African Risk Capacity Limited

African Risk Capacity Limited

INTEGRATED ANNUAL REPORT 2023

CELEBRATING A DECADE OF IMPACT

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ABOUT THIS REPORT

As an organisation dedicated to pioneering climate change risk solutions across Africa, transparency and accountability are core principles for African Risk Capacity Limited (ARC Ltd.). We combine traditional approaches to risk management (such as mitigation, disaster relief and quantification) with risk pooling and risk transfer to create sustainable, African-led strategies for managing extreme weather events, disasters, and disease outbreaks.

This 2023 Integrated Annual Report summarises our progress, impact, priorities, and outlook. It explains how we generate short-, medium- and long-term value while upholding best practices in commercial insurance and sustainable development. We have aimed to provide a focused overview of the past year alongside our strategy, operating context, and impact for all our stakeholders.

Report Parameters

This report covers ARC Ltd.'s operations and activities for the 2023 financial year ending 31 December. It concentrates on material issues relating to our strategic direction, business model dynamics and external landscape. The report records our key activities and payouts over the last 12 months and reflects our foremost risks, goals, and highlights.

Reporting Framework

This integrated report aligns with the International Sustainability Standards Board's requirements and principles. Our audited Annual Financial Statements comply with International Financial Reporting Standards (IFRS) and regulations set by the Bermuda Monetary Authority (BMA).

Materiality

We have disclosed all material issues in this report, outlined in this report. We judge a matter to be material if it influences investment decisions, is relevant to partners and stakeholders, impacts strategic choices or could affect mandate delivery. We determined material issues by reviewing our Inclusive Growth Strategy; our Six Capitals; environmental, social and governance practices; and stakeholder feedback on their expectations and concerns.

Forward-looking Statements

This report contains forward-looking statements regarding our long-term strategy, financial projections, and operating backdrop. However, our dynamic environment means actual future performance could diverge from these statements. As unknown factors could emerge to shape results differently, the forward-looking statements have not been reviewed or assured by our auditors. We hold no obligation to update them publicly beyond this report's date.

Accountability

ARC Ltd.'s executive leadership and reporting team take responsibility for producing this integrated report and financial statements under prevailing regulations and reporting principles, such as the International Sustainability Standards Board's Integrated Reporting Framework. The Board of Directors and its audit, finance and risk sub-committee also affirm their accountability for ensuring report integrity.

2023 HIGHLIGHTS

Income statement:

$13M *Profit in 2023*

$29M *Loss in 2022*

$56.1 MILLION
Our gross written premiums
Gross earned premium of $46.8 million

+$170 MILLION
Total claims paid out since 2014

$18.5 MILLION
Paid out to Pool 9

26.4M
Africans insured through Pool 10

$25.2M
The written premiums for Pool 10A, the largest-ever Pool A in history

13.4M
The number of people in Africa covered for drought by Pool 10A

REJOINED
Burkina Faso, Côte d'Ivoire and Senegal rejoined the pool

LAUNCHED
Djibouti: Multi-year, multi-peril product
Africa: First-ever flood risk product

WELCOMED
New Replica partner the UN Refugee Agency

TEN-YEAR REVIEW

2020

- **$28 million** in drought claims paid to Senegal, Madagascar & Zimbabwe
- Tropical cyclone product launched
- Gross written premiums increased by **30%** from 2019

2019

- **$26 million** received by Senegal Côte d'Ivoire, Madagascar & Zimbabwe
- Funds were used for early action to support more than **7 million** drought-affected people in the 2019 agricultural season.

+$16 million in total paid to Replica Partners in 2019 and 2020

2021

- Number of payouts: **14** totalling **$59.6** million
- **$21.7** million drought claim paid to Mali
- **$10.7** tropical cyclone claim paid to Madagascar

- **$14.2** drought claim paid to Mali
- Gross written premiums increased by **46%**

2022

- Number of payouts: **14**
- Total claims paid: **$60 million**
- Number of people covered: **18 million**
- Somalia and Comoros joined the pool
- Africa's first-ever flood risk, and outbreaks and epidemics products launched
- Contingency fund created to cover risks below the insurance attachment points

2023

- Total claims paid: **$18.5 million**
- Number of people covered: **26.4 million**
- Burkina Faso, Côte d'Ivoire and Senegal rejoined the pool
- **Two African firsts:** a multi-year, multi-peril product for Djibouti and a flood risk product

2024

CELEBRATING 10 YEARS

2015

- **$26.3 million** paid to Mauritania, Niger and Senegal
- Payout benefited an estimated **1.3 million people** and **500 000** livestock.

2014

- Number of payouts: **4**
- Total claims paid **$26.3 million**
- Countries that received payouts: Kenya, Mauritania, Niger, Senegal
- Number of people covered: **12.9 million**

2016

- Number of payouts: **6** for Pool 3
- Countries that received payouts: Burkina Faso, The Gambia, Mali, Mauritania, Niger, Senegal
- Number of people covered: almost **9.5 million**

2017

- **$8.1 million** payout to Malawi from a premium of **$4.7 million**
- Funds were used to support **800 000** Malawians, to scale up cash transfers and replenish strategic grain reserves.

2018

- **$4 million** payout to Mauritania – the first of its kind received by that government in response to progressively severe drought.
- Funds also subsidised livestock reserves.

IN 2023 PAYOUTS WERE DISBURSED TO THE FOLLOWING COUNTRIES:

MADAGASCAR
$797,049
Drought

MALI
$5.3 million
Food assistance
(WFP Replica partner)

NIGER
$4.6 million
Prolonged dry spells

IN 2023 PAYOUTS WERE DISBURSED TO THE FOLLOWING COUNTRIES:

THE GAMBIA
$187,641
Food assistance
(WFP Replica partner)

SOMALIA
$3.38 million
Drought
(Start Network Replica Partner)

TOGO
$2.5 million
Drought

2023 IN REVIEW

We achieved gross written premiums amounting to $56.1 million (gross earned premiums of $46.8 million) and a net income of $14.2 million.

*We celebrated a massive business turnaround as we returned to profitability, achieving a **net profit of $13 million** from a $29 million loss in 2022. Pool 10A became our largest risk pool to date, with **$25.2 million** in written premiums. We covered 26.4 million people across Africa and paid out **$18.5 million in claims**.*

Our non-sovereign business grew exponentially with the total gross written premium amounting to $14.78 million. The significant growth can be attributed to the addition of these policies:

- The World Bank Malawi social protection – gross premium of $10.25 million for the two-year policy was received in 2023.
- The World Bank Republic of Djibouti – gross premium of $2 million for the five-year policy was written in 2023.
- Drive Pool 9 endorsement policies – gross premium of $1.45 million was received in 2023.

We renewed the World Food Programme-Madagascar policy for both seasons and retained a 95% share. We also renewed the One Acre Fund Kenya policy and increased our share from 4% to 10%. We continued to innovate and diversify, launching two firsts in Africa – our flood risk product and a multi-year, multi-peril product for Djibouti. Furthermore, we strengthened our partnerships and contributed to important projects, such as co-designing an innovative insurance product with the Malawi Government and continuing to coordinate the massive agricultural protection project in Côte d'Ivoire, to provide coverage for 5 000 rice and cocoa producers, which saw the World Food Programme coming on board.

Due to increased business demands and volumes, it was necessary for ARC Ltd. to expand in 2023. While in previous the years, we had been able to close skills gaps with an agile and flexible team that did more that their defined role requirements, with growth this ceased to be sustainable.

We hired several senior experts to increase our capabilities and deliver even better on our mandate. We prioritised recruiting critical skills in our underwriting team and created additional roles to serve grant-specific activities following our first grant from the US government.

LEADERS IN BUSINESS, NURTURING AFRICAN TALENT AND INNOVATION

At the beginning of 2023, Sustainalytics, a renowned international authority in ESG research and evaluation, awarded us the global insurance industry's top environmental, social and governance (ESG) scores.

Our score was calculated following an independent audit, which found that we improved from low risk last year at 10.2 to negligible risk this year at 5.7. We retained our leadership position in the diversified insurance sector with the lowest exposure among our peers (24.0) and the strongest management score (80.3). We also scored negligible risk ratings in terms of data privacy and security, corporate governance, human capital, business ethics and ESG integration.

The insurance industry has a critical role and responsibility to drive sustainable business practices on the continent, and to this end, we continue to advocate for more signatories to the Nairobi Declaration, which supports the attainment of the UN Sustainable Development Goals.

Our credit rating, meanwhile, remains strong. Mid-year, US credit rating agency Fitch upgraded our outlook to stable, giving us an IFS Rating of 'A-' and a Long-Term Issuer Default Rating (IDR) of 'BBB+'. We were awarded the upgrade due to our progress in our development goals, product diversification into flood risk and outbreaks and epidemics, and the strong support of our donors. Fitch also noted our excellent claims payout track record and "extremely strong" capital position.

Nurturing future climate leaders

We launched our first-ever postgraduate Africa Scholarship Programme in February 2023, exclusively for African students and in partnership with Milliman Inc., a risk management, benefits, and technology company. It is aimed at broadening the talent pool in Africa, particularly in studies relating to mitigating the impact of climate change on African economies. We are also assisting students who need help to afford postgraduate studies and encouraging entrants into these specialised fields. The programme offered four scholarships covering up to three years of full-time postgraduate study at select universities on the continent, and our scholarship winners will begin their new journeys in 2024. This initiative is not a once-off; we look forward to selecting the next batch of future climate leaders next year.

Innovating for growth and impact

This year, we became the first insurer to pioneer flood risk coverage for Africa, co-developing a cutting-edge model with JBA Risk Management. Following successful pilots, we launched customised flood risk policies for six countries—Madagascar, Mozambique, Malawi, Côte d'Ivoire, Ghana, and Togo. By understanding each country's risk exposures, we empower these governments to anticipate and manage floods, directing rapid response where it's needed most.

In Malawi, we co-designed a novel insurance mechanism to reinforce the government's flagship social safety net programme, which protects drought-vulnerable communities. This shock-responsive policy is triggered when rainfall levels predict drought, releasing funds for cash transfers to assist additional beneficiaries.

These innovations showcase our commitment to building climate resilience through flexible, localised solutions and product diversification, and we will continue adapting our product portfolio to fulfil the spectrum of our member states' climate needs.

The power of partnerships

In the drought-prone Horn of Africa, we renewed our engagement with the World Bank's De-Risking, Inclusion and Value Enhancement of Pastoral Economies (DRIVE) programme. This allowed us to expand our pastoral livelihoods portfolio while boosting our market presence. Our written premiums and share of coverage increased fivefold to 10% in the region.

ARC was also repositioned as Africa's first multi-peril risk pool this year, pioneering the continent's inaugural multi-year, multi-peril agreement, offered to Djibouti. This five-year deal provides ongoing capacity building and disaster risk insurance coverage against the country's two most prevalent threats – drought and excess rainfall. It is also the first time that we are covering excess precipitation.

In October, the Sovereign Risk Pools signed a joint Memorandum of Understanding that will increase cooperation and collaboration and take our service to nearly 100 nations to the next level. This watershed MoU opens up new possibilities in technical innovation, operational excellence, and climate advocacy through our joint initiatives.

A significant partnership forged in 2021 that unites us with the United Nations Development Programme Côte d'Ivoire, the Côte d'Ivoire Environment and Sustainable Development Ministry (MINEDD), local agricultural and insurance bodies, and other technical partners, resulted in the launch of a groundbreaking meso insurance programme, safeguarding the country's cocoa and rice farmers. This came after regulatory approval and endorsement from WFP was secured. We currently provide coverage for 5 000 beneficiaries with subsidy support from the WFP.

COP28

We attended COP again this year and convened four panels of leading speakers to discuss developments and innovations in climate risk insurance solutions in Africa. We contributed insights on several forums, articulating the risk pools' unified vision to scale up insurance coverage for the most vulnerable communities affected by climate change. We also took the opportunity to announce the launch of our insurance partnership with the One Acre Fund to provide agricultural insurance to their five million smallholder farmers in Africa, and we welcomed the UN Refugee Agency on board as our new Replica partner.

Each year COP reminds us that when united behind a common purpose, we can achieve unprecedented impact.

Valuable contributions

We remain extremely grateful for our donors' and partners' continued support; their generosity in 2023 was a testament to their trust and belief in us. Our work and critical role in mitigating the impacts of climate change would not be possible without their support. Together, we are focused on safeguarding the most vulnerable populations in Africa as natural disasters continue to become more severe and frequent.

In 2023, we received a US$12 million grant from USAID for our Africa Disaster Risk Financing Project to increase the uptake of our products across the continent and for research and development. Additionally, the Canadian Government pledged US$8.9 million towards our Replica Programme.

The funds will be channelled to the World Food Programme (WFP) to protect two million climate-vulnerable people and assist up to 10 African governments over the next four years. We also received a US$25 million funding commitment from the Dutch government at COP28.

We appreciate our donors' and partners' commitment to ARC Ltd. over the years, which has allowed us to grow in our mission and vision of covering 200 million African people by 2025. The need, however, is so much greater – 700 million people on the continent are climate-vulnerable. We continue striving to mainstream disaster risk insurance and bringing more countries on board.

WHO WE ARE

African Risk Capacity Limited (ARC Ltd.) was launched in 2014 to operate as a unique hybrid mutual insurer and financial arm of the broader African Risk Capacity Group. Our unique mandate from the African Union was to provide insurance and other risk transfer solutions to African countries, and we have pioneered climate resilience across the continent ever since.

Serving AU member states and farmer groups, we use innovative financing tools to pool climate risks across Africa and transfer them to international markets. This approach strengthens pan-African responses to natural disaster and ultimately contributes to food security.

A key focus is to ensure that our portfolio matches the evolving needs of our member states and that we deliver cutting-edge solutions to climate change impacts.

With seed capital from the UK Foreign, Commonwealth & Development Office (FCDO) and Germany's KfW Development Bank via BMZ, our mandate as a Class 2 mutual insurer has a commercial purpose.

We remain headquartered in Bermuda until such time that a comparable legal and regulatory environment exists in an AU member state.

By taking over the burden on governments and their people of natural disaster risks, ARC Ltd. can assist with a more measured, deliberate response. Through our risk financing instruments, rapid, predictable payouts are triggered for pre-approved contingency plans when disasters strike, thereby saving lives and livelihoods.

Our donors and partners

We deeply appreciate the invaluable support of our donors and partners, who empower our work across Africa and help us build climate resilience in our member states. Their trust and commitment have contributed immensely to our joint mission to make a difference. Working closely together, we have been able to boost national disaster management programmes and expedite emergency funding. Our Replica programme continues to grow due to the generosity of our partners.

OUR VISION
To be the development partner of choice, spearheading innovative disaster risk management solutions for climate resilience in Africa.

OUR BIG AUDACIOUS GOAL
To cover all 55 African Union countries and the 700 million people whose economic livelihoods and lives are at risk due to climate change.

OUR MISSION
To promote harmonised resilience solutions for protecting African lives and livelihoods vulnerable to natural disasters caused by climate change and other perils of importance to the continent.

OUR VALUES

EXCELLENCE
We challenge ourselves and colleagues to provide top-tier services and solutions.

INTEGRITY
We act in our member states' best interests, guided by comprehensive data. We also engage in transparent stakeholder discussions.

INNOVATION
We continuously innovate and customise solutions based on unique in-country needs.

SERVICE
We identify countries' requirements, provide support and assistance, and collaborate to solve issues.

OUR CAPITALS

FC
FINANCIAL CAPITAL
- Investments
- Financial reserves
- Premiums

HC
HUMAN CAPITAL
- Employees
- Board
- Organisational culture
- Funders
- Partners
- Auditors
- Underwriters

SC
SOCIAL CAPITAL
- Regulators
- Legislators
- Member states
- Media
- Local communities

SC
CORPORATE SOCIAL RESPONSIBILITY CAPITAL
- Africa Scholarship Programme

IC
INTELLECTUAL CAPITAL
- Researched best practice
- Regional benchmarks
- Strategy and operational frameworks
- Investment management
- Information technology and systems
- HR practice and initiatives
- Business intelligence

MC
MANUFACTURING CAPITAL
- Development of new products/distribution channels (ARC Group lead)
- ARV system
- Non-sovereign underwriting system (NSB)
- Dynamics 365
- SAGE X3
- IT security systems

NC
NATURAL CAPITAL
- Water usage
- Energy usage
- Carbon emissions

OUR CAPITAL CLASSES

ARC Ltd. has four membership tiers categorised as Classes A through D.

CLASS A MEMBERS
These comprise our member states. Premiums paid by Class A members provide capital inputs.

CLASS C MEMBERS
The United Kingdom and Germany hold Class C status and have been with us since our inception. Their valued support comprises seed capital furnished via interest-free loans, refundable over 20 years. This financial backing flows through the UK's Foreign, Commonwealth and Development Office (FCDO) and Germany's Federal Ministry for Economic Cooperation and Development (BMZ).

OTHER CAPITAL CLASSES: B AND D
Class B members provide ARC Ltd. with grants and do not require repayment.
Class D members provide equity capital and expect a return on investment. To date we do not have any such members, but we remain committed to incorporating this Class in our comprehensive growth plan.

$50 MILLION

CAPITAL CONTRIBUTION: $50 MILLION
UK Foreign, Commonwealth and Development Office (FCDO) (previously the Department for International Development (DFID)

$48 MILLION

CAPITAL CONTRIBUTION: $48 MILLION
Kreditanstalt für Wiederaufbau (KfW), the German Development Bank, via the Federal Ministry for Economic Cooperation and Development (BMZ)

PREMIUM FUNDING PARTNERS

These partners are instrumental in assisting our member states in procuring risk insurance coverage by helping to make premiums more affordable.

Other funding partners

This year, the US Government came on board to offer institutional support funding.

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra
Swiss Agency for Development and Cooperation SDC

Canada

KFW

IFAD
Investing in rural people

USAID
FROM THE AMERICAN PEOPLE

Federal Ministry for Economic Cooperation and Development
BMZ

MINISTÈRE DE L'EUROPE ET DES AFFAIRES ÉTRANGÈRES
Liberté Égalité Fraternité

Foreign, Commonwealth & Development Office

WFP
World Food Programme

START NETWORK

OUR FOOTPRINT

- MEMBER STATES WITHOUT MOUs
- MEMBER STATES WITH MOUs

OUR MEMBER STATES

This past fiscal year, the ARC Group expanded its footprint to 39 member states and signed Memoranda of Understanding with 29 countries. By 2034, we intend to have reached our goal of covering all 55 African Union countries.

Countries that complete the Group's capacity-building programme, receive a certificate of good standing, and become eligible to join ARC Ltd.'s risk pool. This year Burkina Faso, Côte d'Ivoire and Senegal rejoined Pool 10A.

Countries joining the insurance risk pool in any given year are classified as ARC Ltd. Class A members. Governments must keep their premium payments current to retain their status as such. They also need to have a Board-approved contingency plan in place that details how payouts will be used following a disaster.

We mandate all member states to use our proprietary Africa RiskView (ARV) platform, which converts satellite rainfall data into meaningful disaster risk measurements and indexes. By meeting these obligations, member states gain access to extensive disaster risk tools and support.

OUR OPERATING ENVIRONMENT

As an alternative risk solution, parametric insurance eases the financial blow of natural disasters on vulnerable nations. Satellite data is used to determine the potential impact of a disaster and the commensurate insurance payout, assuring governments of quick access to funds in the event of a calamity. This allows them to deploy emergency relief when needed most, instead of having to wait for months until damage assessments are complete.

Parametric insurance has been in existence for more than 20 years, but in sub-Saharan Africa, the implementation of comprehensive disaster risk management (DRM) and financing (DRF) frameworks are still in their early days. Historically, governments have depended on post-disaster international donor appeals. This reactive model catalyses fragmented aid efforts, delayed funding, and a muted crisis response capacity. Consequences are severe – loss of life, infrastructure damage, interrupted essential services, health and hunger insecurity, and displacement.

Since 2014, ARC has been working with governments to create awareness while motivating for the evolution of the appeals-based model to parametric insurance. ARC also helps governments improve their planning, preparedness, and response to natural disasters. This is a significant differentiator among parametric insurers.

Humanitarian agencies continue to play a pivotal role, and the ARC Group's innovative Replica Programme allows them to duplicate country policies. This collaborative approach has proven valuable for bolstering national resilience and increasing emergency coffers, enabling a proactive and coordinated approach that saves more lives and livelihoods.

The Replica Programme builds on governments' DRM efforts and helps them transition from traditional post-disaster relief to an integrated, anticipatory approach that includes gradual capacity building and government ownership over planning/response.

Despite the growing recognition of the importance of parametric insurance, several challenges remain, including fiscal restraints, the lack of an insurance culture in Africa, policy gaps, competing economic priorities and political fluctuations. ARC Ltd. continues to work at creating a better understanding of how parametric insurance fits into DRM, while also addressing the cost of insurance premiums through innovations such as Replica and risk pooling.

With Africa's massive climate funding shortfall, it has never been more critical for the continent to look to strategic partners who can assist from within and to recognise that parametric insurance offers a lifeline.

CLIMATE CHANGE & SUB-SAHARAN AFRICA

The region is experiencing more frequent and fluctuating extreme weather events like floods, droughts and heatwaves. Climate change is also exacerbating disease, poverty and social and economic tensions.

"Without adaptation measures, the impact from climate change could not only result in real GDP losses of up to 7% but also increase push over a million more people into poverty by 2050."

– The World Bank

MESSAGE FROM THE CHAIRMAN

Mr Abdoulie Janneh
CHAIRMAN, ARC Ltd.

Valued members, donors, partners and stakeholders. In this annual report, we reflect on the milestone of 10 years – a profound achievement.

Having been appointed to the Board in 2018, I have seen first-hand ARC Ltd.'s impact in the disaster risk finance arena, on the lives and livelihoods of the most vulnerable and on the global stage. From 12.9 million people covered in 2014 to 26.4 million this year, and over $170 million paid out since its establishment, the figures speak for themselves.

As climate-change disasters increase and move between extremes, ARC Ltd.'s relevance and impact is increasingly evident. The growth of the risk pools over this last decade has allowed for greater access and affordability and culminated in two records – in 2021, the highest payout in our history and this year, a record in premiums underwritten for Pool 10A.

To keep pace with evolving weather phenomena and the unique needs of our member states, this past decade has seen much innovation. In 2023, we launched two firsts – a multi-year, multi-peril product for Djibouti and a flood risk product for Africa.

The company has grown from strength to strength with a staff complement that has doubled. We welcomed several experts to the team and were pleased to increase the number of women employees in what is a traditionally male-dominated arena.

ARC Ltd. prides itself on a strong Board comprising esteemed members with a wealth of knowledge and expertise across Africa and the insurance, financial and humanitarian sectors. This year, two new members joined us.

International recognition continues to reinforce our credibility and standing in the industry. We have retained our position as the No. 1 company in Environmental, Social, and Governance (ESG) practices for the third year in a row, and rating agency Fitch upgraded us to A- for our progress in meeting our development objectives, enhancing our payouts and for driving product diversification.

Our continued relevance in years to come will be seen in our expansion of coverage, further product diversification, increased sovereignty and sustainability and technical assistance to our member states to improve their preparedness and response to natural disasters. We will continue to drive private sector engagement and our non-sovereign business to support, among others, farmers.

As always, we are deeply grateful to our donors and partners, who not only support us in our mission, but also share it. Over the last decade, we have accomplished a great deal together to expand coverage across Africa, address the affordability of premiums, and ensure that products meet the real needs of beneficiaries.

We look forward to the next decade of making inroads and ensuring no one is left behind.

