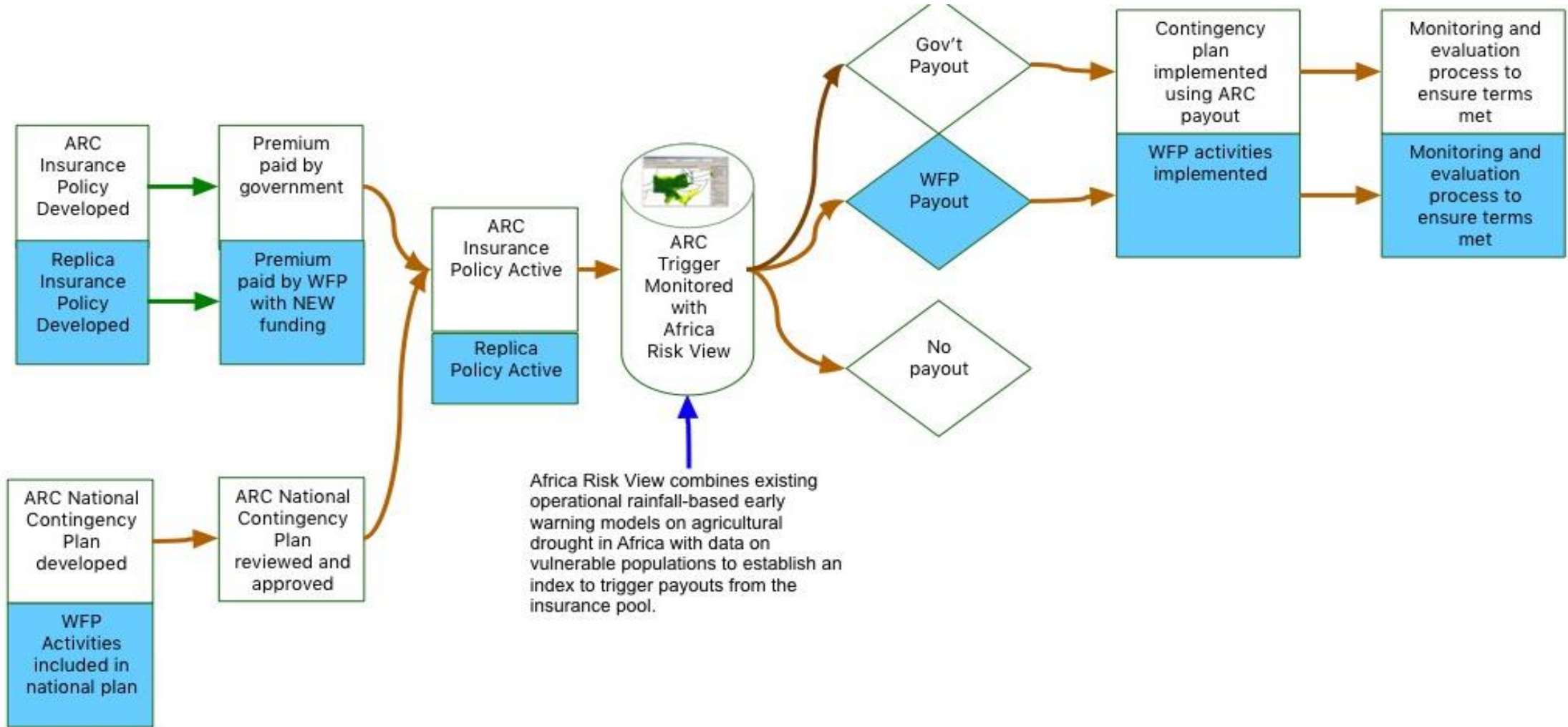
- ARC Replica is an **insurance product** offered by ARC Ltd to WFP and other humanitarian partners
 - an **innovative** approach to expand **climate risk insurance coverage** to more people
 - **improve** the **effectiveness of emergency humanitarian response** in countries prone to climate risks
- WFP and other partners (Replica Partners) can match the insurance coverage of ARC Member States (Replicated Countries) by purchasing a '**Replica Policy**'



ARC Replica- *How does it work?*

- The **Replica policy** is an **insurance contract** which mirrors the policy of each individual country
- **Matching policies** use the same Africa RiskView (ARV) thresholds and triggers
 - developed and customized by national technical working groups together with WFP
- Operations Plans (OPs) are developed
 - **complementary response measures** in case insurance pay-outs are triggered
 - integrated into WFP's **Country Strategic Plans**
- The matching policy premiums are funded by donors

ARC Replica- How does it work?

