



*Government of Bermuda*  
Ministry of Economic Development

**Ministerial Statement**  
To the House of Assembly

By

**Dr. the Hon. E Grant Gibbons, JP, MP**  
Minister of Education and Economic Development

**Launch of the African Risk Capacity Insurance Company**

Date: Friday, May 16<sup>th</sup> 2014

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**Mr. Speaker,** It gives me great pleasure to announce to Honourable Members that Bermuda has been selected as the jurisdiction of choice to host the first ever African catastrophe insurance pool. This insurance facility has been launched by an organisation called the African Risk Capacity (ARC), a specialised agency set up by the African Union to help member states become more financially resilient to extreme weather events and to protect insecure food populations. ARC Insurance Company Limited (ARC Ltd) will be domiciled in Bermuda. I am pleased to say that Bermuda was selected over Switzerland as the best jurisdiction to locate this mutual insurance company after careful due diligence by a number of international agencies. It is possible that at some point in the future, the company may consider re-domiciling to Africa, depending on the wishes of the members and directors.

The ARC Agency has created a hybrid mutual insurance company, ARC Insurance Company Limited (ARC Ltd) to issue policies to a group of African governments, initially comprising Kenya, Mauritania, Mozambique, Niger and Senegal. Germany and the United Kingdom contributed the initial capital and are also founding members of the mutual. The aim of the ARC catastrophe insurance pool is to reduce African governments' reliance on external emergency aid. Currently international assistance is secured through an appeals system and then allocated on a largely ad hoc basis once a disaster strikes.

Consequently, African governments affected by disasters can be forced to reallocate funds from essential development projects to crisis responses, exacerbating problems in other areas of their economies.

**Mr. Speaker,** Bermuda's participation in this cooperative approach to assisting African countries is a strong vote of confidence for our country. Not only will ARC Insurance Company be domiciled here, but our involvement in the development of mutual insurance to assist African countries will provide targeted responses to disasters in a more timely, cost-effective and transparent manner. We are at the forefront in the formation of a fund that facilitates financial stability in instances where other insurance options are not available.

Over the past year and a half, representatives from ARC and other agencies have visited Bermuda on a number of occasions and have met with myself and officers of the Bermuda Monetary Authority. The BMA has provided significant technical support and advice. In addition, I would like to acknowledge the substantial contributions of our local private sector partners, including Marsh IAS, the insurance manager in Bermuda, Willis Group as reinsurance broker as well as Appleby Bermuda, who assisted with ARC Ltd.'s incorporation and start up.

In addition to the reputational benefit for Bermuda as the host jurisdiction, we believe there may be future opportunities for commercial business and jobs. Africa represents one of the fastest growing economies and there is clearly a potential for other insurance business being located in Bermuda.

**Mr. Speaker,** the insurance policies issued this month by ARC Ltd will provide a total of approximately US \$135 million in drought insurance coverage tailored to the specific requirements of the insured countries. In addition to its own capital, ARC Ltd has secured US \$55 million of capacity from the international reinsurance and weather risk markets in order to cover the risks it is taking on from the participating countries.

ARC Ltd utilises a new software application called Africa RiskView developed by the UN World Food Programme to estimate crop losses and drought response costs before a season

begins and as it progresses, triggering insurance pay-outs at or before harvest time if the rains have been poor. ARC's cost-benefit analysis estimates that spending one dollar on early intervention through ARC could reduce ultimate economic impact by as much as four and a half dollars.

As stated by Dr Ngozi Okonjo-Iweala, Chair of the ARC Agency Board and Nigeria's Minister of Finance, "The creation of the first ever African catastrophe insurance pool is a transformative moment in our efforts to take ownership and use aid more effectively. It is an unprecedented way of organising ourselves with our partners, with Africa taking the lead - taking our collective destiny into our own hands, rather than relying on the international community for bailouts."

**Mr. Speaker,** I believe all Honourable Members can be proud that Bermuda and our on-island expertise have played such a key role in this important international initiative.

**Thank you.**