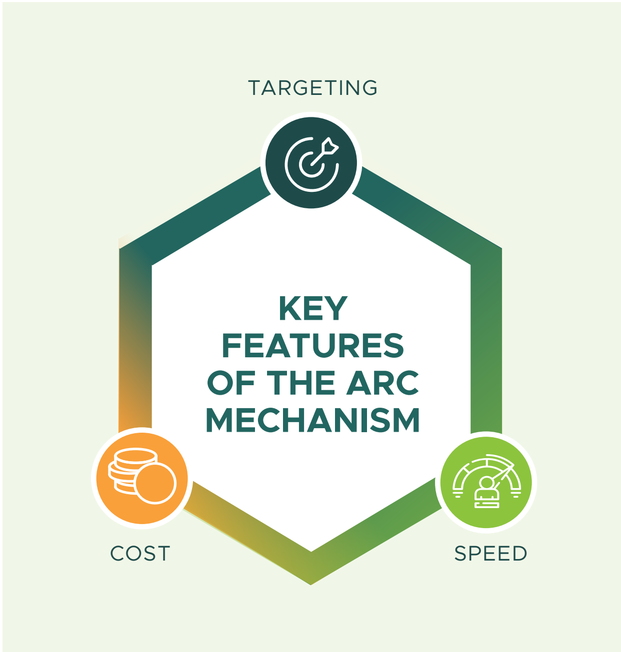
Sincerely,
Abdoulie Janneh
ARC Ltd. Board Chairman

CREATING VALUE

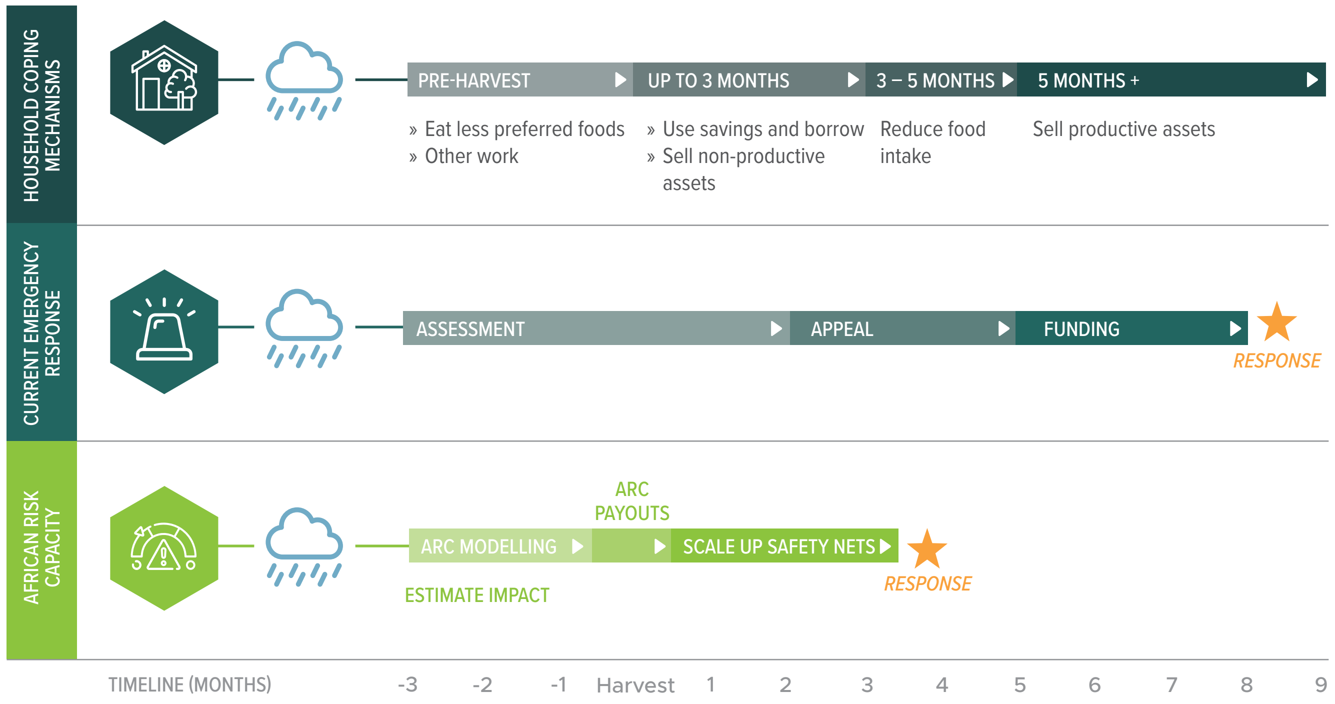
ARC's early, rapid, targeted intervention drives significant economic advantages over traditional emergency responses.

ARC Ltd., as the financial and commercial affiliate of the ARC Group, assists member states with risk pooling and transfer facilities, enabling them to fortify their disaster risk management programmes and, in the event of a disaster, gain quick access to funds to mobilise emergency aid and rebuilding efforts. By pooling members' disaster risks, the risk is shared, resulting in lower individual premium costs. Our cost-benefit analysis found nearly $2 of economic gain for every $1 spent on premiums by participating countries.

Having started with four participating countries in the 2014/2015 risk pool, we now cover 17 countries and have issued 178 policies in our sovereign business and 32 policies in our non-sovereign business.



CHANGING THE RESPONSE MECHANISM



OUR IMPACT (IN DOLLARS)

BURKINA FASO	7.2M	2022/2023 Replica	
BURKINA FASO	1.2M	2021/2022 Replica	
CÔTE D'IVOIRE	0.6M	2021/2022	
CÔTE D'IVOIRE	2.2M	2020/2021	
CÔTE D'IVOIRE	0.7M	2019/2020	
MADAGASCAR	1.1M	2022/2023	DROUGHT & TROPICAL CYCLONE
MADAGASCAR	11.5M	2020/2021	DROUGHT & TROPICAL CYCLONE
MADAGASCAR	2.1M	2019/2020	
MALAWI	14.2M	2021/2022	
MALAWI	8.1M	2015/2016	
MALI	21.1M	2020/2021	GOVERNMENT & REPLICA
MAURITANIA	2.8M	2021/2022	GOVERNMENT & REPLICA
MAURITANIA	167133K	2019/2020	
MAURITANIA	6.3M	2014/2015	
NIGER	4.6M	2022/2023	
NIGER	2.1M	2021/2022	
NIGER	3.5M	2014/2015	
SENEGAL	32.2M	2019/2020	GOVERNMENT & REPLICA
SENEGAL	67000K	2018/2019	
SENEGAL	16.5M	2014/2015	
ZAMBIA	5.4M	2021/2022	
ZIMBABWE	1.75M	2019/2020	GOVERNMENT & REPLICA
SOMALIA	3.38M	2022/2023	
TOGO	2.5M	2022/2023	
THE GAMBIA	187641K	2019/2020	

REPLICA PARTNER INTERVIEW: START NETWORK

Nelly Maonde
Regional Advisor, East and Southern Africa

Amadou Diallo
Regional Disaster Risk Financing Advisor West, Central Africa, and Madagascar.

Partnerships between governments, aid agencies and the private sector are pivotal to building climate resilience through mobilising resources, sharing knowledge, and pioneering innovation. While in Africa, the need for protection against natural hazards is greater than ever, the uptake of insurance premiums and affordability remain significant challenges. The ARC Replica programme was designed to speak to these challenges.

The innovative risk-financing solution enables collaboration with humanitarian aid entities, such as Start Network, to work alongside member states, by purchasing similar policies, thereby expanding insurance coverage to protect more vulnerable communities. Additionally, in some cases, policies are subsidised by donors for countries that are not able to allocate funds from their own budgets. To date, the Start Network-ARC Replica rollout includes four countries – Senegal, Somalia, Madagascar, and Zimbabwe.

"Our partnership has evolved significantly since it began in 2018," says Amadou Diallo, Start Network Regional Disaster Risk Financing Advisor West, Central Africa, and Madagascar. "It has helped open the channels for collaboration, advocacy, and bilateral cooperation and enabled us to leverage the expertise of our network and offer better support to governments. Initially, we were initially active in one country only, but today, we work in multiple countries."

Diallo notes ARC Ltd.'s diversification from drought into other perils like floods and tropical cyclones. He says this diversified portfolio has increased their protection of 200,000 people to potentially millions. "In 2023, we expanded our activities to Madagascar and purchased our first cyclone policy with the government. We are looking at other existing risks, such as outbreaks and epidemics, which we hope will also be made available to us."

Nelly Maonde, Regional Advisor for East and Southern Africa at Start Network, agrees that the impact of the Replica programme is significant. "Beyond it being a financing instrument for early action, ARC, jointly with their Replica partners, has gone further to support governments to help develop disaster risk financing strategies. Efforts are combined with the aim of building sustainable national systems and integrating disaster risk financing into government fiscal planning and budgeting. By being part of the national budget, governments will not have to look for subsidies from donors every year," Maonde points out. She explains how Start Network is equipped to provide on-the-ground support to ARC. "Working directly with governments, we help create awareness and present evidence on the benefit of transferring part of the risk to ARC's instruments. In some countries where the programme has evolved, we conduct joint awareness initiatives for parliamentarians and media experts to help raise awareness and encourage sovereign states to ratify the ARC programme."

Maonde highlights the fragmentation of similar initiatives across Africa. She says Start Network is trying to combat these isolated projects by introducing synergies between entities working towards a common goal. "We're also trying to link to sustainability by contributing to national infrastructure, such as rainfall monitoring stations, so that ARC's work is not viewed as simply a project. We have to contribute to building national systems that are sustainable and useful beyond the ARC component."

She says ARC Ltd.'s anticipatory action pilots are of particular interest to Start Network. "We strongly support the layering of anticipatory actions before impacts, and this is a potential area of collaboration. Product diversification is also critical to cover more Africans, and while drought has been our main entry point, it's not the only product that interests us. We continue to follow ARC's work closely."

Start Network also utilises ARC Ltd.'s parametric insurance as an additional humanitarian financing instrument. "The main benefits are that it increases available funding and pays out quickly following a disaster, allowing us to assist more populations, while providing financing for our activities," Diallo says.

Maonde explains that some countries have multiple policies, such as Somalia, which has coverage for two agricultural seasons. "We received a payout for Somalia in the first quarter of 2023 for their second season that runs from October to January. We were reviewing this recently and were pleased to note that we were on track with the timing – from the release of the funding to implementation and completion."

LOOKING AHEAD TO 2024

The success of the Replica programme to build climate resilience relies on more member states signing up, Maonde says, but they are seeing progress with countries like Malawi returning to use ARC Ltd.'s offerings. "But there's more demand for funding for humanitarian action, more dependency on mobilising resources from donors and it's not always working. Insurance coverage to solve the problem of limited financing when disaster strikes is competing with the needs of the traditional donor infrastructure. We need to be aware of what is not working and keep promoting disaster risk financing."

Diallo suggests that ARC Ltd. could explore regional risk assessments and solutions, given that disasters and risk transcend borders. "Instead of selling policies individually to governments, ARC could look at selling policies to cover high-risk areas," he says.

"While ARC has made much progress regarding the risk pools in a very short time, there is no Replica programme in Asia or the Caribbean, so the possibility exists to leverage off the experience in Africa and work with other continents to improve or build similar mechanisms".

Diallo also feels more collaboration is needed beyond the continent, starting with something as simple as extending the annual retreat invitations internationally. "We've seen that disasters and risks are global, and we should try to have a holistic and global approach. ARC has a leadership role in Africa, and it would be interesting to see how they can bring all the different actors together."

RESILIENCE-FOCUSED RECOVERY AND RECONSTRUCTION

The ARC Group, as a critical, specialised AU agency, is aligned with major international disaster risk management (DRM) frameworks.

THESE FRAMEWORKS INCLUDE:

- AU Agenda 2063
- UN Sustainable Development Goals (SDGs)
- Paris Agreement on climate change
- Sendai Framework for Disaster Risk Reduction 2015-2030

The Sendai Framework guides the adoption of measures to address climate risk and build resilience, while emphasising the need for preparedness. By integrating disaster risk management and reduction into the national programmes of our member states, we help strengthen country capacity to withstand climate shocks.

SDGs - ENABLING PROGRESS

SDG 01 NO POVERTY

In 2023, ARC Ltd. helped improve risk management strategies in member states by supplying parametric insurance to 26.4 million individuals, allowing for governments to disburse cash assistance.

SDG 02 & 03 ZERO HUNGER & GOOD HEALTH AND WELLBEING

Member states have been assisted with extending cash transfers to citizens and been able to maintain their critical grain reserves and to ensure food security.

SDG 13 CLIMATE ACTION

ARC proactively approaches natural disasters by funding pre-approved contingency plans, ensuring swift and predictable responses during climate emergencies. These initiatives also create more resilient communities and reduce poverty, aligning with SDG #1 by enhancing risk-coping strategies.

SDG 17 PARTNERSHIPS FOR THE GOALS

We've showcased the economic advantages of our support for the SDGs and the value provided to countries participating in the risk pool in case studies.

ARC LTD.'S ADVOCACY IN AFRICA AND BEYOND

Through our strategic engagement at high-level global summits, conferences, and events across various platforms and our notable participation at COP28, we continually demonstrate our dedication to driving forward-thinking solutions and strategic collaborations to mitigate climate risks in Africa.

We shed light on Africa's unique challenges and showcase our critical work, which is made possible by our partnerships. 2023 offered a busy events calendar, and we include some of the highlights below:

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG)

ESG is a global focus that is becoming increasingly important in Africa, as it can contribute to sustainable development and encourage investment by reducing risks for potential investors. The United Nations Environment Programme Finance Initiative Africa and Middle East Roundtable in Windhoek was a significant platform for us in this regard. Chief Operating Officer Ange Chitate spoke on integrating ESG principles into insurance processes and frameworks, drawing on our experience and showcasing our strides in ESG.

CLIMATE ADVOCACY

Several events this year allowed us to demonstrate our leadership in climate advocacy. The annual Insurance Development Forum (IDF) Summit in Zurich was themed "Ambition, Action & Impact", pertaining to the achievement of the Sustainable Development Goals (SDGs). It provided a platform for us to reveal the impact of our work in relation to the SDGs.

At the Bermuda Climate Summit, ARC Ltd.'s Senior Legal Advisor, Timothy Nielander, highlighted the importance of partnerships across private, public, and humanitarian sectors in scaling up the response to climate change.

The Africa Climate Summit in Nairobi, Kenya, included the 11th Conference on Climate Change and Development in Africa. Chief Executive Officer Lesley Ndlovu participated in a panel discussion on climate finance and natural capital accounting. He and Chief Operating Officer Ange Chitate also participated in Climate Week NYC in September, the largest annual climate event of its kind.

Chief Underwriting Officer Malvern Chirume was part of a panel discussing the role of public-private partnerships in weather and climate risk management at the Weather Risk Management Association's 2023 European conference.

This year's focus was on "Weathering uncertainty: strategies for effective weather/climate risk management". He addressed several topics, including the protection gap, risk pooling, regional risk pools, the Global Shield, and premium financing.

GENDER EQUALITY

Head of Strategy and Partnerships Lorraine Njue, FIA, moderated a side event at the Africa Climate Summit, hosted by Young Insurance Professionals Africa, Mozambique Women for Inclusive Insurance, and Women Leadership in Insurance Africa.

It was themed "Insurance Industry Role in the Integration of Nature-Based Solutions for Prevention in Disaster Risk Reduction".

She also took part in the Namibia Women in Finance and Insurance Summit in Windhoek, an important platform for championing and empowering women in leadership roles in the financial and insurance sectors.

This year's theme was: "Sustainable Finance and Responsible Insurance: Women Pioneering Environmental, Social, and Governance Practices."

INSURANCE EVENTS

The 45th OESAI Annual Conference in Mauritius was a highlight, themed "Leaving no one behind: Financial inclusion through innovation". Chief Executive Officer Lesley Ndlovu participated in a panel discussion on the topic "Sustainability in Insurance/Future in Insurance" and presented on "Gearing up for the SDGs". Head of Strategy and Partnerships Lorraine Njue moderated the panel.

The International Cooperative and Mutual Insurance Federation (ICMIF) Sustainability Summit examined industry challenges and solutions. Among the major themes were sustainable investments, resilience, and underwriting. ARC Ltd.'s Chief Underwriting Officer Malvern Chirume took part in a panel discussion on embedding resilience and indirect mechanisms into insurance strategies.

The World Economic Forum's Sustainable Development Impact Meetings were hosted on the occasion of the United Nations General Assembly, aiming to accelerate momentum for the UN SDGs. Chief Operating Officer Ange Chitate chaired the session "Shared Prosperity: The Next Frontier for Business Impact".

The Centre for Disaster Protection also held a private roundtable with experts in insurance, anticipatory action, and government where Chief Executive Officer Lesley Ndlovu participated on a panel exploring scalable DRF mechanisms for outbreaks, an opportunity to highlight our O&E product.

Head of Business Development David Maslo and Head of Strategy and Partnerships Lorraine Njue participated in 11th Global Dialogue Platform on Anticipatory Humanitarian Action in Berlin, themed: "People at the centre: scaling up anticipatory action".

David presented on the anticipatory drought insurance pilot programme for Malawi and Zambia, in partnership with the United Nations Office for the Coordination of Humanitarian Affairs and the UK's Foreign, Commonwealth & Development Office.

Lorraine joined a panel discussing the financing of smart premiums.

AGRICULTURE-FOCUSED EVENTS

Invest Africa hosted the event 'Climate Change and the Effect on Agriculture' in Cape Town, where Chief Operating Officer Ange Chitate was on a panel discussing how the continent can mitigate the impact of climate change on agriculture and build long-term resilience.

The High-level Political Forum on Sustainable Development (HLPF) 2023, held at the United Nations headquarters in New York, included a side event that addressed "Financing for sustainable and inclusive agrifood systems and food crises prevention and mitigation". Co-organised by the UN Food and Agriculture Organization (FAO) and the Permanent Missions of Brazil and Pakistan to the UN, Chief Executive Officer Lesley Ndlovu contributed to the roundtable discussing "Perspectives on financial mechanisms for preventing and mitigating food crises and transforming agrifood systems".

ARC is a member of The Microinsurance Network and its June Member Meeting in Luxembourg explored insurance for micro, small and medium enterprises. It offered a platform to showcase the latest programmes in resilience-building among smallholder farmers and developments in protecting MSMEs – an ideal opportunity for Head of Business Development David Maslo to present on our progress in this arena.

COP28

COP is an important annual event for ARC Ltd., providing a global platform to highlight our work, innovations, and partnerships. COP28 was characterised by its inclusivity, financial commitments, and actionable progress. It achieved the largest attendance in history – over 100 000 delegates and key stakeholders from African governments, development partners, and the reinsurance industry.

ARC Ltd. played a pivotal role at COP28, leveraging the global platform to showcase our groundbreaking work, innovations, and partnerships. We convened four panels which drew on the expertise and insights of leading figures in climate risk insurance and highlighted the latest innovations and developments in climate risk insurance solutions.

"Partnership in Action: Scaling Climate Risk Solutions in Africa" focused on expanding risk coverage to more vulnerable communities and how ARC Ltd.'s strategy of strong partnerships and replicating successful models to manage climate risks is helping to achieve this.

"Navigating the Future: The Nairobi Declaration's Journey in Sustainable Insurance" looked back on the two years since the declaration came into being, the progress so far and the way forward for signatories. It also sought to identify new opportunities in sustainable insurance.

"Operationalising Micro- and Meso-level Premium Support for Climate Risk Insurance" explored best practices and operationalising micro- and meso-level premium support. Among the talking points were sustainability, the role of the public and private sector, and targeting premium support for the most vulnerable.

"The Pioneers of Climate Risk Pooling" convened the leadership of the world's major multi-country risk pools – Caribbean Catastrophe Risk Insurance Facility SPC, ARC Ltd., Pacific Catastrophe Risk Insurance Company (PCRIC), and Southeast Asia Disaster Risk Insurance Facility (SEADRIF) – to share innovations in building economic resilience to climate threats. This was the first time these four risk pool leaders came together as a global panel to participate in a public forum. Chief Executive Officer Lesley Ndlovu participated in numerous panels, contributing significantly to enriching the dialogues.

We shared our vision for the risk pools to proactively scale up insurance coverage to protect the most climate-vulnerable communities and took the opportunity to launch our insurance partnership with One Acre Fund at COP28, aimed at providing agricultural insurance to 5 million smallholder farmers in Africa.

COP28 was our last event of 2023, and we therefore ended on a high note. ARC Ltd.'s visibility on the global stage is growing, with invitations to share our insights flooding in. Through these engagements, we continue to champion the cause of climate resilience while our expanding influence helps us to catalyse action.

TAKING PART IN THE NDSI PANEL DISCUSSION AT COP 28:
Managing Director NamibRe Patty Karuaihe-Martin, Abdoulie Janneh, Chairman ARC Ltd. Board, Phillip Lopokoiyit, Chair NDSI and CEO of ICEA Lion, Jacinda Njike, Africa Finance Lead, UN Climate Change High-Level Champions, Lesley Ndlovu, CEO ARC Ltd.

MESSAGE FROM THE CEO

Lesley Ndlovu | *CEO, ARC Ltd.*

Our goal entering 2023 was growth through expanding and diversifying the insurance portfolio. The success of this depends on the number of countries participating in ARC Ltd. programmes.

Eligible countries must complete capacity building and obtain a certificate of good standing. It also depends on the range of products we offer. African countries face increasing climate and health risks like droughts, floods, cyclones, and Ebola; the more products we provide, the better we meet countries' needs and grow our insurance pool. Paying claims rapidly after disasters provides our greatest impact.

We aim to pay within 10 working days, so that countries have immediate resources to respond. In 2023, we paid a claim to Burkina Faso following a drought. Its crop policy payout amounted to $4.454 million, and its Replica crop policy payout was $2.628 million. We also oversaw the implementation of 2022 claims.

Our model of contingency planning and rapid response is highly effective. In addition, we retained our #1 ESG rating, making us the top global insurance company for the third straight year. We also received a credit rating upgrade from Fitch to A-, one of the highest for African insurers and reinsurers. This demonstrates our ESG impact and financial strength.

Donor partners play a pivotal role in our business model. We work with them in three ways: premium subsidies to enable more countries to participate, capital provision to underwrite more risk, and institutional development to improve products and services and onboard new countries. In 2023, we welcomed new partners like the US State Department to enhance our work serving African countries facing more frequent and severe natural disasters.

Lessons learnt

The 2023 pool year presented a critical challenge for ARC Ltd. to rebuild stakeholder trust after the data issues in 2022. Regaining the confidence of member countries and reinsurance markets was our top priority.

We took a transparent, collaborative approach with member countries, treating them as partners rather than clients. We presented our detailed plan to resolve the data problems and incorporated their feedback. Switching to new, verified datasets restored countries' faith in ARC Ltd.'s models and processes. Our sincere engagement resonated, evidenced by the enthusiastic participation of over 20 countries in the 2023 pool.

Bolstered by the renewal of trust, we secured a heavily oversubscribed reinsurance programme. We underwrote a record $56.1 million in gross written premiums for the 2023 pool, proving the markets' restored confidence in us.

This experience underscored the immense value of continuous learning and improvement at ARC Ltd. We integrate lessons from each pool year to refine our processes and structures. This feedback loop drives us to serve members' needs better and deliver more effective, efficient solutions year after year.

Key 2023 lessons included the importance of open engagement with member countries and reinsurance partners to regain trust quickly after setbacks. We also learned to strengthen data redundancy and accelerate claims payout implementation.

Carrying these learnings forward, we have established backup datasets and strengthened second-line functions like internal audits and enterprise risk management. This is especially crucial as we scale, with business volumes more than doubling from 2022 to 2023. We expect at least 60% growth again in 2024.