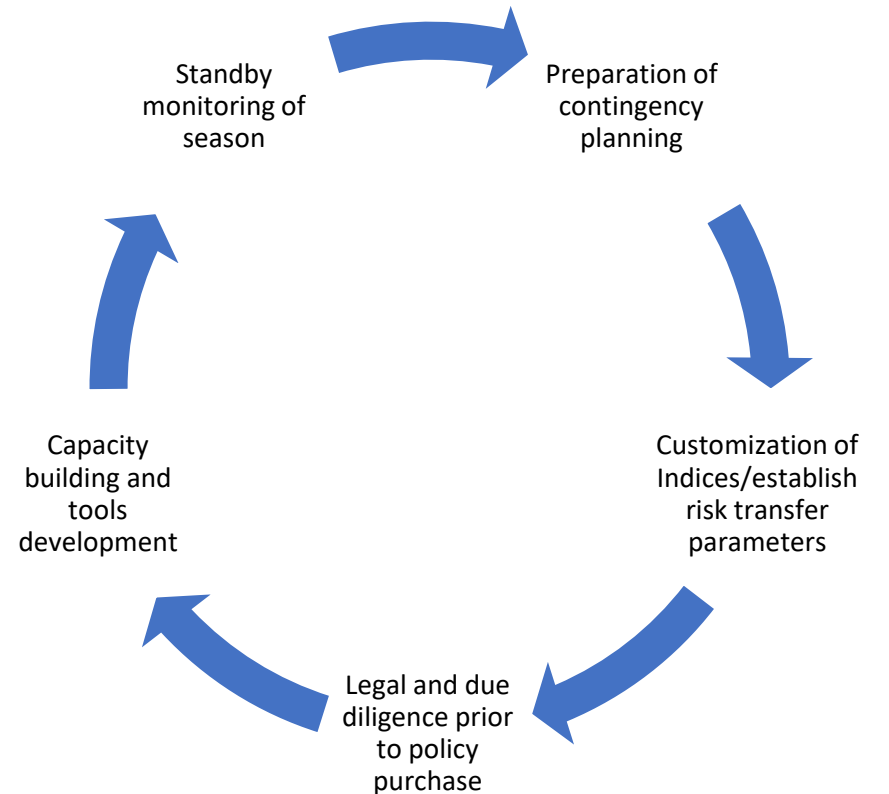


What are the benefits?

- **Increase the number of people** covered by climate risk insurance
 - to better meet the disaster financing requirements of ARC Member States
- Provides a **new model for delivering humanitarian assistance**
- Contributes to reaching the **goals of the InsuResilience initiative**
- Cost-effectively capitalizes on ARC's **government-led risk management** system
- Supports national technical capacities and systems

ARC Replica - Pilot

- ARC Replica will be piloted in Mali, Mauritania and Senegal in 2018
- WFP is a lead Replica partner in **Mali** and **Mauritania**
 - annual technical preparatory work
- **240,000 more people** covered in 2018 with a max **pay-out of USD 13.3 million** (USD 2.6 million premium)
- WFP will be working with national institutions
 - improve and diversify climate risk financing



ARC Replica- *Next Steps*

- More **comprehensive operationalization** and **scaling up** of the approach across Africa and globally
 - opportunity to **invest** in innovative climate risk financing mechanisms
 - transforms the current humanitarian model, to a model which is based on **forward-looking risk management.**
- Significant resource mobilization
 - develop evidence-based guidance for government partners