As we grow, our strengths will enable our continued success. We remain focused on member states' needs, crafting customised, innovative solutions. We also foster personal resilience to navigate the challenges inherent in pioneering work like ARC's. With flexibility and perseverance, we turn experiments into progress.

Our member-centric approach and commitment to continuous improvement position us well for the opportunities and tests ahead. We are dedicated to serving member countries and building an increasingly effective, sustainable risk pool.

Our team

Last year was a period of tremendous growth for ARC Ltd. As we expanded our business volumes and forged new commercial relationships across member countries, we knew we needed to expand our team accordingly.

We grew our staff by around 50%, bringing on board passionate talent that shares our values and has the technical skills to thrive in our fast-paced, innovative environment. New hires spanned key functions, including business development, underwriting, finance, and operations. We were strategic in building a multilingual team with diverse backgrounds that reflect the incredible diversity of Africa.

Hiring locally from within the continent enables us to leverage in-depth regional and cultural expertise. Integrating these talented new team members expanded our capabilities and capacity to navigate complexities and design tailored insurance solutions effectively.

This infusion of talent enhanced our technical expertise and empowered us to support member countries across Africa better. Each new team member at ARC Ltd. plays an integral role in driving our impact by applying their specialised skills to build resilience through improved risk management.

As we continue growing, our expanded and strengthened team will be essential in fulfilling our mission to create lasting solutions for communities vulnerable to disasters and extreme weather events.

Focus areas

As we embark on 2024, ARC Ltd. has defined four priority areas that will drive our mission forward and allow us to better serve African Union member states.

First and foremost is growth, innovation, and impact. We aim to expand our climate and health insurance solutions across all 55 AU member states, providing each nation with customised products that directly address their unique risks.

Reaching this level of scale and diversification will enable us to become financially self-sustaining, fully deliver on our mandate from the AU, and optimise our balance sheet as we spread risk over a wider portfolio. Innovation means continuously developing new ways to prioritise member states' needs.

Our second priority is capital funding and reinsurance. As the global reinsurance market hardens, costs rise while capacity shrinks. Keeping reinsurance expenses in check will be crucial for maintaining affordable premiums for member states.

We must also actively manage risk and our balance sheet to uphold our A- credit rating, which gives us greater access to capital markets. This will require judicious use of reinsurance, exploring alternative capital sources like insurance-linked securities, and implementing robust risk management practices.

Third is strengthening our people, processes, and overall performance. We want to continue expanding our team to bring in more skills and talent to drive our ambitious growth plans. At the same time, we will automate and streamline processes to improve efficiency as our business volumes increase. Ongoing training and upskilling of our people will also be critical to ensuring we can deliver on our strategy.

Finally, we will sharpen our focus on communication, engagement, and advocacy. Despite ARC Ltd.'s tremendous impact, we see an opportunity to tell our story more purposefully on the global stage and draw greater awareness to our mission. This will involve proactively reaching out to key multilateral institutions and platforms, clearly demonstrating our value proposition, and forging partnerships that can help amplify our voice.

With concerted effort across these four priority areas in 2024, we can take ARC Ltd.'s vision to the next level and create an even more substantial impact for African citizens managing climate and disease risks. We have built strong momentum and now is the time to accelerate.

LESLEY NDLOVU
CHIEF EXECUTIVE OFFICER, ARC LTD.

OUR STRATEGY

The ARC Group's 2020-2024 strategy was devised in 2019, but its operating environment has changed substantially since then.

The Covid-19 pandemic was a hard lesson in preparedness and the importance of risk insurance. Many AU members were unprepared, necessitating resource diversion to the crisis response. As a result, they were unable to pay their premiums, casting doubt on future pool participation. In response, the Group revised and realigned its strategy for improved adaptability while ARC Ltd. formulated its 2025 Inclusive Growth Strategy to complement the Group's aims. The revised approach strengthens governments' disaster risk management systems and helps countries build back better.

ARC Ltd.'s strategy is based on the Group's three objectives: Innovate, Strengthen, Grow. These objectives are the foundation for our four priority areas: market penetration, product development, market expansion, and diversification.

These guiding principles are fundamental to ARC Ltd.'s 2025 Inclusive Growth Strategy and will enable us to achieve the Group's vision of becoming a $100 million insurer.

ARC GROUP OBJECTIVES

INNOVATE
A dynamic approach to innovation

STRENGTHEN
Bolstering continental disaster risk management

GROW
Increased scalability and sustainability of ARC operations and coverage

ARC LTD. INCLUSIVE GROWTH STRATEGY PRIORITIES

MARKET PENETRATION	PRODUCT DEVELOPMENT	MARKET DEVELOPMENT	DIVERSIFICATION
Increase customer participation and curb loss of market share to competition	Expand into new markets by leveraging technical expertise	Develop and roll out new sovereign insurance products	Grow reinsurance, co-reinsurance and retrocession reinsurance

ACTIVITIES TO ACHIEVE OUR STRATEGIC OBJECTIVES & PRIORITIES

PREMIUM FINANCING	MICRO/MESO INSURANCE	FLOOD, OUTBREAKS AND EPIDEMICS AND CONTINGENCY FUNDS

AGENCY LEAD, LIMITED SUPPORT

GROW

MARKET PENETRATION (EXISTING)

- Increase sovereign buy-in
- Increase Replica buy-in
- Expand to new countries and Replica

INNOVATE

PRODUCT DEVELOPMENT (NEW)

- Development of new products (pastoral drought, tropical cyclone, flood, O&E)

STRENGTHEN

MARKET DEVELOPMENT (NEW)

- National Insurance Schemes (NAIS)
- Scaling up of safety net programmes
- Sub-national micro/meso direct insurance
- Supranational policies
- Economic Community of West African States (ECOWAS)

INNOVATE

DIVERSIFICATION (NEW)

- Aggregators
- Co-reinsurance
- Retrocession
- Consulting from DRM and DRF, value chain optimisation, other insurance applications

LIMITED LEAD, AGENCY SUPPORT

OUR STRATEGIC VALUE CREATION APPROACH

Parametric insurance enables rapid post-disaster liquidity, which is crucial as climate change drives more frequent, severe events disproportionately affecting vulnerable groups. Broadening our market and product reach is critical. Growth hinges on expanding our non-sovereign business, pioneering products in Africa and adhering to sound underwriting principles. Concurrently, forging partnerships with global reinsurers and multilateral financial institutions will prove pivotal in unlocking more opportunities.

The role of technology

The digital revolution has strengthened our risk analysis capabilities exponentially through platforms like the satellite weather surveillance system, Africa RiskView, which helps us to create accurate member risk profiles, determine the magnitude of the parameters and confidently underwrite new risk. Payouts are made within 10 working days following a disaster, due to this data-driven transparency and scalability.

Delivering strategic objectives

PRIORITY ONE

Premium Financing
Nearly $100 million in premium financing commitment from partners for expansion of ARC insurance programmes

PRIORITY TWO

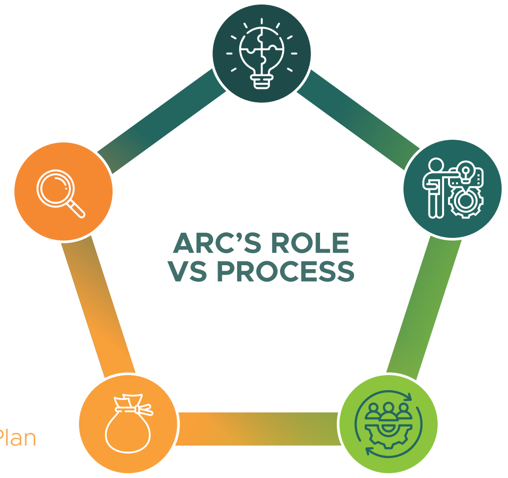
Micro/Meso Insurance
Continued expansion of insurance programmes to protect micro/meso farming communities

PRIORITY THREE

Flood and Contingency Fund
Implementation of a contingency fund that could trigger payouts equal to contributions to the fund, for events below the attachment point of insurance policies.

THE ARC PROCESS

This diagram illustrates ARC Ltd.'s role and where it fits into the ARC Group process:



INITIATION
- Scoping
- Country Strategy
- MoU

COUNTRY PROGRAMME DEVELOPMENT
- Technical Working Group
- Capacity Building
- Technical Support

RISK POOL PARTICIPATION
- Insurance Policy
- Premium Payment

PAYOUT & RESPONSE
- Field Monitoring
- Monthly Reporting
- Final Implementation Plan

EVALUATION & LEARNING
- Financial Audit
- Process Evaluation

OUR UNDERWRITING PROCESS

1. Review model for each country in the pool
2. Customise country-level risk model
3. Conduct risk transfer workshops with member states
4. Lobby for premium finance to access sovereign risk insurance
5. Underwrite & administer policies, including partial risk. Transfer risk to international reinsurance
6. Encourage development of local agricultural micro/meso parametric insurance through technical and financial capacity building
7. Monitor season after administering policies and provide end-of-season reports (MDRC) for all countries
8. Ensure that amounts received by governments and Replica partners are utilised in accordance with a pre-agreed final implementation plan
9. Rapidly execute operations and enforce transparency and accountability

OUR BUSINESS MODEL - GEARED FOR VALUE CREATION

The following outlines the inputs across our various capitals:

CAPITALS		INPUTS
FC	FINANCIAL • Capital base supported by donors • Operations support • Investments • Premiums	• RC Group engagement and support • Equity of $8 million • Total assets $120 million • Donor financing • Capital requirement cover • One of the largest balance sheets dedicated to weather-related risks in Africa
MC	MANUFACTURING • AV Model (ARC Group) • Underwriting system (Remetrica) • Dynamic 365: Underwriting sales system • SAGE X3: Accounting system • IT security systems	• Early warning model • Technologically advanced with scalable potential
IC	INTELLECTUAL • Proprietary risk and underwriting model • Technology and data system • Skilled and experienced staff • Strategic and operational frameworks • Investments	• Top parametric insurer serving the African continent • Strong strategic partnerships • Innovative culture • Research-based solutions
HC	HUMAN • 18 employees • Board • Organisational culture • Partners and donors • Auditors and actuaries	• Our primary capability is to manage climate risk. We deliver solutions to clients via products, services, and indices
SC	SOCIAL • African governments and member states • Humanitarian organisations • Media	• Highly regarded parametric insurer • Solid, long-standing relationships of trust with member states, funders, and regulators • Contribution to resilience and DRM on the continent • While our direct social impact is limited, we remain committed to the responsible stewardship of resources.
NC	NATURAL • Water and energy usage	• While our direct impact is limited, we remain committed to responsible ESG stewardship

ARC LTD. ACTIVITIES

- Capacity-building support
- Payout of claims
- Financial reserves management
- Stakeholder engagement communications
- Growing Replica partners
- Risk management

- Parametric risk modelling and monitoring
- Business planning
- Enterprise risk management
- Underwriting
- Accounting

- Research
- Risk profile development
- Premium growth, expanding client base to include sub-sovereigns, non-governmental organisations
- Managing climate risk
- Strategic planning

- Implementation of strategy
- Building partnership
- Fiduciary compliance
- Capital optimisation and presentation

RESULTS

$46.8 MILLION
in gross earned premiums

$4.1 MILLION
investment income

$18.7 MILLION
paid out in claims
Payouts made within 10 working days

65% LOSS RATIO

26 MILLION
people insured

PROFESSIONAL DEVELOPMENT
security of tenure,
opportunities for growth (staff)

A-FITCH RATING

TOP ESG SCORE

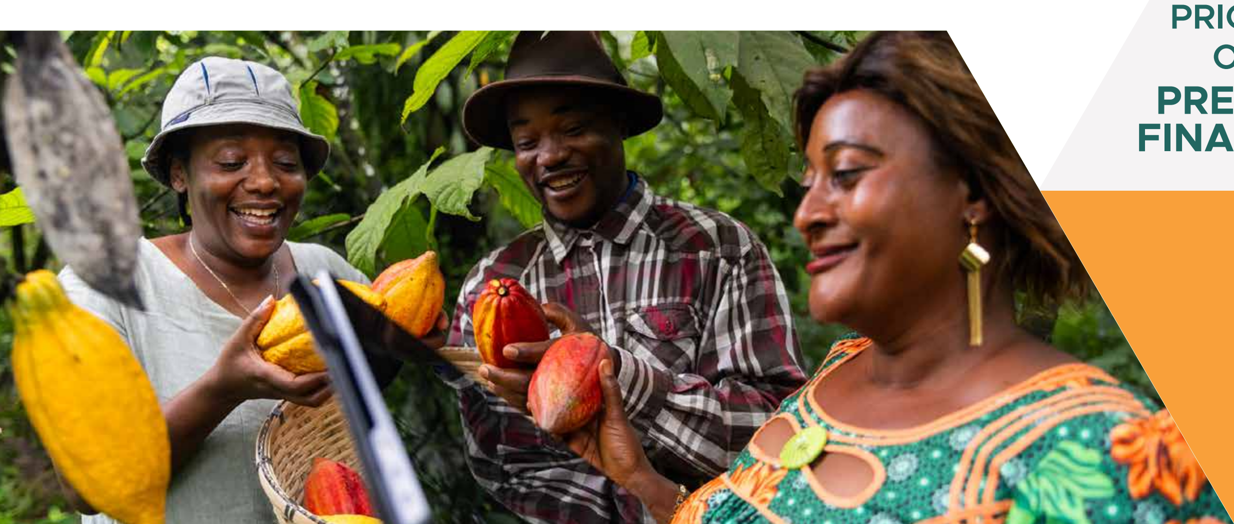
OUR BUSINESS MODEL

As the ARC Group's commercial entity, ARC Ltd. aims to mitigate the impact of natural disasters by proactively predicting these events, supplying requisite insurance and supporting the Group's capacity-building programmes. These interventions empower governments to create safety nets and be better prepared for perils, making ARC Ltd. unique among parametric insurers.

Having cultivated a skilled team and developed a world-class proprietary risk and underwriting model, ARC Ltd. can deliver tailored parametric insurance policies to our member states. Our major advantage is the authority to function as a local insurer, exempt from local laws and regulations in countries that have signed the ARC Treaty. We continue to conduct research into natural disasters and their associated risks, and this forms the cornerstone of our service offering.

PRIORITY TWO
MICRO/MESO INSURANCE

PRIORITY ONE
PREMIUM FINANCING



PRIORITY THREE
FLOOD & CONTINGENCY FUND

REPLICA PARTNER INTERVIEW: WFP

Mathieu Dubreuil
Lead Advisor for climate and disaster risk financing and insurance (CDRFI)

Emily Jones
Macro Insurance Programmes Lead in the Climate and Resilience Service

Leveraging parametric insurance to unlock humanitarian aid

The Replica Programme is a game-changer in bridging the gap between much-needed humanitarian aid and the constrained fiscal space of African governments. It allows humanitarian organisations to expand the coverage of vulnerable communities by replicating policies already taken out by governments. This approach unlocks prearranged financing in the event of a disaster, allowing for an early and predictable response.

The WFP has been an ARC Replica partner since 2018 and currently has Replica insurance policies active in 9 African countries – Burkina Faso, Madagascar, Mali, Mauritania, Mozambique, Sudan, The Gambia, Zambia and Zimbabwe. The organisation is supported by a strong network of donors, whose contributions allow it to pay the premiums for the replicated policies, namely USAID, Global Affairs Canada, Norway, KfW through the Premium Support Facility managed by ARC Ltd., and BMZ and FCDO through the Global Shield Financing Facility, managed by the World Bank.

“Our partnership with ARC Limited began as a straightforward Replica commitment, but fairly quickly, it evolved to more engagement, such as on our microinsurance activities and putting forward ideas on the technical side,” explains Mathieu Dubreuil, lead advisor for CDRFI in the WFP’s Climate and Resilience Service. “This was an important shift, and we are now working with ARC Limited in most of our countries in Africa.”

REPLICA PARNTER INTERVIEW: WFP 37

The WFP is also innovating with the company on several initiatives, some of which fall outside ARC Ltd.’s sovereign business, such as the Côte d’Ivoire agricultural project. “ARC Ltd. has been working with a consortium of local insurance companies and consultants to design a unique product that is both complex and sectorial,” explains Dubreuil. “We’re exploring this for The Gambia as well. In Madagascar and Malawi, we are working with ARC Ltd. as a continental stakeholder to determine the most sustainable way to develop agricultural insurance further and better involve local stakeholders”.

The importance of parametric insurance

The tools used by the WFP on the African continent are mainly parametric, also beyond its work with ARC. “It’s an important instrument for us, however, it could be further optimised,” points out Emily Jones, Macro Insurance Programmes Lead in the Climate and Resilience Service. This year, the WFP began working with ARC Ltd. to design a risk layering strategy connecting the Replica policy with a contingency fund. “It would trigger WFP funds for severe events at a local level, such as a disaster in a small area, that would not trigger a national policy,” she explains. Dubreuil adds: “We’re also discussing how we could potentially add a catastrophe layer because right now, the policies are limited in the way they are structured.”

“The CAT layer would be positioned outside ARC Limited’s sovereign business and above the ARC Replica insurance and could potentially reduce the exhaustion point of the Replica cover,” says Jones. “We are also looking at our own operations and seeing how we can make them more effective.”

Dubreuil explains that the WFP currently spends about $8 million in premiums annually. “However, when your rate online is around 20%, this means your global coverage can only be five times the amount you pay. By paying $8 million, you get $40 million, which means our capacity to respond to a catastrophic shock is quite limited, even if we’ve spent a significant amount.

WFP SPENDS
$8M
IN PREMIUMS ANNUALLY

Photo Credit: Burkina Faso Regional Program

"We've discussed with our donors and ARC Limited that we need to have another layer that would trigger less frequently. Perhaps even one in 10 or one in 15 with a rate online that is significantly lower of between 5% and 10%, so that should a climate event occur, we can leverage the multiplier effect of insurance more. Of course, this would need to be quite infrequent otherwise it wouldn't be the best approach."

The issue of regional climate events could also potentially be addressed with the CAT layer. The current challenge is that each country must purchase its own policies, and the Replica policies are linked to that country. "It's a difficult situation because it's the decision of the governments," says Dubreuil. "We've seen this in West Africa between Senegal and The Gambia, where one country receives a payout, but the other does not, for the same drought event, despite one country being situated inside the other."

ARC Ltd.'s impact in 2023

For beneficiaries, the impact has been significant. "In the first season, the microinsurance payouts in Madagascar were large, corresponding to about eight months of cash transfers we provided to the most affected households", says Dubreuil. "Of course, this meant the loss ratio for ARC Limited was fairly high, but it served to grow our partnership, which we see as a long-term journey."

Jones agrees. "Through the provision of significant funding, ARC Ltd. has made a difference to both implementors and beneficiaries, and it has also been proving the concept. When there were no substantial payouts, people were experiencing premium fatigue. I think it's obvious now that if products are designed properly, they will pay out, and if the right resources are invested, you can get something meaningful back, such as policies with less frequent return periods – this is an area where we would like to be more active.

"In the context of drought, with slow onset drought, we see huge value in receiving the funds earlier. On the fast onset side, we had our first experience with the payout in Madagascar, and we realised that the added value from parametric insurance is different for fast onsets. The value there is more on the preparedness and on the predictability of the funds and being able to leverage other resources we have internally through the predictability of those funds."

Donors also acknowledge the significant value of Replica. "There have been coups and institutional issues across Africa, and Replica has provided some stability in countries like Mali, Burkina Faso, and Sudan, where we've managed to maintain a certain degree of coverage even if we couldn't cover the whole population. Governments have also seen the impact on their capacity strengthening and system building," says Dubreuil.

"Stakeholders have been reflecting, however, on the frequency of payments and the return, which at the beginning was less important. Now, they are interested in having a more structured risk financing approach. We, therefore, conducted an impact assessment through Tetra Tech, which provided data analytics on the Mali payout in 2021. The early response made possible by the Replica payout created an up to 20% decrease in the cost of essential food items, thereby reducing the cost of the humanitarian response.

"We were covered by up to $7 million, and we received the maximum payout, but the actual need for the response was around $200 000 000. The donors and the governments still have to find a way to cover the shortfall, which is why we need a better way of increasing coverage, especially for the big shocks. This could be through additional products that are structured differently and by making sure that stakeholders have a better understanding of risk.

"We're now looking at how we can contribute more meaningfully to the financing of the response; how can we respond early enough, and efficiently at scale? For example, if we receive $7 million like we did in Mali, about 200 000 people will benefit from it. Imagine if we get $20 million? How would we manage that? It would require a different response mechanism linked to social protection systems. We tend to focus on the money aspect, but the delivery needs to become a priority as well."

Suggested focus areas for 2024

A focus on risk layering is essential for the WFP, and Dubreuil also believes there is a need for further product diversification. "The outbreaks and epidemics product is available, but not yet for Replica, although the WFP is not necessarily the target client. We do welcome the flood product which is being piloted. However, the continent urgently needs these products at different levels. For instance, floods can follow a tropical cyclone, but floods also occur in capital cities or regions like South Sudan. More innovation in R&D in terms of product design is needed.

"The ARC Limited insurance brokers have done good work to reduce the cost of access, but this also needs to be explored more. Elsewhere in the world, we've seen devastating climate events, such as in Florida, California, and Europe in terms of heatwaves and fires, resulting in high insurance costs. This will be happening more frequently in the future, making it important for ARC Limited to explore building their long-term strategy in the face of Africa's massive humanitarian need."

HIGHLIGHTS: NURTURING AFRICAN TALENT AND EDUCATION

Fostering future climate change experts

As one of the most vulnerable continents to climate-change-induced disasters, Africa urgently needs more homegrown specialists in vital fields like actuarial science to develop African solutions to African problems.

However, the talent pool of highly skilled people remains limited due to constraints such as access to higher education and gender imbalance in technical sectors.

To address this issue, we collaborated with Milliman Inc., a risk management, benefits, and technology company, to launch a postgraduate Africa Scholarship Programme at the beginning of 2023, exclusively for gifted African students.

Driven by ARC Ltd. Legal Secretary Officer Anaïs Symenouh, the programme is aimed at further study in fields relating to mitigating the impact of climate change on African economies, like risk management and insurance, actuarial science, and agricultural statistics. It also seeks to assist students who cannot afford postgraduate studies while promoting gender equality and encouraging women students to apply.

The four comprehensive scholarships will cover tuition, housing, living stipends, and other essential expenses for up to three years of full-time postgraduate study at the following esteemed universities: École Nationale Supérieure de Statistique et d'Économie Appliquée in Abidjan, Côte d'Ivoire; Institut Interafricain de Formation en Assurance et en Gestion des Entreprises in Dakar, Senegal; the National University of Science and Technology in Bulawayo, Zimbabwe and the University of Cape Town in South Africa. A prerequisite for this life-changing opportunity is that students must commit to working in an African country for two years after graduation, thereby giving back to the continent.

For ARC Ltd., this initiative has several aims. The first is to increase the number of actuaries, data scientists and engineers in the insurance field across Africa. We believe this will raise the bar in the industry. While we pride ourselves on having some of the most highly skilled individuals working in the company, we are always looking to employ more short- and long-term talent. The initiative also presents an opportunity to shift the gender imbalance in traditionally male sectors, opening the door to women who want to break into the insurance industry. We believe that combining these aims results in a winning formula for fostering talent that will be consequential for the continent in addressing a pressing need.

Partnering with Milliman Inc.

As one of the world's largest financial and professional services companies that specialise in actuarial science, Milliman Inc. was a perfect fit. It has been working on the African continent for several decades, helping mitigate risk in vulnerable countries through its actuarial strengths and modelling frameworks. The company also has a strong practice around micro- and meso-insurance – a priority area for ARC Ltd. – and it serves the full spectrum of business, financial, government, union, education, and non-profit organisations.

Milliman Inc. also seeks to diversify talent and change the landscape and demographics of the actuarial industry, and the initiative ties in with its social responsibility objectives. The company is focused on bringing more gender parity to the profession, and by being part of the programme, it helps to bridge the gap to access and educational resources. Its role in the partnership is to provide funding for the programme, while we leverage our relationships in Africa to make the programme a reality and we will oversee it going forward.

The programme is also open to potential partners to join Milliman Inc. and scale up the initiative.

The element of giving back

CEO of ARC Ltd., Lesley Ndlovu, is the architect of the Africa Scholarship Programme, as he was once given a helping hand. He was a beneficiary of an Oxford University scholarship, which provided the foundation for his career.

Ndlovu remains passionate about scholarships that provide opportunities to students that they would otherwise not have had. Working with Milliman Inc. to set up a scholarship programme is a way for ARC Ltd. to contribute to expanding access to opportunities for the next generation.

Ambitious candidates who want to drive change are the target of the programme; tomorrow's leaders seeking to work on something bigger than themselves and who grasp that Africa's battle against climate change impacts requires collaboration. They will join a unique programme and be given the opportunity to work in a dynamic and leading field while giving back to Africa.

Internship opportunities

To see these graduates succeed, ARC Ltd. and Milliman Inc. will also be providing internships to give them a strong foundation in their chosen careers and an immersion in the challenges of risk management. At ARC Ltd., we offer an excellent career launchpad and have a dynamic culture based on meritocracy – if an individual is willing to put in the work, the opportunities to advance their careers at ARC Ltd. are many.

To make a meaningful impact, ARC Ltd. and Milliman Inc. realised the scholarship programme cannot be a once-off. Once the selected graduates start their studies at the beginning of 2024, the next batch of candidates will be sought. For us, the scholarship programme remains a central focus and complements our initiatives for social impact. We believe visionary investments in human capital such as this will go a long way in setting an example in Africa and incubating much-needed expertise and leadership.

OUR MATERIAL MATTERS AND RISKS

MATERIAL MATTERS

ARC Ltd. is the only comprehensive risk management and risk transfer initiative on the African continent designed to help build resilience against natural disasters, outbreaks, and epidemics. However, several matters this past year were identified as material to ARC Ltd.'s ability to operate sustainably while delivering on our mandate.

RISK MANAGEMENT

While advancing our strategic objectives requires assuming risk, diligent oversight is needed to manage these risks to maintain vital resources and stakeholder trust. The Board, through the audit and risk committee, is responsible for risk governance and regularly reviews ARC Ltd.'s risk management practices to optimise the risk-return trade-off. This year, we continued focusing on our inclusive Growth Strategy and our risk appetite statements, which reflect this strategy.

Among these statements are quantitative measures, including tolerance limits on metrics that measure capital adequacy, profitability, liquidity, underwriting risk, market risk, and credit, and qualitative statements addressing operational, reputational, and regulatory risks.

OUR TOP RISKS

We determined several priority risks as highly material for fulfilling our Inclusive Growth Strategy and long-term value creation. They are listed below.

ARC LTD. MAIN RISKS

The following outlines the inputs across our various capitals:

UNDERWRITING RISK

CLIMATE CHANGE

More frequent, severe climate-change-induced weather events underscore the pressing risk climate change poses.

RESPONSE

Our Inclusive Growth Strategy includes detailed plans for market and product diversification. We also examine climate impacts on underwriting and pricing, while the underwriting criteria used to consider these risks are reviewed.

BASIS RISK EVENTS

Basis risk refers to the difference between insured losses and expected payouts from a parametric policy. Potential risks could be a model error or incorrect parameterisation. Basis risk has the potential to cause reputational damage.

RESPONSE

We compare model-generated payouts to the conditions on the ground at the end of season. We enhance season monitoring at the end of each season to improve our basis risk detection times.

MODEL ERROR

Systems supporting rainfall reporting, accumulation, monitoring, and control could potentially fail, resulting in a failure to capture accurate, complete, and up-to-date data elements.

RESPONSE

After every season, we refine and improve season-monitoring procedures that govern our underwriting process.

STRATEGIC RISK

INSUFFICIENT POOL GROWTH

Growth barriers exist because a finite number of African nations limit our market potential. This underpins the importance of effective engagement to address a possible lack of understanding of our disaster risk tools or perceptions of costly premiums. Should the pool not grow, this could result in unsustainable expenses and insufficient capital to refund Class C contributors.

RESPONSE

Our Inclusive Growth Strategy details ARC Ltd.'s market and product diversification, which aims to ease dependency on the sovereign market for growth and sustainability. Our strategy also includes a premium financing plan to address affordability.

OPERATIONAL RISK

OUTSOURCING RISK

We have outsourced several key insurance company functions, such as research and development, to the ARC Agency. Any failure on its part could disrupt ARC Ltd.'s operations.

RESPONSE

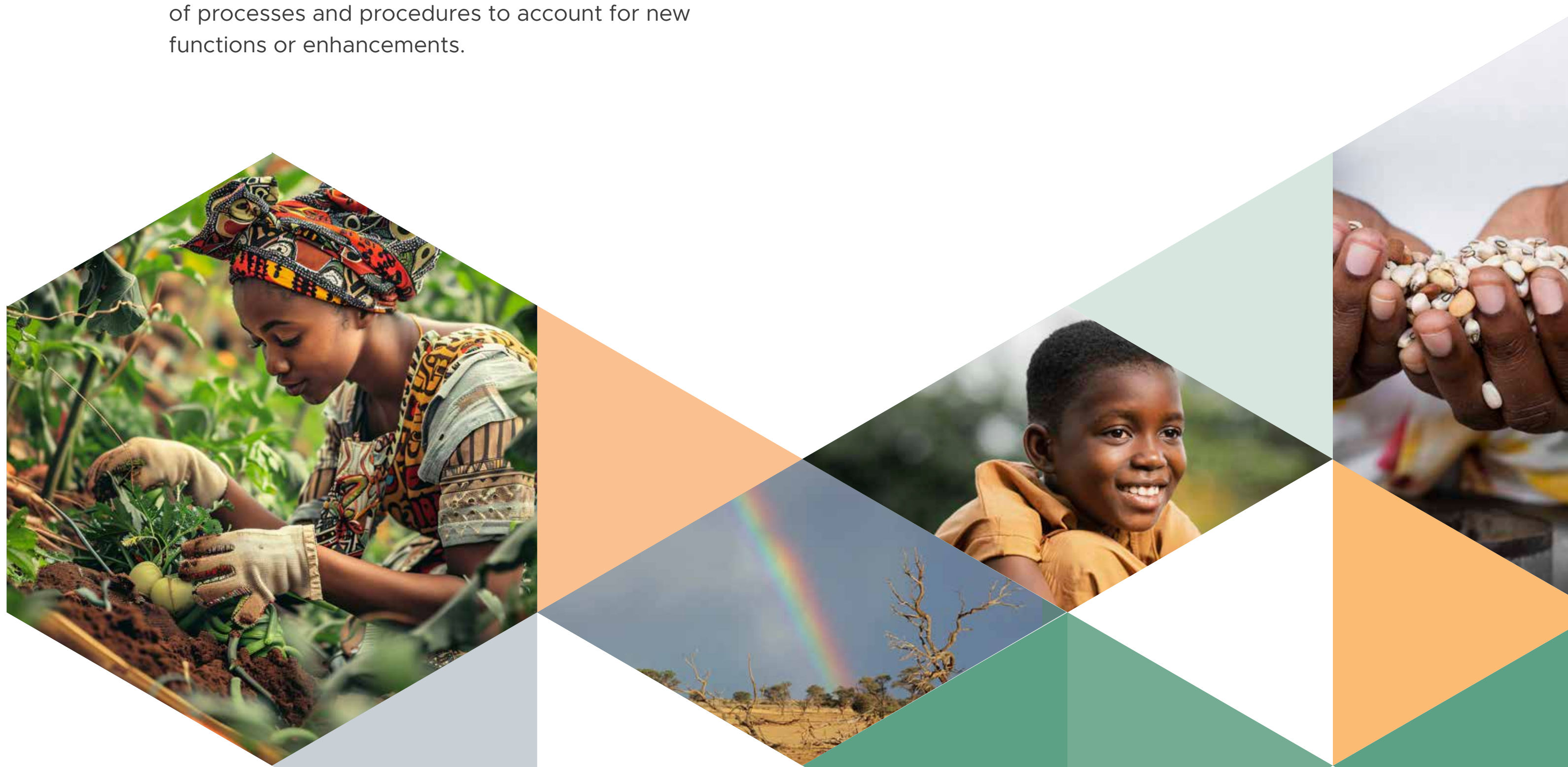
At the end of every season, we improve our season-monitoring procedures, thereby improving our underwriting and other outsourced operational procedures. We also review the documentation of processes and procedures to account for new functions or enhancements.

CYBER RISK

This is the risk of a security breach of our IT systems. Such a breach would affect data integrity or availability, cause financial loss or business disruptions, and negatively impact our brand.

RESPONSE

Rapid risk assessments are done every year, including recommendations to mitigate cyber threats. Employees also receive training annually to improve cyber security awareness.



OUR PRIORITIES

Analysing risks and material issues uncovered three priority areas for achieving our vision:

PRODUCT DIVERSIFICATION

MARKET GROWTH

PREMIUM FUNDING

To achieve these, raising additional capital from potential stakeholders remains a focus area and ensures our sustainability as we scale up.

Product diversification

A larger sovereign and non-sovereign customer base is critical to ensure our sustainability. We have diversified into floods, and outbreaks and epidemics, which will assist with expanding our business. While sovereign payouts provide urgent liquidity when disasters strike, they cannot match a country's full liquidity requirements. Hence, developing market-led solutions helps us transfer some of the risk from governments to in-country private insurers, which reduces the risk profile of these governments. Complementary offerings such as contingency funds and catastrophe bonds would boost client confidence and support growth.

Market growth

Limited pool participation remains a challenge and threatens our financial viability. The size of our market is another barrier to growth. We currently have 39 member states, and the African Union has a finite 55 countries. We continually explore ways to simplify or amend the onboarding process for countries to join the sovereign or non-sovereign risk pool.

Premium funding

A barrier to pool participation remains affordability. ARC Ltd.'s strategy for premium financing includes identifying and securing additional donor partners. More partnerships offer the potential to expand the market and are vital to growing our business.

We are also aware that our market could be significantly reduced due to competing products and the Word Bank offering guaranteed funding. This makes sourcing new donor partners and securing premium financing all the more important. At the same time, ARC Ltd. is driving the expansion of our Replica partners, and towards the end of 2023, we welcomed the UN Refugee Agency on board.

While not an immediate concern, donor capital recalls due to unmet developmental targets from ARC Ltd.'s side remain a further risk and would render our business unsustainable. Our interest-free capital loans are set to mature in 2034.

Another key priority is capital funding. The increased frequency and impact of climate events, leading to high payouts, pose a risk of capital erosion. ARC Ltd. is continuously and actively engaging with donors to build the foundations for supporting capital needs.

STAKEHOLDER ENGAGEMENT

We strive to enrich our stakeholder relationships through structured engagements, such as our member and donor retreats. Not only an opportunity to meet and reflect on the year, but these retreats are also an open dialogue that helps us glean insights into expectations, requirements and concerns of our members and donors. We hosted our third and largest retreat in Lomé, Togo in July this year.

Stakeholder overview

We have identified the following stakeholder categories as essential to helping us attain our strategic objectives while also positively impacting our organisational profile and competitiveness:

	STAKEHOLDER	ENGAGEMENT FREQUENCY	CHANNEL	FOCUS AREAS
	ARC MEMBER STATES AND BENEFICIARIES	Throughout the year	ARC AGENCY	Insurance product offerings and capacity-building services
	CLASS A & C MEMBERS	Quarterly is the minimum or as needed	ARC LTD. CHIEF OPERATING OFFICER	Business performance update and reporting
	BOARD	Quarterly is the minimum or as needed	ARC LTD. CHIEF EXECUTIVE OFFICER	Business performance update, reporting and strategic guidance
	FUNDING PARTNERS	Quarterly is the minimum or as needed	ARC LTD. MANAGEMENT	Business performance update and reporting
	REINSURERS	Throughout the year	CHIEF UNDERWRITING OFFICER	Reinsurance placements

A LANDMARK US$11.7 MILLION PARTNERSHIP FOR FOOD SECURITY IN AFRICA

ARC Ltd.'s commitment to protecting the livelihoods of farmers and pastoralists across our African Union member states was recognised this year by the United States Government (USG), which chose to support our efforts through a landmark US$11.7 million partnership.

Central to this partnership is strengthening food security across Africa by increasing access to parametric insurance to enable African governments to support climate resilience among their smallholder rain-fed farmers. This, in turn, builds their capacity to withstand non-climate-related disruptions to agricultural supply chains.

The first objective is to support and assist governments in effectively using parametric insurance. ARC Ltd. will work closely with them to customise risk models for each country, establish contingency plans and integrate parametric insurance into their policy frameworks. We will also continually refine and develop innovative products to meet the evolving needs of these countries. Through localisation, we can ensure that the insurance payouts meet the real needs on the ground.

Secondly, the uptake of parametric insurance will be addressed through close cooperation with the African Union and regional economic communities to encourage adoption.

The project is anchored in several continental and international disaster risk management (DRM) policy frameworks. The African Union Agenda 2063, the UN Sustainable Development Goals, the Paris Agreement on Climate Change, and the Sendai Framework all recognise the importance of disaster risk reduction.

ARC Ltd. COO Ange Chitate is heading up the project, which will be rolled out over three financial years (FY23-FY26), with the funding enabling us to scale up technical assistance in-country. "The priority is to expand our coverage to 19 states. The project strategically targets countries that currently lack ARC memoranda of understanding, as we can only provide our services and offer risk pool participation once MoUs are signed," Chitate explains.

The countries are Benin, Burundi, Central African Republic, Chad, Comoros, Djibouti, Gabon, Ghana, Guinea, Lesotho, Liberia, Libya, Mozambique, Nigeria, Rwanda, São Tomé and Príncipe, Sierra Leone, Somalia and Uganda.

Process and transparency

ARC Ltd. will underwrite policies for both single and multi-peril cover, having identified the countries that qualify for each. Monitoring during the season will be conducted jointly with participating countries to identify areas of high disaster risk and to calculate payouts based on the estimated impacts.

This comprehensive monitoring also assists us with the refinement of the Africa RiskView (ARV) software and risk indicators while identifying gaps that need addressing. The intention is to add more data sets while our drought, flood and tropical cyclone models and insurance instruments will also be refined.

Additionally, we will work extensively with our technical and financial partners, UN agencies, international financing institutions and universities to identify how ARV data can be used for increased evidence-based policy decision-making and impact measurement.

End-of-season reports will be issued for all countries and post-disaster monitoring conducted to ensure that the payouts that governments and Replica partners receive are utilised in accordance with the pre-agreed final implementation plans. These plans form part of the contingency planning process.

"The use of parametric tools with publicly announced risk indicators and comprehensive contingency planning, together with post-disaster monitoring, sets a precedent across the continent for transparent disaster risk governance," Chitate states.

THE PRIORITY IS TO EXPAND OUR COVERAGE TO **19** STATES.

Diversification and training

The evolving climate-change landscape requires diversification to ensure the sustainability of the project. To this end, we are expanding our portfolio to cover more countries, hazards, and beneficiaries. We are also dedicated to including demand-driven micro and meso-insurance products.

To facilitate greater participation in the risk pools, ARC Ltd., in collaboration with ARC Agency, will work to align select countries' technical, governance, and policy capabilities with the risk pool requirements. This will be achieved through hosting risk-transfer workshops and training local experts.

The United States is a leading food-aid donor to Africa, and with this partnership, it has reinforced its dedication to disaster risk financing and locally driven climate risk solutions. For ARC Ltd., this project aligns with our mission to safeguard more countries and people and establish effective climate-response systems across Africa.

Our ambitious goal of protecting the lives and livelihoods of 700 million vulnerable people by 2034 is now supported by this partnership with the United States Government. The partnership also demonstrates the commitment of developed nations to building the resilience of the global south.

Photo Credit: Clement Tardif

AIMING TO PROTECT THE LIVES AND LIVELIHOODS OF **700 MILLION** VULNERABLE PEOPLE BY 2034

PARTNER INTERVIEW: UNHCR

Mojisola Terry
Strategic Risk Advisor and Climate Insurance Lead at UNHCR

A groundbreaking partnership to protect refugees from climate risks

As conflicts rage and persecution intensifies worldwide, another threat is emerging – one that pays no heed to borders. Climate change and its catastrophic impacts are adding to the vulnerabilities faced by the world's forcibly displaced people, estimated at over 103 million refugees, asylum seekers, and internally displaced persons (IDPs).

Few populations are as exposed to increasing climate risks as these men, women, and children forced from their homes. Often relegated to liminal existences in camps and informal settlements, with limited rights and negligible economic opportunities, they are susceptible to environmental shocks like drought, flooding, cyclones, and ecological degradation caused by the changing climate.

However, traditional humanitarian assistance and disaster risk management systems tasked with responding to climate-related crises frequently overlook or deprioritise displaced populations. These populations fall through the cracks as the focus remains fixed on assisting affected citizens. The UN Refugee Agency (UNHCR) is determined to address this stark reality through an innovative new partnership with ARC Ltd. that is aimed at helping protect refugees and other displaced populations from the impacts of climate change and extreme weather events.

"Our mission at UNHCR is to protect refugees and internally displaced people. However, remote locations can often leave these vulnerable populations overlooked in times of crisis. This is why collaboration with organisations like ARC Ltd. is so crucial. ARC's focus on building resilience in African nations perfectly aligns with UNHCR's goals," says Mojisola Terry, Strategic Risk Advisor and Climate Insurance Lead at UNHCR.

"This partnership with ARC Ltd. allows the UNHCR to leverage their expertise in innovative climate risk insurance and financing to protect forcibly displaced populations in a way that has never been done before," she says. "By participating in ARC's Replica programme, we can replicate government-level climate risk management policies to extend coverage to refugees and internally displaced people who are often left out of these systems."

The UNHCR identified three key factors that made ARC Ltd. an ideal partner for addressing these challenges: its ability to promote the inclusion of refugees in national policies, its technical expertise in areas like risk modelling and climate data analysis, and its access to novel climate financing mechanisms.

"ARC Ltd. has leverage and influence over African governments, which can help advocate for the inclusion of refugees and asylum seekers as many countries become more closed and nationalistic," states Terry. "They also bring technical expertise that we lack, like risk modelling, satellite data, and contingency planning."

Perhaps most crucially, the partnership provides the UNHCR an avenue to access climate financing. "With donor appetites shifting towards risk mitigation and insurance, this collaboration allows us to tap into those sources," Terry says.

Paving the way in Malawi

The initial pilot project of this partnership is underway in Malawi, home to over 55 000 refugees, primarily from the Democratic Republic of Congo. This population faces significant climate-related risks, such as droughts.

People living in camps, such as the one 40 minutes from the capital, Lilongwe, on which this project focuses, are particularly vulnerable to climate shocks. Most have minimal rights and economic opportunities, with few able to work or move freely. Droughts and floods can severely disrupt their access to food, water, and essential services, pushing many towards negative coping mechanisms like gender-based violence, child labour, prostitution, and taking children out of school, explains Terry.

German development bank KfW has pledged to cover the Malawi project's premiums for two years. ARC Ltd. will monitor data on agricultural output, rainfall, and food prices to determine whether cash assistance payouts should be triggered to help refugees and host communities.

Regional scaling

The UNHCR- ARC Ltd. partnership is rooted in the realisation that traditional humanitarian assistance is insufficient for the cascading risks of climate change. "Our organisation was set up 75 years ago, and there is a certain amount not being fit for purpose that is becoming very glaring," says Terry. "When you look at it through a climate change lens, the vulnerability is multiplied to a point where our capacity and business model are strained."

The cash assistance payouts triggered by the Replica programme provide immediate support, helping prevent crisis-driven negative coping measures. However, the UNHCR views this as a stop-gap while pursuing longer-term refugee resilience through complementary initiatives like climate-smart agriculture and hydroponics and promoting climate-resilient crops and farming practices. "We're trying to find ways to build self-reliance, to build resilience, to help these people adapt to the reality of climate change," says Terry. "In the meantime, vulnerability is being exacerbated, and we must find ways to address the issue." Malawi is just the beginning.

The partnership plans to rapidly expand to other high-risk countries in the region, such as Mozambique, Zimbabwe, Madagascar, the Democratic Republic of Congo, and Zambia – wherever UNHCR operations face threats from climate change. Together, ARC Ltd. and the UNHCR are paving the way for a new paradigm in protecting and empowering refugees in Africa amid accelerating climate threats.

NON-SOVEREIGN BUSINESS: MALAWI

Groundbreaking insurance innovation for Malawi

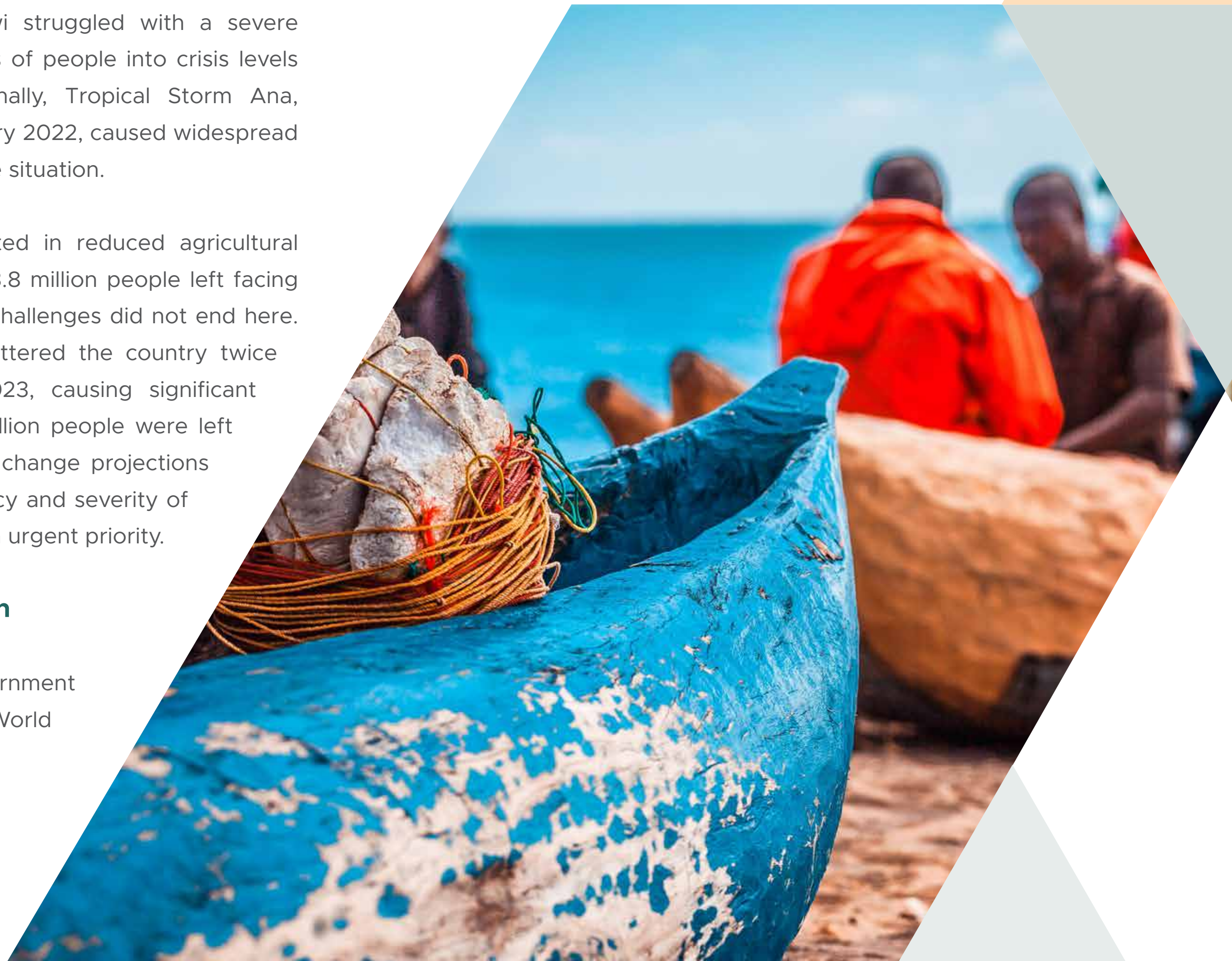
The economy of Malawi relies heavily on agriculture, which accounts for more than a quarter of the country's GDP. A significant percentage of the population also relies on rain-fed smallholder agriculture. In recent years, this sector has been hard-hit by an onslaught of climate shocks, such as cyclones, droughts, and floods, which have decimated harvests and threatened food security and livelihoods. Poverty is also pervasive in Malawi, with 75% of the population living below the international poverty line.

From 2021 to 2022, Malawi struggled with a severe drought that pushed millions of people into crisis levels of food insecurity. Additionally, Tropical Storm Ana, which made landfall in January 2022, caused widespread destruction, exacerbating the situation.

These climate events resulted in reduced agricultural production with more than 3.8 million people left facing severe food insecurity. The challenges did not end here. Tropical Cyclone Freddy battered the country twice in February and March 2023, causing significant damage, and another 1.6 million people were left food insecure. With climate change projections indicating increased frequency and severity of perils, building resilience is an urgent priority.

Spearheading innovation

Since 2020, the Malawi Government has been implementing the World Bank's Social Support for Resilient Livelihoods Project (SSRLP), but a pivotal partnership with ARC Ltd. this year, saw the scaling up of the SSRLP with the introduction of an insurance innovation. The result was that Malawi's flagship national social safety net, the Social Cash Transfer Programme (SCTP) was reinforced with a risk transfer instrument to provide additional liquidity for the response to future droughts. The protection of additional vulnerable households to the existing list of beneficiaries was also made possible.



ARC Ltd. and the Malawi Government co-designed the insurance product to align it with the country's existing triggers for the scale-up mechanism, while the World Bank and the Global Shield Financing Facility provided the funding.

By connecting the SCTP to ARC Ltd.'s disaster risk financing instruments, a shock-responsive mechanism was created to scale up early cash-transfer to additional beneficiaries when low rainfall and food insecurity indicate a looming drought.

Reducing disaster costs

According to the policy structure, the Malawi Government retains some of the risk through their contingency fund. At the same time, ARC's Sovereign insurance policy covers some of the government's other response costs in the event of a severe drought.

Combining financial instruments in this way and following a risk-layering approach helps address disaster response costs.

In the 2022-2023 agricultural season, coverage was expanded to six districts, insuring 500 000 people against the impacts of drought. In the 2023/24 and 2024/25 seasons, the new insurance product will be partly used to cover the costs of scaling up the SCTP should the rains be poor and be complemented by the contingency financing.

The Malawi project showcases how diverse financial instruments can be optimised to enhance a country's disaster risk financing strategy. The innovation also exemplifies ARC Ltd.'s commitment to developing flexible, localised solutions and helping governments diversify their DRF portfolios with products that are fit for purpose. Importantly, it provides a model for building climate resilience that can potentially be replicated across Africa.

NON-SOVEREIGN BUSINESS: DJIBOUTI

Africa's first-ever, multi-year, multi-peril insurance product

Djibouti, one of the smallest countries in Africa with an area of 23 200 km², faces acute climate vulnerabilities. With less than 1 000 km² of arable land, no significant, permanent surface-water source, and an average annual rainfall of only 130mm, Djibouti has almost no domestic food production and is entirely reliant on imports.

Situated in the arid Horn of Africa, the country is prone to drought, rising temperatures, and water scarcity. Djibouti is also at risk of rising sea levels, positioned as it is at the southern entrance to the Red Sea. More than 80 percent of its people live in the capital, Djibouti City, near the coast, where extreme precipitation events have caused dangerous flash flooding.

Pastoralism is extensively practiced in rural communities as a means of survival, but water sources and grazing for livestock must often be sought far away. The tradition of nomadic herders, who move according to the rainfall and availability of fodder, continues today. This reliance on the environment puts pastoralists at the mercy of climate change and for fragile countries such as Djibouti, innovative solutions to manage climate shocks are essential.

Djibouti leads in Africa

Recognising the need to build resilience to climate perils early on, Djibouti became one of the original signatories of the ARC Treaty in 2012, thereby gaining access to ARC's integrated disaster risk management approach.

In March 2023, Djibouti signed Africa's first-ever multi-year, multi-peril agreement with the ARC Group to protect its most climate-vulnerable communities – a testament to the government's intensified efforts to mitigate the human and financial costs of natural disasters while simultaneously expressing confidence in its ARC membership.

The five-year deal provides ongoing capacity building and disaster risk insurance coverage against drought and excess rainfall – Djibouti's two prevalent hazards – with the policy covering the entire country. This necessitated customised indexes to trigger payouts based on the distinct impacts of each. The drought component covers the pastoralist population with the index aligned to the nomadic herders' seasonal movements while also based on soil-moisture deficit. The excess precipitation component focuses on Djibouti City.

The pioneering agreement was facilitated by ARC's partners, the World Bank and the Global Risk Financing Facility multi-donor fund, which provided US$2 million in funding. Descartes Underwriting contributed its scientific expertise for a precise understanding and modelling of the risks on the ground in Djibouti using advanced data and machine-learning techniques.

The milestone deal was also part of the World Bank's rollout of the De-Risking, Inclusion and Value Enhancement of Pastoral Economies Project (DRIVE) across the Horn of Africa, aimed at shielding pastoralists from climate change impacts.

By expanding its offerings and providing demand-driven technical support and holistic solutions to its member states, ARC empowers vulnerable nations to confront mounting climate threats. Additionally, having built two unique, innovative risk products for Djibouti and launching them in record time has set a precedent that can potentially be replicated across Africa.

NON-SOVEREIGN BUSINESS: CÔTE D'IVOIRE

ARC Ltd.'s successful Côte d'Ivoire pilot leads to WFP's involvement

Côte d'Ivoire is the third-largest rice-producing country in West Africa and as such, the sector contributes substantially to the country's economy, job creation, and food security.

The crop is also a staple for its population with an estimated 70kg consumed per capita per annum. Production has been increasing in recent years, with the government supporting growth through various policies.

However, the sector continues to face challenges due to climate-change-induced drought and floods, limited access to credit, and inadequate infrastructure. In 2022, ARC Ltd., the United Nations Development Programme Côte d'Ivoire (UNDP), and the Côte d'Ivoire Environment and Sustainable Development Ministry (MINEDD) launched a pilot project for the sector, aligned to the country's climate change adaptation plan, and in partnership with stakeholders from the local agricultural value chain, insurance, and various technical industries.

The objectives were to protect producers' income and establish a robust operational framework that could be replicated across other agricultural value chains.

The success of the pilot led to a major development in the last quarter of 2023 with the addition of the cocoa sector and the agricultural producers programme for rice and cocoa farmers being launched, after regulatory approval for the parametric product and endorsement from the WFP.

We currently cover 5 000 beneficiaries under the meso policy, which the WFP subsidises. Due to the innovative meso insurance framework, the WFP has been able to digitally subscribe the beneficiaries, all members of various agricultural associations.

The WFP has also been enabled to access parametric insurance from the following local insurance companies – AXA Côte d'Ivoire, Atlantique Assurances, and Allianz Côte d'Ivoire.

Additional support is provided by local and international technical agencies such as Sarmap, L'Agence Nationale d'Appui au Développement Rural (ANADER) and Societe d'Exploitation et de Développement Aéroportuaire, Aéronautique et Météorologique (Sodexam), and their reinsurers, including AXA Climate, Allianz Re and Continental Re. Our ambition as partners in Côte d'Ivoire is to cover 50 000 rice and cocoa producers in 2024.

AMBITION 2024:
COVER
50 000
RICE AND COCOA PRODUCERS

3RD
LARGEST RICE-PRODUCING COUNTRY IN WEST AFRICA

70KG
RICE CONSUMED PER CAPITA PER ANNUM

CASE STUDY: SENEGAL

INNOVATIVE INSURANCE SOLUTIONS

CASE STUDY: SENEGAL FIRST-EVER FLOOD RISK INSURANCE PRODUCT FOR AFRICA

Floods are among Africa's most devastating natural hazards with the greatest humanitarian impact. With climate change causing increased extreme rainfall, flooding has become more frequent and intense across the continent.

The human and economic toll is immense – according to the World Meteorological Association, over the last 50 years, more than 20 000 lives were lost, and millions of people were displaced. Rapid urbanisation, poor urban development and infrastructure, and overpopulation are among the factors contributing to the large-scale, deadly impact.

While some ARC member states have national and regional early-warning systems in place for floods, often economic loss estimation is lacking to underpin a sovereign insurance scheme.

Flood risk insurance is effective in that it empowers governments to anticipate floods, identify flood-prone districts and manage these events more effectively.

Tailoring a flood risk product

To address this hazard, ARC partnered with JBA Risk Management to create a customisable parametric flood insurance product.

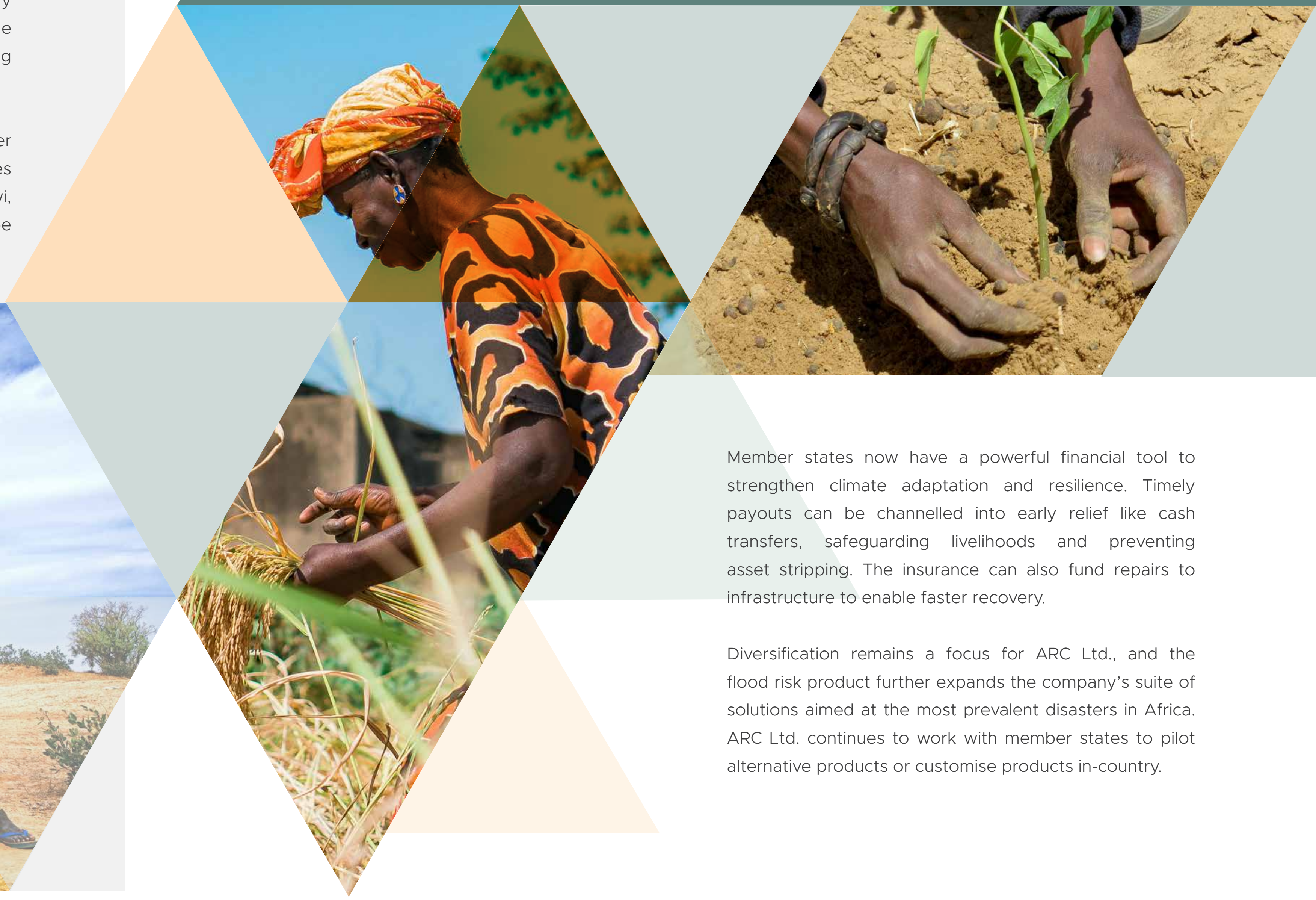
The resulting risk model is the first of its kind, providing daily impact analysis on potential economic losses and affected communities so governments can understand flood risk exposures and determine appropriate coverage. Payouts are calculated based on whether the impacts exceed predefined trigger thresholds.

Extensive pilots in several countries followed to determine local historical data and patterns, enabling ARC Ltd. to customise each risk model. A global technical advisory committee of senior flood experts also assessed the product, deeming it fit for purpose and use in underwriting flood insurance policies.

In early June 2023, ARC Group launched the first-ever flood risk product for Africa. The initial roll-out includes six countries – Madagascar, Mozambique, Malawi, Côte d'Ivoire, Ghana, and Togo. More countries will be onboarded in 2024.

ARC GROUP LAUNCHED THE **FIRST-EVER FLOOD RISK** PRODUCT FOR AFRICA IN JUNE 2023

*...According to the World Meteorological Association, over the last 50 years, more than **20 000 lives** were lost, and **millions of people displaced.***



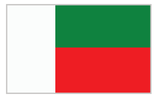
Member states now have a powerful financial tool to strengthen climate adaptation and resilience. Timely payouts can be channelled into early relief like cash transfers, safeguarding livelihoods and preventing asset stripping. The insurance can also fund repairs to infrastructure to enable faster recovery.

Diversification remains a focus for ARC Ltd., and the flood risk product further expands the company's suite of solutions aimed at the most prevalent disasters in Africa. ARC Ltd. continues to work with member states to pilot alternative products or customise products in-country.

HIGHLIGHTS: PAYOUTS IMPACT

2023 was devasting for Africa due to extreme weather events making our work on the continent increasingly critical while the impact of our payouts this year is clear. We paid out a total of **$18.4 million** for Pool 9, while claims incurred for Pool 10A amounted to **$7.1 million**, enabling food aid and supporting recovery efforts in our member states.

The 2023 payouts went to:

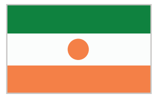


MADAGASCAR

$301K | TROPICAL CYCLONE
$797 049 | DROUGHT

Madagascar and its Replica partner, the World Food Programme (WFP), received an insurance payout of $301K to help the country recover and rebuild after it was battered by Tropical Cyclone Freddy.

Madagascar also struggled with drought this year, following the lowest rainfall in 40 years. The country received a payout of $797 049, with which it was able to address the most urgent needs, such as food distribution, rehabilitation of water points and the distribution of seeds and fertilisers.



BURKINA FASO

$7.2 million | DROUGHT

The WFP received $7.2 million for Burkina Faso following the drought that impacted the 2022 agricultural season in West Africa. This resulted in affected communities receiving cash transfers from March to May 2023.

NIGER

$4.6 MILLION | DROUGHT

Niger's 2022/23 agricultural season was marked by prolonged dry spells in the regions of Dosso, Maradi, Tahoua, Tillaberi and Zinder. Approximately 7 million people in these regions were affected. The country received $4.6 million, its third and highest payout since it started participating in the risk pool in 2014. The payout was used to implement cash transfers to 13 990 households, which received around $82.50 every month for four months.

THE GAMBIA

$187 641 | DROUGHT

The Gambia was among the worst impacted by the drought in West Africa and its 2022/23 agricultural season resulted in a late planting in the districts of Badibou, Jarra West, Kiang North Bank West, and Upper River North, resulting in severe food security that affected 153 902 people. A payout of $187 641 was triggered and the government opted for cash transfers to struggling households, executed through the National Disaster Authority (NDMA) and the WFP.

SOMALIA

$3.38 million | DROUGHT

By 2023, Somalia had experienced its fifth consecutive failed rainfall season, leaving 8.3 million people facing acute food security and 1.6 million displaced by March. The country received a payout of $3.38 million, and funds were channelled to its Replica partner, Start Network, to address the humanitarian crisis.

TOGO

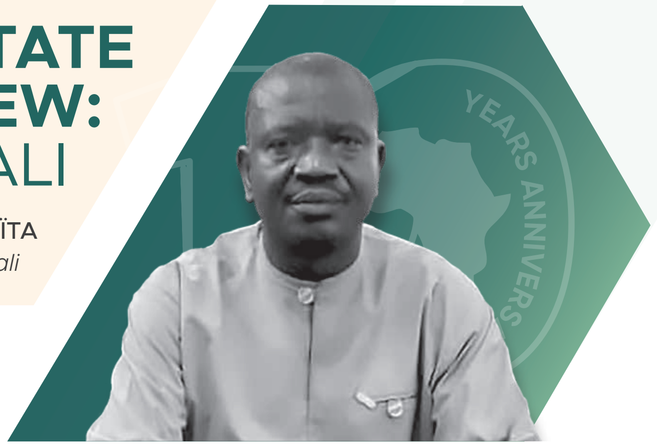
$2.5 million | DROUGHT

Togo's 2022/23 agricultural season was marked by areas of drought in the north during the sowing and planting window. The rain breaks that lasted longer than 10 days caused the season to fail and 689 267 people were affected in the prefectures of Savannes, Kara, and Central. Togo was paid out $2.5 million, and the government implemented a mobile money cash transfer response in which 9 920 households received $71.4 every month for three months.

We continue to advocate for greater uptake of disaster risk insurance and remain fully committed to helping vulnerable communities withstand climate risks. We intend making an even greater impact in 2024 through additional strategic partnerships and product diversification.

MEMBER STATE INTERVIEW: MALI

MOUSSA GOÏTA
Government Of Mali



Rapid response, lasting impact with Replica

For over a decade, the people of Mali have faced challenges that have had a significant impact on their food security and livelihoods, including unpredictable rainfall and drought, ongoing conflicts, and mass population displacements. As Mali is heavily dependent on agricultural production with most of its adult population involved in subsistence farming, it is particularly affected by the impact of climate change.

Through its innovative Replica programme, ARC Ltd. has assisted Mali in managing drought risks, enabled rapid intervention, and contributed to strengthening resilience against the impacts of climate change. The programme complements government efforts to combat food insecurity and malnutrition through the participation of Mali's Replica partner, the World Food Programme (WFP).

Drought severely impacted Mali and several other West African countries in 2022, triggering a payout from ARC Ltd. to the WFP in early 2023. $8 million was allocated to Mali, enabling the WFP to reach hundreds of thousands of food-insecure people with cash and food assistance, and affected households received cash transfers from March to May 2023. No further payments occurred for the rest of 2023 as the drought thresholds were not met.

The Replica programme has been critical to Mali's disaster risk management efforts over the years, according to government representative Moussa GOÏTA. The swift arrival of funds from ARC Ltd. compared to longer wait times for governmental resources has made a significant difference to communities.

"Farmers in a pastoral crisis have lost everything. They need money to buy food for their animals and seeds to start growing crops for subsistence. The longer they have to wait, the worse the outcome. And if we, as the State, have to wait to intervene to help those affected by food insecurity, it is the most vulnerable who suffer the most," states GOÏTA, emphasising the importance of parametric insurance for facilitating a rapid response.

"Replica is a beneficial initiative. While it is the sovereign role of the State to intervene, state resources are limited, especially in the current country context. By pooling efforts, the State can benefit from the ARC Ltd. payout and act quickly before taking over. Secondly, we are alerted by ARC Ltd. when satellite data indicates the potential for drought. Being informed in advance allows us to take anticipatory measures. If we intend mobilising free food distributions, for example, we will already pre-position the stock in the areas where we need to intervene."

Looking ahead

As Mali looks towards 2024, key focus areas to bolster the partnership with ARC Ltd. include the ongoing capacity building of data collection teams (members of the Technical Working Group) and exploring ways for the company to integrate field data alongside satellite monitoring.

“Often, there are a few small differences between the data we collect on the ground for our field reports compared to the satellite data. We would like ARC Ltd. to take into account the field data and consider yield losses. This is very important for us. Additionally, for ARC Ltd. to consider data collection by region, as not all regions are affected the same way; some are more vulnerable. ARC must be able to assist States in cases where there are drought pockets, even if they are not captured by the ARV (African RiskView).”

GOÏTA continues: "The first-ever payment we received (in March 2022) was motivating, especially since at the time, we were experiencing a difficult political and security situation. Mali is at war, so state resources are divided between fighting terrorism and sustainable development. In this context, having a partner like ARC Ltd. is extremely beneficial for us."

He adds that disaster risk management requires combined action between the State and the ARC Replica partner and is long-term.

The country aims to further enhance this partnership, building on its experiences to improve disaster preparedness and strengthen the resilience of its vulnerable communities. "Although we hope there will be no drought next year, we rely on the continuation of the Replica programme. ARC Ltd. has a bright future in Mali," concludes GOÏTA.

THE REPLICA PROGRAMME HAS BEEN CRITICAL TO MALI'S DISASTER RISK MANAGEMENT EFFORTS

CHIEF OPERATING OFFICER'S REPORT

Ange Chitate | *COO, ARC Ltd.*

This is an era where sustainability in business is no longer a choice but a necessity, and we are proud that African Risk Capacity Limited is leading by example – both on the African continent and in the global insurance sector.

This year, Sustainalytics, a leading ESG research, ratings and data company, awarded us the global insurance industry's top ESG score, after assessing our business practices. We achieved a negligible risk rating of 5.7 for data privacy and security, corporate governance, human capital, business ethics and ESG integration.

Our ranking is not a once-off, however. This was the third consecutive year we were awarded the top spot, and despite our team growing exponentially from 8 to 18 – and still growing – we have maintained best practices and diversity. Many skilled women have joined us recently. When teams grow, working remotely, as we do, becomes increasingly challenging, but our performance has been stellar.

As signatories of the Nairobi Declaration on Sustainable Insurance, advocating for ESG in the African insurance industry remains high on our agenda. We also belong to the UN-convened Net-Zero Insurance Alliance, through which we have committed to transitioning our underwriting portfolios to net-zero greenhouse gas (GHG) emissions by 2050.

Our people, our success

We achieved a turnaround from a loss of $29m in 2022 to a profit of $13m in 2023, a testament to a team that worked well together to deliver increased business volumes while operating as a lean team, being exceptionally agile, going beyond their job descriptions and exceeding expectations.

As we have had corporate growth, we have also had individual growth, increased visibility, and external recognition this year. Our CEO Lesley Ndlovu was named Grand Africa Initiative (GAIN) Young Leader of the Week. Jackline Muthengi, FIA, was named second runner-up of the NextGen Insurance Awards by the Young Insurance Professionals (YIPs) Africa, and I was invited to join the United Nations Environment Programme Finance Initiative (UNEP FI) board.

Our employees remain our most critical asset – both as individuals and due to their specialised skills – and our company culture seeks to nurture and retain them. We have been successful in this regard, as our core team has remained unchanged for seven years. In 2023, we realigned some roles – such as assigning a dedicated person to work directly with our humanitarian partners to ensure better communication and service.

Twice a year, we meet at our staff retreat to assess our performance and plan for the following year, and 2023 marked our biggest retreat with all 18 staff members attending. These events always prove that what keeps us together is not bricks and mortar but our values, which are aligned to our mission and vision. These values are key drivers for delivering our products and services effectively to our member states.

In 2023, we welcomed two new board members, Deepak Dave and Maxwell Mkwezalamba, for a three-year term.

They both have extensive Board experience in directorship roles and expertise across the African political network, meteorology, climate change, insurance, the financial sector and development in Africa. The transition was smooth, the Board remained stable, and we maintained good governance. Dave and Mkwezalamba replaced Jennifer Blanke and Phillip Pettersen, whose mandates ended in April and whose contributions to the work of the Board and the company have been invaluable.

Building relationships

Our focus on inclusivity and deepening engagement with our members, partners and donors remains a priority. Building these relationships is central to our work and far from being a prescriptive organisation, we welcome feedback on our products and optimising how we work together. The members' retreat was created as an important forum for these discussions and once a year we come together from across Africa to reconnect, share and strategise.

This year, our retreat was held in July in Lomé, Togo and it was our largest meeting since our inaugural gathering in 2021. Members participating in our risk pool and new and established partners who have contributed their invaluable support came together to reflect on past achievements, share experiences and discuss strategic plans for our shared goals and future successes. This year, we saw an enhanced level of honest and transparent discussions, which were moderated to surface challenges and determine a way forward. We asked our Class A members for feedback on our delivery and products, while Class C, our founders, reaffirmed their commitment to partner with us and to continue to fund the business.

We are grateful to all our donor partners who are funding ARC Ltd. and subsidising premiums for governments through Smart Premiums to enable them to provide coverage to their citizens. We are also grateful for the increased support this year and our new partnership with the United States Government.

This landmark US$11.7 million agreement will safeguard food security in Africa and strengthen climate resilience by increasing access to parametric insurance. On the ground, it will protect vulnerable smallholder farmers facing increasing climate change-related disasters while assisting governments to better respond to climate risks.

The grant is indicative of the trust that donor partners have in our company and its ability to deliver. It also reflects our potential to expand our capital base from loans, which we currently have from the German and British governments.

Transitioning to IFRS 17

In 2023, IFRS 17 became a key focus. This international accounting standard for insurance contracts comes with new requirements to increase transparency and accountability in reporting. We transitioned our audit reporting from IFRS 4 to IFRS 17 successfully, and we were among the first handful of companies globally to implement IFRS 17.

Most had started with their December 2023 audit, but we tackled the Quarter 3 audit in September. Our concerns had revolved around our audits being unqualified and ensuring we were IFRS 17 compliant, but we transitioned seamlessly. This was an important milestone and achievement for us.

Looking ahead

In 2014, when ARC Ltd. was launched, there were four countries in the risk pool; this year, there are 17, and we have 39 member states. But our goals have become even bigger. We want to cover 700 million people in all the 55 African Union countries. Internally, we are improving our automation and integrating our systems to deliver more efficiently. We will continue to focus on our unique selling point – helping countries respond to climate disasters better and earlier rather than later – and this requires continually pushing the entire project cycle to ensure faster payouts while ensuring we are doing things right at every stage.

Looking ahead, we want to think differently, be bolder about how we serve our member states, produce better products and solutions, and create more flexibility in our work. We have proved that we are not only the go-to service provider for disaster risk management but also a trusted partner that co-creates solutions with our member states. This is what differentiates us from other insurance specialists. But as our business grows, we are reminded that growth is temporary – a company has to remain competitive. We also compete against ourselves to ensure we give our best to our member states. And that, for me, is what 2024 will be about.

ANGE CHITATE
Chief Operating Officer, ARC Ltd.

FACILITATING DIALOGUE BETWEEN OUR MEMBERS AND PARTNERS

ARC Ltd. hosted its third annual Members and Partners Retreat from 3 July to 5 July in Lomé, Togo, and set a new benchmark for collaboration.

This was also our largest retreat to date. Representatives from member states and donor and technical partners gathered to reconnect and reflect on achievements, share their experiences, and to forge strategic plans with us to maximise the benefits of our programme. The dynamic agenda included various topics pertaining to product and service experiences, the funding and insurance landscape, and growth opportunities.

The retreat, under the theme "Co-creating Solutions", highlighted the inclusive and expanding nature of our work. Board Chairman Dr Abdoulie Janneh, in his opening remarks, encapsulated the collaborative spirit of the retreat and underlined ARC Ltd.'s mission of protecting African lives and economies from climate change-related disasters by providing accessible, affordable, and diversified solutions. He emphasised that ARC Ltd. wished to see all African Union countries come on board to extend coverage and protection of the most vulnerable across the continent.

The director of the Togo Cabinet for the Ministry of Economy and Finance, Akou Mawussé Afidenyigba, welcomed the delegates, and reaffirmed the government's commitment to and support for the ARC programme. The country had recently received its first much-needed payout following a drought claim.

Day One showcased the ARC Ltd. proof of concept with impact stories of our disaster risk solutions. Countries like The Gambia (1st payout), Malawi (2nd payout) and Madagascar (4th payout), shared their positive payout experiences for flood and drought claims. These testimonies highlighted the critical role of ARC Ltd. in enabling the rapid release of funds to assist affected communities.

Day Two of the retreat spotlighted member presentations, with new members like Somalia sharing its Replica experience for drought and Comoros sharing its tropical cyclone experience. Former members who rejoined the pool in 2023, namely Burkina Faso, Côte d'Ivoire, and Senegal, also weighed in.

Innovative products tailored to meet individual country's needs were highlighted, such as the Outbreak and Epidemics product we launched in Senegal. Chad also gave feedback on its product experience for drought and rangeland. ARC Ltd.'s adaptability and responsiveness to member countries' diverse challenges differentiate the company from other parametric insurers.

With transparency and openness essential to the success of our retreat, countries were encouraged to weigh in on premium support, the payment process and any challenges. Côte d'Ivoire explained the crucial role ARC partners and donors play in helping countries meet their premium payment timelines. At the same time, Burkina Faso showcased its policy implementation, community sensitisation drives, and how the government manages its specific challenges.

ARC Ltd. partners – Germany's KfW Development Bank, the UK's Foreign Commonwealth & Development Office, and the African Development Bank – discussed the funding landscape and outlook. They also reaffirmed their commitment to collaboration and continued premium pledges and technical support to advance disaster risk management solutions across Africa. Humanitarian partners the World Food Programme and Start Network offered feedback on the Replica programme and its growth opportunities.

The final day of the retreat featured partner presentations on the insurance landscape from Gallagher Re. and feedback about the experiences between member states and executives from the West African Development Bank (BOAD).

In closing, Dr Janneh summarised ARC Ltd.'s achievements, which had been showcased through the payout experiences – the positive economic and human impact, the rebuilding of major infrastructure and recovery support. He reiterated the importance of expanding the company's reach, with ARC Ltd. intending to increase engagement with government officials responsible for organising and implementing disaster relief programmes.

Dr Janneh thanked the Togo Government for its hospitality and ARC Ltd.'s donors and partners for their invaluable support. With the cost of premiums prohibitive for some countries, the donors and partners have empowered 14 countries to take out climate risk insurance policies. Dr Janneh asked member states to take advantage of this support.

Finally, ARC Ltd. committed itself to the continued development of new products to service individual countries' needs and to enhance existing products through continuous development and collaboration with skilled research teams.

The success of this retreat can be attributed to the valuable contribution of our donors and partners, our member states' willingness to share, support and learn from one another, and our collective commitment to safeguarding African citizens from natural disasters. The retreat reinforced the unshakeable foundation of our work and set the tone for our future collective endeavours. We look forward to building on this momentum and achieving even greater success in the years to come.

CHIEF UNDERWRITING OFFICER'S REPORT

CHIEF UNDERWRITING OFFICER'S REPORT

Malvern Chirume |
CHIEF UNDERWRITING OFFICER, ARC LTD.

ARC Ltd. achieved remarkable growth in 2023, marking a significant milestone since our founding a decade ago. We recorded all-time high premiums this year. This success demonstrates our team's dedication, adaptability, and hard work.

Growth aligns with ARC Ltd.'s mission by expanding our impact and ensuring continued relevance in the market. We have effectively managed growth in pursuing our multifaceted role. We recognise numerous avenues to leverage our influence in closing the protection gap across the continent. Simply processing policies or limiting ourselves to an insurance company's role is no longer enough. Understanding the importance of proactive engagement, we are convening and catalysing various disaster risk financing stakeholders.

Given its ease of implementation and scalability, parametric insurance is a crucial mechanism for Africa and developing regions. While developed markets use standard indemnity products, parametric insurance can be quickly implemented across locations to cover many people rapidly. This speed of response is its unique advantage. We firmly believe parametric insurance is critical for us and our partners to close the protection gap substantially.

Lessons from 2023

Over the past year, we have invested heavily in expanding our team and building our infrastructure to keep pace with our rapid growth. However, we have learned that our previous systems, which relied on a combination of manual processes and ad-hoc solutions, could not sustain the significant uptick in volumes we were experiencing. Simply adding more heads alone does not sufficiently prepare for growth of this magnitude. We recognised the vital need to implement standardised, scalable systems and automated processes across every function while ensuring our people have the training and support structures to take on new responsibilities.

Managing rapid scaling is an enormously complex challenge with many interdependent elements, requiring intense coordination across all departments. We are gradually overcoming initial growing pains through broad collaboration, open communication, and a shared commitment to the necessary evolution of our operations. When claim volumes recently surged, it meant many late nights and weekends for my claims processing team. But despite being stretched thin by influxes in demand, they consistently rise to overcome challenges, embodying the heart and dedication that ultimately fuels our progress.

Key breakthroughs

As part of our operational expansion this past year, we have taken on an elevated company-wide role overseeing the entire insurance value chain, from initial customer enrollment to ongoing policy management and claims processing and facilitating reinsurance payments. This comprehensive oversight represents a vital, highly complex function I am proud to spearhead. Our elevated stature and proven capacity to handle expanded responsibilities also directly enabled a coveted rating upgrade from Fitch that hinged on demonstrating dynamic growth beyond a stagnant status quo, validating our emerging status as an industry leader. Our top ESG rating continues, making us an attractive partner for sustainability-focused clients who are aligned with our mission.

Among our most pivotal milestones was our introduction of innovative anticipatory insurance solutions in Malawi and Zambia, marking a significant diversification of products that proactively meet evolving client needs. The multi-year effort included immense preparation through on-the-ground research, close collaboration with local partners, and advanced predictive risk modelling tailored to each country's unique climate vulnerabilities and economic landscape. We consider the successful onboarding of Mozambique this past year for our risk pool a tremendous achievement, spotlighting our perseverance and the expanding influence of our initiatives across Africa.

Our newly announced partnership with the United Nations High Commissioner for Refugees (UNHCR) is set to massively amplify ARC's reach and human impact on displaced populations. We will collaborate closely with UNHCR over the coming year to refine and launch customised climate risk solutions providing essential financial services to refugees and vulnerable groups affected by conflict, persecution, and climate change. This joint initiative to serve the underserved represents an opportunity to set new standards in insurance innovation while upholding our mission to empower and protect those displaced from their homes and livelihoods.

Focus areas for 2024

Looking ahead to 2024, our focus remains on leveraging our successes and addressing areas for improvement to drive continued growth and impact. To achieve this sustainably, we will balance risk and opportunity by concentrating on core market and internal priorities detailed on the next page.

OUR PARTNERSHIP WITH UNHCR IS SET TO MASSIVELY AMPLIFY ARC'S REACH AND HUMAN IMPACT

PARAMETRIC INSURANCE IS A CRUCIAL MECHANISM FOR AFRICA AND DEVELOPING REGIONS.

MARKET FOCUS AREAS

EXPANSION

One key area of focus is geographical **EXPANSION**, particularly in Central Africa, where there is untapped potential for our services. By increasing our presence in this region, we aim to extend our reach and provide vital protection to more at-risk communities. This will involve targeted outreach, capacity building, and strategic partnerships with local stakeholders to ensure effective implementation and sustainability.

PRODUCT DEVELOPMENT

Additionally, we will continue to prioritise **PRODUCT** development, focusing on innovation and diversification. By introducing new products and enhancing existing ones, we can better meet our clients' evolving needs and risks. This includes exploring emerging risks and improving our offerings to provide comprehensive coverage and support.

PARTNERSHIPS

Strengthening **PARTNERSHIPS** will also be a priority, as collaborative efforts are essential for achieving our growth objectives and maximising our impact. This includes deepening existing relationships with governments, international organisations, and other stakeholders and forging new partnerships to expand our reach and influence. By working together, we can leverage our collective expertise, resources, and networks to address complex challenges and drive positive change.

AGILITY

Adaptability remains crucial amid geopolitical challenges and internal political factors affecting funding and stability. We will focus on retaining **AGILITY** in our strategies and operations, ensuring we can navigate complexities effectively and continue delivering value to our stakeholders. This includes staying informed about global trends and developments, anticipating potential risks and opportunities, and adjusting our approach as needed to stay ahead of the curve.

INTERNAL FOCUS AREAS

TECHNICAL EXCELLENCE

Technical excellence is a long-term focus area for underwriting due to the nature of our business. Climate is a rapidly evolving risk, and the impact of climate change has been felt worldwide through extreme events. The highest global temperatures were recorded this year, and floods and fires impacted Asia, Europe, and Africa. This calls for an extensive overhaul of our underwriting technical capabilities and the redefinition of what sustainable underwriting looks like in the face of the climate change onslaught.

COHERENT, TETHERED, AND INVIGORATED TEAMS

In order to build on the progress that we have made with the underwriting and actuarial teams, we will invest further in creating an employee environment that is conducive to both peak individual and collective performance. We will do this by embracing the best of hybrid work practices, face-to-face interactions, and additional workplace practices to ensure that we can retain and develop talent in critical areas and in line with our business needs. An individualised approach to training underwriting, actuarial and analytical talent is also a key part of my objectives.

FUTURE FIT UNDERWRITING

Investment in data, analytics, and relevant technology is vital to enabling the company to have a solid foundation for growth. This is over and above the human capital that is required to enable this transition. I cannot overemphasise the growing need for competent human resources even as conventional wisdom trumpets the cause for artificial intelligence (AI). Our business relies heavily on human-to-human interaction, which will be made easier by the adoption of AI as an addition to and not as a substitute for our human teams.

As we celebrate 10 years, we reflect on our successes and challenges. But the next decade will not get easier as expectations rise. In 2024, I am looking forward to achieving more automation, onboarding talented people, and providing a structure for the team's professional expansion and a bedrock for the company's growth.

MALVERN CHIRUME
Chief Underwriting Officer

DONOR PARTNER INTERVIEW: KfW DEVELOPMENT BANK & THE UNITED KINGDOM FOREIGN, COMMONWEALTH & DEVELOPMENT OFFICE

Malte Marek
KfW's Senior Portfolio Manager

Andrew Wilson
UK FCDO Adviser

ARC Ltd. poised to become one of the most important players in disaster risk finance in Africa

KfW Development Bank, acting on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ)'s and the United Kingdom Foreign, Commonwealth & Development Office (FCDO) have walked the path with ARC Ltd. since its inception. Through significant funding, they have contributed to the development and diversification of the company over the last decade.

"Diversification is key for every insurance company to absorb risk. Since progress on sovereign insurance has been slow, ARC Ltd.'s approach to diversifying beyond the classic products is much welcomed – especially their cooperation with the World Bank," says KfW's Senior Portfolio Manager Malte Marek.

"This can open the door for ARC Ltd. to become one of the most important players in disaster risk finance in Africa and has the potential of smoothing the income stream for ARC Ltd., which is key for its sustainability."

In addition to their capital contributions, KfW and the FCDO oversee ARC Ltd.'s governance and development strategy while facilitating sovereign participation in the business through premium subsidy schemes.

UK FCDO Adviser Andrew Wilson says they consider the risk pools and ARC Ltd. as key to providing climate risk insurance in Africa and have invested over $38 million in the company. "The FCDO has supported the ARC ecosystem through capital investments, technical assistance, and premium subsidies." In turn, the lessons learnt from ARC Ltd. through this partnership will help inform future programmes at the FCDO.

The mutually beneficial partnership between ARC Ltd., the World Bank and the African Development Bank has also grown stronger over the last year. "The FCDO was pleased to see this partnership develop further. We have long advocated for greater engagement with the multilateral systems," he explains. "The increased collaboration with World Bank, including DRIVE, REPAIR, and Malawi SRSP, has been a major success for ARC and the World Bank in recent years."

The FCDO has also contributed to ARC Ltd.'s diversification strategy by co-founding the World Food Programme's regional cover through the Global Shield. This cover provides insurance with a longer return period and better value for money. "We continue to explore additional capital investment for ARC Ltd.," Wilson adds.

Overcoming climate challenges with cooperation

Marek says ARC Ltd. is an important partner in disaster risk finance for their organisation. "In the past, we have seen problems with countries budgeting funds for premium payments. Premium subsidies were provided by development partners, but overly stringent criteria led to a slow uptake. Consequently, in 2023, the criteria were adapted to speed up implementation and increase the number of partner countries that can use these premiums," he explains.

"The excellent cooperation between ARC Ltd. management and staff with KfW staff has remained constant and helped overcome challenges like these," Marek notes. "The practical revision of premium subsidy criteria has led to an improved uptake of subsidies and, as a result, an increased coverage of vulnerable people in African countries."

This change and Germany's premium subsidies have positively contributed to ARC Ltd.'s record year in 2023. "Further funds have been made available by the German Ministry for Economic Development and Cooperation, which shows Germany's ongoing support for ARC Ltd.," Marek adds.

The UK Government Actuaries Department (GAD), with FCDO funding, has provided support and technical assistance to ARC Ltd. in a number of areas to improve efficiency. The Somalia multi-year policy, funded by FCDO via the Africa Disaster Risk Financing Programme (ADRiFi) Multi-Donor Trust Fund, for example, provided greater certainty to the country and reduced transaction costs. "We were pleased to see ARC Ltd. provide $70 million in payouts to Pool 10, including $63 million to respond to the El Niño drought across Southern Africa," Wilson says.

Ensuring Financial Resilience in the Future

For 2024 and beyond, Marek says it is important for ARC Ltd. to continue to deliver its promise of providing critical disaster risk insurance cost-effectively. "Payouts must be delivered quickly and smoothly, as speed is one of the key advantages of parametric insurance."

Most importantly, he notes that the two ARC entities (African Risk Capacity Group and ARC Ltd.) must continue to grow together to deliver the full potential of their mechanism – effective insurance paired with strengthened disaster risk management systems within African countries. "This can help ensure the trust of ARC Ltd.'s main stakeholders in the future," Marek says.

Following on the success of 2023, Wilson says the FCDO will continue to support ARC Ltd. to take this innovative climate risk insurance even further to a sectoral level, such as education. "The FCDO recognises the value of regional risk pools to provide cost-effective insurance to some of the most climate-vulnerable countries. ARC Ltd. has demonstrated the ability to operate in Fragile and Conflict-Affected States, which experience multiple challenges, including climate change," says Wilson. "We look forward to the continued growth of the ARC Ltd. risk pool to include new countries and new partners to provide greater climate risk coverage across Africa."

ARC Ltd.'s commitment to diversification has proven to be a force multiplier for Africa's climate resilience. By building strong partnerships, the company has secured crucial financial resources to create a greater impact. This collaborative approach has also yielded impressive results for it and its partners – from streamlining premium subsidies to developing innovative products.

With the KfW and FCDO's continued support, ARC Ltd. is poised to further expand its reach and offer more African nations the financial security and technical support they need to weather the storms ahead.

SAFEGUARDING VALUE

ARC Ltd.'s financial, intellectual and human capital aspects are built on the foundation of strong and effective governance and a comprehensive governance structure.

OUR GOVERNANCE APPROACH

ARC Ltd.'s financial, intellectual and human capital aspects are built on the foundation of strong and effective governance and a comprehensive governance structure.

Board member evaluations

We follow a stringent evaluation protocol for our Board members given the Board's vital role as ARC Ltd.'s governing body. In 2023 we appointed two new non-executive directors to our Board. Deepak Dave and Maxwell Mkwezalamba were highly recommended by the Nomination Committee, comprising our Class A and Class C Members, and were appointed for a three-year term. Dave and Mkwezalamba both have extensive Board experience in directorship roles and expertise across the African political network, meteorology, climate change, insurance, the financial sector and development in Africa.

OUR GOVERNANCE STRUCTURES

The responsibilities of the Board

The Board ensures organisational sustainability through diligent oversight, guaranteeing sound management, regulatory adherence, the application of good governance principles and risk mitigation. Various committees assist the full Board in its duties and responsibilities, while the Board reviews the mandates and terms of reference of the committees annually.

GOVERNANCE COMMITTEE RESPONSIBILITIES

FOCUS AREAS 2023

- Oversight on ARC Ltd. governance practices and policies
- Offering recommendations based on OECD Principles of Corporate Governance
- Evaluation of the Board's composition for diversity and efficacy
- Overseeing CEO and Board appointments and performance
- Approving Board and staff remuneration policies

AUDIT & RISK COMMITTEE RESPONSIBILITIES

FOCUS AREAS 2023

- Oversight of the organisation's accounts and risk mitigation strategies
- Assessing the effectiveness of external and internal auditor functions
- Ensuring compliance with the Company's code of ethics/conduct
- Monitoring and reviewing regulatory and legal compliance

FINANCE & INVESTMENT COMMITTEE RESPONSIBILITIES

FOCUS AREAS 2023

- Oversight on the Company's financial viability and fund diversification
- Stewardship of public funds
- Management of operational costs
- Ensuring socially responsible and sustainable investments

UNDERWRITING & REINSURANCE COMMITTEE RESPONSIBILITIES

FOCUS AREAS 2023

- Providing guidance on underwriting processes and monitoring performance
- Overseeing solvency and capitalisation requirements
- Reviewing Africa RiskView calculation engine validation reports

GOVERNANCE COMMITTEE RESPONSIBILITIES

FOCUS AREAS 2022

- Housekeeping matters and delivering cost efficiency related to the business growth of the Company
- Exploring the possibility of shared services between ARC Agency and ARC Ltd.

AUDIT & RISK COMMITTEE RESPONSIBILITIES

FOCUS AREAS 2022

- Adoption of the 2020 Annual Audited Financial Statements (IFRS and Statutory) and successful management of the process of designing, overseeing and revising the Company risk mapping and risk appetite framework
- Design of the risk register, directed by Deloitte. The process involved the Legal, Underwriting, Finance & Operations departments, and covered topics such as governance risks and market and credit risks

FINANCE & INVESTMENT COMMITTEE RESPONSIBILITIES

FOCUS AREAS 2022

- Revised the draft Investment Guidelines 9.0 to allow ARC Ltd. to invest in loans and infrastructure debt (in particular for clean energy infrastructure). Major re-allocations will be approved by the Finance and Investment Committee.

UNDERWRITING & REINSURANCE COMMITTEE RESPONSIBILITIES

FOCUS AREAS 2022

- Development of the Risk Management Protocol for non-sovereign business (NSB), learning lessons from the NSB pilot
- Tropical cyclone reinsurance optimisation strategy for season 2021/2022

A DECADE OF PROTECTING AFRICA'S MOST VULNERABLE

Ten years ago, ARC Ltd. was established with a unique mandate from the African Union to provide insurance and risk transfer solutions exclusively for African countries to help manage the increasing climate change risks on the continent.

Our initial focus was on drought insurance, one of the most prevalent hazards on the continent, and our entry point was forging partnerships with governments, as we believed this would be the most effective way to make progress. It proved the correct approach, and we have since successfully built and nurtured these relationships, resulting in 39 member states signed up across Africa.

Among our greatest challenges from the outset was tackling the lack of insurance knowledge and creating an understanding of how parametric insurance fits into disaster risk management. Working closely with governments, we have made significant inroads in creating awareness, while motivating for a transition from the appeals-based humanitarian model to parametric insurance.

There have also been challenges around grasping the insurance products, and within our business there have been some challenges with data quality, as the data we work with is generated and supplied by third parties. Despite all this, ARC Ltd. has proven itself as a trusted climate risk solution provider in Africa and the highlights over the last decade are many.

Impact

As at 31/12/2023, we have paid over $170m, with the highest payout in our history in 2021 – almost $60 million – channelled to our member states and Replica partners. Five million people across seven countries benefitted, namely Côte d'Ivoire, Madagascar, Malawi, Mauritania, Niger, Senegal and Zimbabwe.

We also underwrote a record $25 million in premiums for Pool 10A, the highest since our inception. Through this pool, we provided drought coverage to 13.4 million people in Africa. We are pleased that behind all the figures are communities that have benefited and that we have managed to increase the number of people covered threefold in the last few years. We are also encouraged to see an increase in the number of countries utilising insurance as part of their disaster risk financing matrix.

Additionally, in the past 10 years, we have made significant progress in shifting the dial from reactive disaster risk management and financing to a more proactive approach, demonstrating our impact across the entire ARC group.

The creation of risk pools has improved access to insurance, addressed the cost of premiums, and decreased risk levels. Using a risk pooling facility as an early response mechanism has shown that $1 spent on early intervention from ARC saves $2 spent after a crisis.

Diversification & innovation

Our greatest diversification has been in the non-sovereign business (NSB) line. From providing parametric insurance and risk transfer to only governments, we began offering these products in 2020 to groups such as farmers, in countries that have not taken out a policy with us, perhaps due to fiscal constraints.

The NSB line has been growing and in 2023, we achieved a total gross written premium of $14.78 million with $8.05 million for Pool 10 policies, $1.45 million for the Pool 9 endorsement of Drive policies, and $6.73 million for future Pool for multi-year policies. We surpassed our targeted gross premium for the year of $14.5 million, making this the biggest pool since the inception of the NSB business line.

In terms of product diversification, we have expanded our drought insurance coverage to include both crops and livestock and included additional perils to our portfolio, such as floods, tropical cyclones, and health risks, such as outbreaks and epidemics, thereby enhancing our ability to support African countries in managing climate-related risks.

Pioneering innovative products and risk transfer solutions tailored to individual countries' changing needs are central to our activities. A critical focus is the increasing severity and frequency of natural disasters – this phenomenon highlights the importance of having multiple financial instruments to complement the insurance we provide.

Strategic partnerships

Over the years, we also extended our partnerships to include humanitarian organisations. ARC's innovative Replica Programme allows humanitarian aid agencies – such as USAID, the World Food Programme (WFP) and Start Network – to replicate the insurance policies of member states, effectively doubling their coverage and closing the protection gap.

We partnered with the WFP in Djibouti as part of their De-Risking, Inclusion and Value Enhancement of Pastoral Economies Project (DRIVE), and we now also work with the private sector to protect the incomes of small- to medium-scale farmers, who are facing accelerating climate change-related disasters.

This year, we welcomed the United Nations High Commissioner for Refugees as our fourth Replica partner and Norad as our premium support funder.

Donor support

We are grateful that the United Kingdom Foreign, Commonwealth & Development Office (FCDO) and the German Federal Ministry for Economic Cooperation and Development (BMZ), through the Kreditanstalt für Wiederaufbau (KfW), saw the value of ARC Ltd. from the outset and have been part of our efforts since then. We have received significant seed capital over the years, which has enabled the development and diversification of our portfolio.

Accolades

This year, we received the global insurance industry's top overall environmental, social and governance (ESG) scores following an audit by international ESG research, ratings and data firm, Sustainalytics. Credit rating agency Fitch also upgraded our outlook to stable with an Insurer Financial Strength (IFS) rating of 'A-' and a Long-Term Issuer Default Rating (IDR) of 'BBB+'.

Role in the global climate change conversation

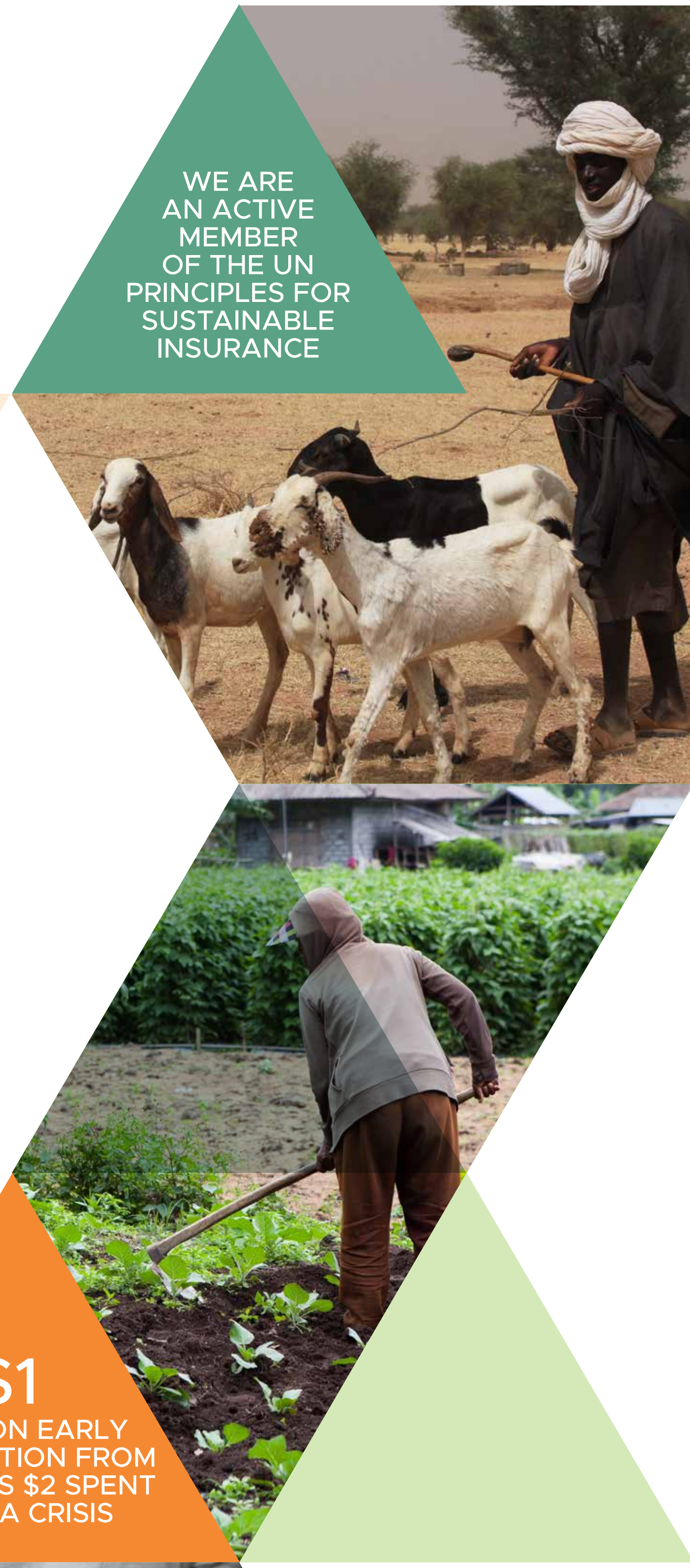
The mandate from the African Union enables us to speak on behalf of our member states, and we play an active role in representing Africa in global climate change forums, such as COP, the Davos Summit, New York Climate Week and the Africa Climate Summit.

Over the years, we have also become an active member of the UN Principles for Sustainable Insurance, the Glasgow Financial Alliance for Net Zero, the Net-Zero Insurance Alliance and the Principles for Responsible Investment. Africa's voice is crucial at these global events, and we continue to share the unique experiences of our continent.

Pooling resources

In 2022, in a significant development, we signed a memorandum of understanding at COP with the three other global risk pools – the Pacific Catastrophe Risk Insurance Company (PCRIC), the Caribbean Catastrophe Risk Insurance Facility (CCRIF SPC) including Central America, and the Southeast Asia Disaster Risk Insurance Facility (SEADRIF). The formalisation of this partnership combines the expertise, resources, influence, and impact of all our organisations.

WE ARE AN ACTIVE MEMBER OF THE UN PRINCIPLES FOR SUSTAINABLE INSURANCE



The next 10 years

These highlights demonstrate the significant progress and impact of ARC Ltd. since our establishment, and our ongoing efforts to enhance our services and support for African countries in building climate resilience and managing disaster risks. Our insurance mechanism works, saves lives, protects economies and secures development gains.

Having begun as a concept, we are now a premier financial institution in Africa. Our success is celebrated not as a single organisation, however, but as the ARC Group, and we commend ARC Agency for its impact on the continent in building climate resilience. Through its capacity building work with governments, ARC Agency helps them anticipate, prepare, and respond better to extreme weather events and health crises. The growth of our risk pool has also contributed significantly to our success and the expansion of our coverage in Africa.

The next 10 years will be focused on scaling up and making ARC Ltd. relevant to the aspirations of all Africans, particularly those whose lives and livelihoods are vulnerable to climate change.

Important to avoid is a multiplication of competing initiatives; instead, there should be a doubling down on ARC Ltd., a proven solution for the continent. Our deepest thanks go to our stakeholders for their support, commitment, and trust over the last decade. We look forward to continuing to work with you for the next 10 years and beyond to make a meaningful difference in the fight against climate change.

$1 SPENT ON EARLY INTERVENTION FROM ARC SAVES $2 SPENT AFTER A CRISIS

OUR BOARD MEMBERS

MR MAXWELL MKWEZALAMBA

CHAIRMAN

OTHER DIRECTORSHIPS:

- Executive Director for Africa Group (2016 – 2018)
- Alternate Executive Director for Africa Group (2014)
- Minister of Finance, Government of Malawi (2013 – 2014)
- Consultant/Advisor on Regional Approaches to Development in the African Great Lakes Region (2013)
- Commissioner for Economic Affairs, African Union Commission, Addis Ababa, ETHIOPIA (2004 – 2013)
- Principal Secretary/Technical Advisor (Economic Affairs), Ministry of Finance, Economic Planning and Development, Lilongwe (2000 – 2003)

MR DEEPAK DAVE

NON-EXECUTIVE DIRECTOR

OTHER DIRECTORSHIPS:

- Chief Risk Officer, Africa Trade Insurance Agency (ATI) (2020 – 2022)
- Senior Advisor, Riverside Advisory Toronto/Nairobi (2015 – 2019)
- Senior Vice-President, Risk Management, GE Capital, Toronto (2014 – 2015)
- Director, Global Mining & Forest Products, GE Capital, Toronto (2012 – 2013)
- Principal Officer, Corporate and Asset-Backed Lending, EDC Ottawa (2008 – 2011)
- Director, Risk Management Africa, Renaissance Capital Africa London (2007)
- Director, Structured Financing and Financial Institutions Credit, Barclays Investment Bank (2001 – 2006)

MS SUSAN KASINGA

NON-EXECUTIVE DIRECTOR

OTHER DIRECTORSHIPS:

- Independent Non-executive Director, Old Mutual General Insurance Ltd. Board, Kenya (2019 – current)
- Independent Non-executive Director, QualiBasic Seed Ltd (QBS) Board, Kenya (2018 – current)
- Member & Chairperson, Bank of Kenya Ltd Board, (2013 – 2022)
- Associate Director, Standard Investment Bank Ltd (SIB), Kenya (2010 – 2016)
- Associate Director, CFC Financial Services Fund Management Ltd, (CFCFS) Kenya (2004- 2010)
- Investment Manager, Heritage A.I.I. Insurance Company Ltd, Kenya (1997 – 2003)

MS LADÉ ARABA

NON-EXECUTIVE DIRECTOR

OTHER DIRECTORSHIPS:

- Managing Director for Africa at Convergence Finance
- Former Technical Adviser to the former Minister of Finance of Nigeria
- Head of the Strategic Monitoring Unit and Adviser in the Power Sector Team - Nigeria Infrastructure Advisory Facility
- Technical Adviser to Executive Secretary of the United Nations Economic Commission for Africa

MS SARATA KONÉ THIAM
NON-EXECUTIVE DIRECTOR

OTHER DIRECTORSHIPS:

- Managing Director of UBA Côte d'Ivoire
- Held senior positions at major international financial groups - HSBC and Citibank
- HSBC Regional Director for West Africa for 12 years
- Instrumental in developing the Group franchise in the region, with a focus on Ghana and Francophone Africa

MR JÜRGEN MEISCH
NON-EXECUTIVE DIRECTOR

OTHER DIRECTORSHIPS:

- Founder and sole shareholder of Achalm Capital GmbH
- Former Chief Financial Officer and member of the Executive Board of Gothaer
- Jürgen has worked in various functions at top-rated international companies such as Morgan Stanley and Cologne Re, where he was a Board member in charge of asset management

MS HELEN AMARQUAYE
NON-EXECUTIVE DIRECTOR

OTHER DIRECTORSHIPS:

- Chairperson, Old Mutual Life Assurance Company (*OMLAC*) Ltd Board, Ghana (April 2021 to date)
- Non-Exec Director & Member of Audit and Risk Sub-committee, OMLAC Board, Ghana (2017 to 2021)
- Non-Exec Director & Member of the Remuneration Committee, Old Mutual West Africa (*OMWA*) (2021 - 2023)

DR MICHEL JARRAUD
ADVISOR TO THE BOARD

OTHER DIRECTORSHIPS:

- Secretary-General of the World Meteorological Organization (WMO), after being appointed by the Fourteenth World Meteorological Congress and reappointed for second and third terms
- Chaired UN-Water from 2012. Prior to joining the WMO Secretariat, worked at the European Centre for Medium-Range Weather Forecasts, appointed to Deputy Director in 1991

OUR EXECUTIVE MANAGEMENT TEAM

LESLEY NDLOVU
CHIEF EXECUTIVE OFFICER

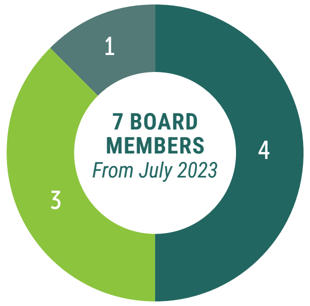
MALVERN CHIRUME
CHIEF UNDERWRITING OFFICER

ANGE CHITATE
CHIEF OPERATING OFFICER

ANAÏS SYMENOUH
ASSOCIATE LEGAL COUNSEL

TIM NIELANDER
SENIOR LEGAL ADVISER

GENDER DIVERSITY



● Male ● Female ● Adviser

KNOWLEDGE, SKILLS AND EXPERIENCE

- AFRICAN DEVELOPMENT: 2
- DEVELOPMENT FINANCE: 1
- INSURANCE: 3
- INVESTMENT BANKING: 1
- METEOROLOGY: 1
- (RE)INSURANCE: 1
- CORPORATE FINANCE: 1
- RISK MANAGEMENT: 3

Number of executive committee members with expertise and experience in each area.

BOARD AND COMMITTEE MEETINGS ATTENDANCE

NUMBER OF MEETINGS FOR 2023

Board	5
Finance & Investment Committee	2
Audit & Risk Committee	2
Underwriting and Reinsurance Committee	4
Governance Committee	2

BOARD MEMBERS

Name	Meetings attended
Abdoulie Janneh, Chairperson	5/5
Delphine Tradoré Maïdou	2/5
Jennifer Blanke	2/2
Ladé Araba	5/5
Michel Jarraud	4/5
Phillip Pettersen	2/2
Sarata Koné Thiam	4/5
Maxwell Mkwezalamba	2/2
Deepak Dave	2/2

BOARD SUB-COMMITTEES

Name	Meetings attended
Abdoulie Janneh, Chairperson	1/2
Sarata Koné Thiam	2/2
Maxwell Mkwezalamba	1/1
Jennifer Blanke	1/1

AUDIT AND RISK COMMITTEE

Name	Meetings attended
Deepak Dave, New Chairperson	1/1
Phillip Pettersen	1/1
Jennifer Blanke	1/1
Sarata Koné Thiam	1/1
Ladé Araba	1/1
Maxwell Mkwezalamba	1/1

FINANCE & INVESTMENT COMMITTEE

Name	Meetings attended
Ladé Araba, Chairperson	0/1
Delphine Tradoré Maïdou	1/1
Sarata Koné Thiam	1/1

UNDERWRITING & REINSURANCE COMMITTEE

Name	Meetings attended
Jürgen Meisch, New chairperson	3/4
Phillip Pettersen	2/2
Delphine Tradoré Maïdou	2/4
Deepak Dave	1/1

ARC Ltd.

(Incorporated in Bermuda)

AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Expressed in US dollars)

African Risk Capacity Limited

10 YEARS ANNIVERSARY

pwc

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of ARC Ltd.

OUR OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of ARC Ltd. (the Company) as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2023;
- the statement of profit or loss and other comprehensive income or loss for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Chartered Professional Accountants of Bermuda Rules of Professional Conduct (CPA Bermuda Rules) that are relevant to our audit of the financial statements in Bermuda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the CPA Bermuda Rules.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants
Hamilton Bermuda
April 16, 2024

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2023

Figures in USD	NOTES	31 DEC 2023	(RESTATED) 31 DEC 2022	(RESTATED) 01 JAN 2022
ASSETS				
Fixed assets	6	205,452	203,818	178,981
Prepaid expenses		348,685	225,843	354,544
Other receivables		27,666	372,727	–
Reinsurance contract assets	11	3,156,143	592,407	14,459,581
Insurance contract asset	11	–	–	655,042
Accrued investment income		752,033	376,202	390,521
Investment in Pula Advisors AG	8	315,675	315,675	2,000,000
Marketable investments	7	57,145,066	30,325,049	65,884,997
Cash and cash equivalents	9	36,461,759	44,665,971	44,150,939
Total assets		**98,412,479**	**77,077,692**	**128,074,605**
LIABILITIES				
Class C Members' Returnable Capital	10	70,747,283	67,848,325	69,917,563
Insurance contract liabilities	11	27,509,941	27,382,443	34,381,912
Reinsurance contract liabilities	11	–	357,234	378,995
Deferred income - other		433,297	488,216	–
Investment payables		–	–	14,999,730
Accounts payable and accrued liabilities		7,925,665	2,418,409	746,894
Total liabilities		**106,616,186**	**98,494,627**	**120,425,094**
MEMBERS' EQUITY				
Reserve fund	12	250,000	250,000	250,000
Retained loss		(24,057,001)	(38,278,033)	(11,471,672)
Accumulated other comprehensive income:				
Class C Members' equity grant	10	15,603,294	16,611,098	18,871,183
Total Members' (Deficit)/Equity		**(8,203,707)**	**(21,416,935)**	**7,649,511**
Total Liabilities and Members' Equity		**98,412,479**	**77,077,692**	**128,074,605**

APPROVED BY THE BOARD OF DIRECTORS

DIRECTOR

DIRECTOR

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023

Figures in USD	31 DEC 2023	(RESTATED) 31 DEC 2022
Insurance revenue	46,805,453	22,785,723
Insurance revenue expense	(13,620,187)	(37,802,598)
Insurance service result before reinsurance contracts held	**33,185,266**	**(15,016,875)**
Allocation of reinsurance premium	(18,575,107)	(11,297,207)
Amounts recoverable from reinsurance for incurred claims	1,549,258	8,039,052
Net expense from reinsurance contracts held	**(17,025,849)**	**(3,258,155)**
Insurance service result	**16,159,417**	**(18,275,030)**
General and administrative expenses	(5,829,757)	(3,973,174)
Once-off costs	(241,336)	(490,583)
Net investment income/(loss)	1,582,483	(2,751,394)
Other income	54,919	384,511
Unrealized gain/(loss) on marketable investments	3,187,170	(4,968,242)
Unrealized (loss)/gain on foreign exchange	(1,887,725)	4,302,640
Realised gain/(loss) on foreign exchange	1,195,861	(1,035,089)
Net income/(loss) for the year	**14,221,032**	**(26,806,361)**
Write down of Equity grant from Class C Members	(1,007,804)	(2,260,085)
Total comprehensive income/(loss) for the year	**13,213,228**	**(29,066,446)**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

Figures in USD	NOTES	31 DEC 2023	(RESTATED) 31 DEC 2022	(RESTATED) 1 JAN 2021
RESERVE FUND				
Balance on 1 January		250,000	250,000	250,000
Balance on 31 December		**250,000**	**250,000**	**250,000**
RETAINED EARNINGS				
Balance on January 1	18	(38,278,033)	(11,471,672)	(1,759,663)
Net income/(loss) for the period		14,221,032	(26,806,361)	(5,262,010)
Impact of initial application of IFRS 17		–	–	(4,449,999)
Balance on 31 December		**(24,057,001)**	**(38,278,033)**	**(11,471,672)**
OTHER COMPREHENSIVE INCOME				
Balance on 1 January		16,611,098	18,871,183	20,276,232
Changes during period:				
Grant – FCDO	10	(234,094)	(1,499,886)	(659,756)
Grant – KfW	10	(773,710)	(760,199)	(745,293)
		(1,007,804)	(2,260,085)	(1,405,049)
Balance on 31 December		**15,603,294**	**16,611,098**	**18,871,183**
Total Members' (Deficit)/Equity		**(8,203,707)**	**(21,416,935)**	**7,649,511**

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

Figures in USD	31 DEC 2023	(RESTATED) 31 DEC 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss) for the year	14,221,032	(26,806,361)
Adjustments for:		
Depreciation	16,203	16,905
Amortization expense	(2,911)	171,069
Realized loss on sale of investments	746,862	5,460,689
Unrealized (gain)/loss on investments	(3,187,170)	4,968,242
Unrealized foreign exchange movement on FCDO capital contribution	1,891,154	(4,329,322)
Changes in assets and liabilities		
Prepaid expenses	(122,842)	128,701
Other receivable	345,061	(372,727)
Accrued investment income	(375,831)	14,319
Reinsurance contract assets	(2,563,736)	13,867,174
Insurance contracts assets	–	655,042
Insurance contracts liabilities	127,498	(6,999,469)
Reinsurance contract liabilities	(357,234)	(21,761)
Deferred income - other	(54,919)	488,216
Investment payables	–	(14,999,730)
Accounts payable and accrued liabilities	5,507,256	1,671,515
Net cash provided by/(used in) operating activities	**1 6,190,423**	**26,087,498)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of marketable investments	(55,930,150)	(17,725,910)
Proceeds from sales of marketable investments	30,507,653	40,784,172
Proceeds from maturities of marketable investments	1,045,700	3,586,010
Purchase of fixed assets	(17,838)	(41,742)
Net cash (used in)/provided by investing activities	**(24,394,635)**	**26,602,530**
Decrease in cash and cash equivalents	(8,204,212)	515,032
Cash and cash equivalents – Beginning of the year	44,665,971	4 4,150,939
Cash and cash equivalents – End of the year	**36,461,759**	**44,665,971**

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

NOTES TO FINANCIAL STATEMENTS

1. THE COMPANY AND ITS ACTIVITIES

ARC Ltd. ("the Company") was incorporated under the laws of Bermuda on November 27, 2013 and is registered as a Class 2 insurer under The Insurance Act 1978, amendments thereto and related regulations ("The Act"). On November 18, 2022, the Company registered as a Segregated Account Company under the Segregated Accounts Companies Act 2000, as amended ("SAC Act"). The Company is managed in Hamilton, Bermuda by Marsh Management Services (Bermuda) Ltd. and has its place of business in Bermuda. The Company's registered address is 7 Par-la-Ville Road, Hamilton, Bermuda.

ARC Ltd. was established under the remit of the African Risk Capacity Agency ("ARC Agency"), which was established as a Specialised Agency by the African Union ("AU"). The Company is part of the African Risk Capacity ("ARC") initiative of the AU, an initiative designed to improve current responses to drought food security emergencies and other natural catastrophes. The aim of ARC is to improve the timeliness of responses and build capacity within AU Member States to manage drought and other catastrophe risks by directly linking funds to defined contingency plans. ARC is an African continent-wide, index-based weather risk insurance pool and early response mechanism, which offers an African solution to one of the continent's most pressing challenges. There is a Memorandum of Understanding and Cooperation between ARC Agency and ARC Ltd.

ARC Ltd. is a mutual insurance company that provides drought, flood, tropical cyclone, outbreaks and epidemics ("O&E") and non-sovereign ("NSB") insurance cover to participating African countries and replica partners, which are specified as Class A Members of the Company, upon participation. Under the Bye-Laws of the Company, Class A Members are those ARC Agency Member States holding a Certificate of Good Standing from the ARC Agency and which have purchased a current policy. The Bye-Laws also define the other class members of the Company: Class B Members are those who provide capital to the Company without expectation of re-payment, Class C Members are those that provide capital with a maximum fixed term of twenty years with no interest but expectation of the capital being returned ("Returnable Capital") and Class D Members are those who provide capital with an expectation of investment return. Class C members are the only members that have rights to company surplus.

The current Members of this mutual insurance company consist of fifteen Class A Members and two Class C Members. There are no Class B or D members during the year end, or at the date of approval of these financial statements. During the year, there were three participants in the Replica Insurance Program namely, the United Nations World Food Programme, Save the Children Fund and The Office of the United Nations High Commissioner for Refugees ("UNHCR"). The replica partners hold insurance policies not as Class A Members per the Company Bye- Laws, but acquire insurance policies for the benefit of African countries some of which are current Class A members.

The Class A Members participating in the insurance risk pool in the current financial period are Burkina Faso, Comoros, Cote d'Ivoire, Gambia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Senegal, Somalia, Tchad, Togo, Zambia and Zimbabwe, each having taken out at least one insurance policy.

The Class C Members are donor entities:

- the UK's Foreign, Commonwealth and Development Office ("FCDO"), and
- KfW, a German state-owned investment and development bank who has been committed to improving economic, social and environmental living condition across the globe..

For coverages written under the Company's drought, flood, tropical cyclone and NSB insurance contracts, the Company purchased an umbrella excess of loss reinsurance contract and proportional facultative reinsurance contracts for the 2023/24 policy periods. For the 2022/23 policy periods the Company purchased a stop loss reinsurance contract. The Company's O&E insurance contracts are fully reinsured.

The average number of employees of the Company during the year was thirteen (2022: twelve).

2. BASIS OF PREPARATION

These audited financial statements of the Company are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS) Accounting Standards"), which comprise standards and interpretations approved by the International Accounting Standards Board, and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions are significant to the financial statements are disclosed in Note 4. The financial statements have been prepared for the individual company only. The Company presents its Statement of Financial Position broadly in order of liquidity.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

3.1. New and amended standards and interpretations

In these financial statements, the Company has applied IFRS 17 and IFRS 9 for the first time. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3.1.1. IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 *Insurance Contracts* for annual periods beginning on or after 1 January 2023. The Company has restated comparative information for 2022 applying the transitional provisions in Appendix C to IFRS 17. The nature of the changes in accounting policies can be summarised, as follows:

3.1.1.1. Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts.

The Company was previously permitted under IFRS 4 to continue accounting using its previous accounting policies. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

IFRS 17 has a default approach to measuring groups of insurance contracts known as the general measurement model. An entity should apply the general measurement model to all groups of insurance contracts except as follows:

- a simplified or premium allocation approach ("PAA") may be applied for groups of insurance contracts meeting either of the specified criteria for that approach;
- for groups of reinsurance contracts held, an entity should apply either the general measurement model or the premium allocation approach as modified by separate measurement requirements;
- an adaptation of the general measurement model, the 'variable fee approach' is applied to insurance contracts with direct participation features; and
- for groups of investment contracts with discretionary participation features, an entity applies the general measurement model (as modified) because of the lack of insurance risk in the contracts.

Under IFRS 17, the Company's insurance contracts issued and reinsurance contracts held are all eligible to be measured by applying the PAA. The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).

NOTES TO FINANCIAL STATEMENTS

3.1.1.1. Changes to classification and measurement (continued)

- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

3.1.1.2. Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates insurance issued and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance contracts issued that are assets,
- Portfolios of insurance contracts issued that are liabilities,
- Portfolios of reinsurance contracts held that are assets, and
- Portfolios of reinsurance contracts held that are liabilities.

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

The line item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross premiums written,
- Changes in unearned premiums,
- Reinsurers' share of insurance premiums,
- Reinsurers' share in unearned premiums,
- Net premiums,
- Changes in unearned commission, and
- Changes in deferred acquisition costs.

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue,
- Insurance service expenses,
- Net expenses from reinsurance contracts held,
- Insurance finance income or expenses, and
- Income or expenses from reinsurance contracts held.

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts.
- Significant judgements, and changes in those judgements, when applying the standard.

3.1.1.3. Transition

On transition date, 1 January 2022, the Company:

- Has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied.
- Derecognised any existing balances that would not exist had IFRS 17 always applied.
- Recognised any resulting net difference in retained deficit.

3.1.2. IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39, Financial instruments - recognition and measurement. It provides three principal classification categories for financial assets: measure at amortized cost; fair value through other comprehensive income or fair value through profit and loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The Company has assessed the business model to the portfolio of financial assets held and determined that financial assets are managed and evaluated based upon their fair value performance and held for trading and thereby measured at fair value through profit or loss as financial assets are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Company therefore recognizes financial assets at fair value through profit or loss with subsequent measurement at fair value through profit or loss with any change in the fair value reported in investment income in the statement of profit or loss and other comprehensive income. This is no different from how the company measured their financial assets under IAS 39 and thus, the adoption of IFRS 9 has had no material impact on the financial statements.

Under IFRS 9, investments are recorded at fair value through profit or loss, and therefore the new impairment credit model of IFRS 9 is not applicable. Furthermore, insurance and reinsurance debtors are classified as insurance assets under IFRS 4 and are also excluded from the IFRS 9 impairment model.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. Insurance and reinsurance contracts classification

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Company issues drought, flood and tropical cyclone insurance cover to participating African countries. The Company also issues policies under the non-sovereign business and the perils written are similar to those currently insured by the Company i.e. drought, flooding and tropical cyclone. The Company introduced the Outbreaks and Epidemics Insurance Program (O&E) on 18 November 2022, which was written through the Company's Outbreaks and Epidemics Segregated Account.

The Company does not issue any contracts with direct participating features or reinsurance.

4.2. Insurance and reinsurance contracts accounting treatment

4.2.1. Separating components from insurance and reinsurance contracts

The Company assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company's products do not include any distinct components that require separation.

4.2.2. Level of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The Company previously applied aggregation levels under IFRS 4, which were significantly higher than the level of aggregation required by IFRS 17. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Company applied a full retrospective approach for transition to IFRS 17. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
- A group of the remaining contracts in the portfolio (if any).

NOTES TO FINANCIAL STATEMENTS

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

4.2.3. Recognition

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. (However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held). And
- The date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

4.2.4. Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks, or
- Both of the following criteria are satisfied:
  - The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio, and
  - The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

4.2.5. Measurement – Premium Allocation Approach

	IFRS 17 OPTIONS	ADOPTED APPROACH
Premium Allocation Approach (“PAA”) Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model.	Coverage period for all insurance contracts issued and reinsurance contracts held are one year or less and so qualifies automatically for PAA.
Insurance acquisition cash flows for insurance contracts issued	Where the coverage period of all contracts within a group is no longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts (including future groups containing insurance contracts that are expected to arise from renewals) and then amortised over the coverage period of the related group. For groups containing contracts longer than one year, insurance acquisition cash flows must be allocated to related groups of insurance contracts and amortised over the coverage period of the related group	For all product lines, insurance acquisition cash flows are allocated to related groups of insurance contracts and amortised over the coverage period of the related group.
Liability for Remaining Coverage (“LRC”), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LRC.	For all product lines, the coverage period is within one year, therefore there is no allowance made for accretion of interest as the premiums are received / earned within one year.
Liability for Incurred Claims, (“LIC”) adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	For claims within all product lines, the incurred claims are expected to be paid out in less than one year. Hence, no adjustment is made for the time value of money.
Insurance finance income and expense	There is an option to disaggregate part of the movement in LIC resulting from changes in discount rates and present this in Other Comprehensive Income (“OCI”).	For claims within all product lines, the incurred claims are expected to be paid out in less than one year. Hence, no adjustment is made for the time value of money.

NOTES TO FINANCIAL STATEMENTS

4.2.5.1. Insurance contracts – measurement

The Company applies the premium allocation approach ("PAA") to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary (refer to 4.2.4)

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition.
- Minus any insurance acquisition cash flows at that date.

For all product lines, there is no allowance for time value of money under the LRC as the premiums are received within one year of the coverage period.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

4.2.5.2. Reinsurance contracts held - measurement

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period;
- Minus insurance acquisition cash flows, with the exception of property insurance product line for which the Company chooses to expense insurance acquisition cash flows as they occur;
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group; and
- Minus the amount recognised as insurance revenue for the services provided in the period.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss- recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

4.2.5.3. Insurance acquisition cash flows

Insurance acquisition costs for insurance contracts issued are comprised of agents' commission, premium taxed and other expenses that relate directly to acquisition of premiums. These costs are deferred and amortised over the earning pattern of the premiums to the extent that they are considered to be recoverable from unearned premiums, after considering the related anticipated claims and expenses and investment income.

Insurance acquisition costs for reinsurance contracts held consists of ceding commission, reinsurance taxes and other income that relate directly to the ceding premiums. These costs are deferred once received and recognised as revenue over the year during which the reinsurance contract is in place.

4.2.5.4 Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired), or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

4.2.6. Presentation

The Company has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

The Company disaggregates the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non- financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

4.2.6.1. Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company records premiums at the policy inception date, on an accrual basis and earns premium income over the term of the risk period on a pro-rate basis. The risk period for each respective policyholder is the defined growing season in that particular country, noting that one country may have and be covered by more than one growing season, in which case separate policies are issued and premiums collected for each growing season.

4.2.6.2. Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances mentioned in Note 4.2.2 indicate that a group of insurance contracts are onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group as determined in Note 4.2.5.3. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

Fulfilment cash flows are the explicit, unbiased and probability-weighted estimate (i.e., expected value) of the present value of the future cash outflows minus the present value of the future cash inflows that will arise as the entity fulfils insurance contracts, including a risk adjustment for non-financial risk.

4.2.6.3. Loss-recovery components

As described in Note 4.2.5.2 above, where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

NOTES TO FINANCIAL STATEMENTS

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

4.2.6.4. Net income or expense from reinsurance contracts held

The Company presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid.

4.3. Cash and cash equivalents

The Company considers all time deposits and highly liquid instruments with an original maturity of ninety days or less as cash equivalents (note 9).

4.4. Financial instruments

Financial assets and financial liabilities are recognised on the Statement of Financial Position when the Company becomes a party to the contractual provisions of the financial instruments. All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods is dependent upon the classification of the financial instrument as amortised cost, fair value through Other Comprehensive Income, fair value through profit or loss, loans and receivables, or other financial liabilities.

The Class C Members' contributions, which are recognised in financial liabilities, have been initially recognised at fair value. This financial commitment to the Class C Members has been subsequently measured at the amount initially recognised plus any cumulative amortization in accordance with IFRS 9. As disclosed in note 10, the fair value of the Class C contributions has been calculated using discounted cash flow analysis.

All of the Company's investments in fixed maturities and investments in funds are classified as fair value through profit or loss and are carried at fair value as at the Statement of Financial Position date. The fair value of investments in fixed maturities is based on quoted market prices, either of the security itself where it is actively traded, or of similar instruments traded in active markets. For the investments in funds, the units of account that are valued by the Company are its interest in these funds and not the underlying holdings of such funds. Fair value of investments in funds is based on their reported net asset value.

Unrealized gains and losses on investments are reflected within the Statement of Income and Comprehensive income.

Investment income is stated net of investment management, custody and portfolio reporting fees. Interest income is recognized on the accrual basis and includes the amortization of premium or discount on fixed interest securities purchased at amounts different from their par value.

Gains and losses on investments are included in income when realized. Investments are recorded on a trade date basis and the cost of securities sold is determined on the first-in, first-out basis.

IFRS 13, "Fair Value Measurement", require or permit fair value measurements or disclosures and provide a single IFRS framework and requires disclosure about fair value measurement. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The cash and cash equivalents and marketable investments consist of a combination of level 1 and 2 assets. There are no level 3 assets. The Class C Members' returnable capital is a level 2 liability and there are no level 1 or level 3 liabilities.

4.5. Impairment of financial assets

The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in market price, the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flow. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows. If the investments are determined to be impaired, a loss is considered realized and charged to income in that period.

Fair value through profit or loss debt securities and receivables are considered impaired when there is objective evidence of impairment as a result of a loss event that has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

4.6. Foreign currencies

4.6.1. Functional and presentational currency

Items included in the financial statements are measured using the United States ("US") Dollar currency (the "functional currency"). Accordingly, the financial statements are presented in United States ("US") Dollars.

4.6.2. Transactions and balances

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Income. The Returnable Capital from KfW is denominated in US Dollars, however the FCDO Returnable Capital is denominated in a foreign currency, Great Britain Pounds (GBP). Therefore, in accordance with IAS 21, this foreign currency monetary item has been translated at the period end using the closing rate.

4.7. Investment income

Investment income is comprised of interest and dividend income, which is accrued to the date of the Statement of Financial Position.

4.8. Other income

Other income is comprised of grants/funding received or collectible from entities which does not give rise to debt or equity since it has not been received under any shareholder or participant agreement.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements required management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the company has made in the preparation of the financial statements:

5.1. Insurance and reinsurance contracts

5.1.1. Reporting selection

The IASB issued IFRS 17 *Insurance contracts* in May 2017 and on 25 June 2020, the IASB issued amendments to the standard. The effective date of IFRS 17 is for annual reporting periods beginning on or after 1 January 2023. The company adopted the standard on 1 January 2023 and restated comparative information.

Comparative information has been restated as required by the transitional provisions of IFRS 17. The change in carrying amounts of insurance and reinsurance assets and liabilities at the date of transition, has been recognised in retained earnings at 1 January 2022.

The comparison of current period to annual period was considered to be the most relevant and reliable method for measuring and presenting the insurance contracts in the financial statements, given the specific circumstances and characteristics of the Company's operations.

NOTES TO FINANCIAL STATEMENTS

5.1.1. Reporting selection (continued)

Liability for incurred claims

Provision for claim payouts to policyholders is made in accordance with the Company's reserving policy. The reserving policy states that the risk year covered for each policy is the underlying growing seasons, identified within each policy. Within each growing season, the only variable data impacting on whether a claim payout is required, and the level of that payout is the rainfall data, which is maintained within the risk modelling calculation engine ARV used by the Company.

The rainfall data is recorded into ARV on a dekadal (a dekad being a year of days 1-10, 11-20 and 21- month-end for each month of a year, a year thus comprising 36 dekads) basis, using data from the National Oceanic and Atmospheric Administration ("NOAA") of the US Government. A range of possible outcomes are generated within ARV after each new dekad rainfall amount is added as the growing season progresses. The insurance policies provide the remedy of using a mutually agreed alternative data set to determine claim payouts in the case of NOAA data failure or if the NOAA data has been deemed unfit. The average of the final response cost value distribution is used as the estimated claim payout, calculated at the end of the third and final dekad for each calendar month. The accuracy of the respective estimated claim payouts is only reasonably ascertained after the 'planting window' for a given growing season has closed. The planting window is the year, within each of the respective growing seasons, that farmers sow their crops. It is a critical year of time that has a significant impact on the harvest at the end of each growing season. For those policyholders that have reached the end of the planting window by the year end, reserves will be calculated as above and there is the possibility of identifying a guaranteed minimum claim liability at that time. However, initially, estimation and recording of the claims liabilities is calculated on a monthly basis using the expected loss ratios on the contracts. The directors and management believe that the claims liability amount thus calculated and recorded is adequate.

The liability for incurred claims is considered to be a critical accounting estimate, given that there is judgment involved in the reserving policy established and utilised by the Company. This judgment is based on the expertise and experience of management and with consideration of the specific data available and data parameters utilised by the risk modelling calculation engine ARV.

5.1.2. Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

5.2. Fair value

The fair value of financial instruments held by the Company approximates carrying value due to its liquid and short-term nature. The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the Statement of Financial Position date. If quoted market prices are not available, reference is also made to broker or dealer quotations.

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

Class C Members' Returnable Capital is recognised in financial liabilities. These debt contributions from the two current Class C Members are interest free loans, based on the characteristics described in the 'Class C Membership and Capital Contribution Agreement' ("CCA") and the Company Bye-Laws. In accordance with IAS 32, these contributions are more in the nature of debt rather than equity and thus have been recognised in financial liabilities.

These zero-interest rate loans have been provided by the two donor entities, FCDO and KfW, with the requirement that in 20 years or earlier, in accordance with the executed CCA, these loans will be repaid at initial par value. The fair values of these financial liabilities were determined through discounted cash flow analysis, using a discount rate of 2%. This 2% discount rate is based on the interest rate plus service charge applied to 20-year loans (25-year maturity but with 5 year grace period) made by the International Development Association ("IDA") under 'Blend' terms effective July 1, 2016. IDA is the part of the World Bank Group which provides development finance to the poorer countries of the world.

In addition, the GBP denominated FCDO loan has been revalued for reporting purposes using the closing rate, as described in note 4.6.

Short-term financial assets comprise cash and cash equivalents and marketable investments. The carrying value of these is a reasonable estimate of their fair value as determined by independent third-party financial institutions.

6. FIXED ASSETS

Figures in USD	31 DEC 2023	31 DEC 2022
Opening balance	203,818	178,981
Cost of additions	17,838	41,742
Depreciation charge	(16,203))	(16,905)
Net book value	**205,453**	**203,818**

The net book value consists of computers and computer equipment of $23,089 (2022: $14,301), software of $181,385 (2022: $187,695) and office furniture of $979 (2022: $1,822).

NOTES TO FINANCIAL STATEMENTS

7. MARKETABLE INVESTMENTS

Figures in USD Figures in USD	COST	AMORTIZATION	UNREALIZED GAIN	UNREALIZED LOSS	FAIR VALUE
DECEMBER 31, 2023					
Asset-backed bonds	2,422,214	17,144	296	(22,354)	2,417,300
Commercial mortgage bonds	2,001,660	(12,149)	2,541	(102,639)	1,889,413
Corporate bonds	18,740,314	(99,265)	156,068	(362,107)	18,435,010
Equities	400,000	–	9,740	(747)	408,993
Mutual funds	8,767,926	–	717,349	–	9,485,275
Government bonds	24,619,095	(45,836)	50,907	(115,091)	24,509,075
	56,951,209	**(140,106)**	**936,901**	**(602,938)**	**57,145,066**
DECEMBER 31, 2022					
Asset-backed bonds	5,115,191	(140,131)	19,658	(293,791)	4,700,927
Commercial mortgage bonds	3,960,202	33,098	51,439	(243,463)	3,801,276
Corporate bonds	17,278,827	(91,564)	223,250	(1,435,616)	15,974,897
Equities	200,000	–	–	(6,053)	193,947
Mutual funds	4,494,235	–	–	(795,332)	3,698,903
Government bonds	2,229,730	(75,255)	7,330	(206,706)	1,955,099
	33,278,185	**(273,852)**	**301,677**	**(2,980,961)**	**30,325,049**

The fair value of debt securities by contractual maturity is shown below:

Figures in USD	31 DEC 2023	31 DEC 2022
Due within 1 year	20,308,697	3,110,977
Due within 1 to 5 years	21,723,601	12,860,264
Due over 5 years	5,218,500	10,460,958
Net book value	**47,250,798**	**26,432,199**

Credit ratings for bonds held by the Company as at December 31, 2023 range from AAA to BB- (2022: AAA to CCC+) as set out by Standard & Poor's.

7. MARKETABLE INVESTMENTS (CONTINUED)

The following table presents the analysis of the Company's investments by level of input as required by IFRS 13:

Figures in USD USD	LEVEL 1	LEVEL 2	TOTAL
DECEMBER 31, 2023			
Asset-backed bonds	–	2,417,300	2,417,300
Commercial mortgage bonds	–	1,889,413	1,889,413
Corporate bonds	–	18,435,010	18,435,010
Equities	408,993	–	408,993
Mutual funds	9,485,275	–	9,485,275
Government bonds	–	24,509,075	24,509,075
	9,894,268	**47,250,798**	**57,145,066**
DECEMBER 31, 2022			
Asset-backed bonds	–	4,700,927	4,700,927
Commercial mortgage bonds	–	3,801,276	3,801,276
Corporate bonds	–	15,974,897	15,974,897
Equities	193,947	–	193,947
Mutual funds	3,698,903	–	3,698,903
Government bonds	–	1,955,099	1,955,099
	3,892,850	**26,432,199**	**30,325,049**

The Company held futures with a notional value of $8,350,973 (2022: $8,942,573), which had a fair value of $nil (2022: $nil). The Company did not hold any currency forward buys and sells, swaps and options as at the year end.

8. INVESTMENT IN PULA ADVISORS AG

In December 2020, the Company invested in 6.98% of the common shares and 16.67% of Series A preferred shares of Pula Advisors AG, a Swiss limited liability company engaged in the core business of providing consulting services and project management in the field of sustainable development. The directors of the Company do not consider that ARC Ltd. is able to exercise significant influence over Pula Advisors AG due to the level of shareholding in the company. The purchase consideration was $2,000,000. Management have assessed the carrying value (cost of the investment less a provision for impairment) of the investment to be $315,675 as at December 31, 2023 (2022: $315,675).

NOTES TO FINANCIAL STATEMENTS

9. CASH AND CASH EQUIVALENTS

The Company considers all time deposits and highly liquid instruments with an original maturity of ninety days or less as cash equivalents.

Figures in USD	31 DEC 2023	31 DEC 2022
Cash at bank with Bank of Butterfield	19,967,192	21,825,032
Cash at bank with First National Bank	10,386	12,794
Cash at bank with HSBC	165,622	117,103
Cash and cash equivalents with Bank of New York Mellon	11,541,593	19,110,291
Cash and cash equivalents with investment managers	4,776,966	3,600,751
Cash and cash equivalents	**36,461,759**	**44,665,971**

The range of interest rates earned during the period was between 0% and 9% (2022: 0% and 9%). Cash is held in Bermuda with Bank of Butterfield and HSBC, which were rated BBB+ (2022: BBB+) and A- (2022: A-), respectively at year end. Cash is held in South Africa with First National Bank, a division of FirstRand Bank Ltd. which was rated BB- (2022: BB-) at year end. Cash and cash equivalents are held in the United Kingdom with one custodian, Bank of New York Mellon, which was rated AA- (2022: AA-) at year end.

In addition, cash and cash equivalents of $214,763 (2022: $86,842) are held in restricted margin accounts with Goldman Sachs in the United States, which was rated A-1 (2022: A-1) at year end. There are securities held as collateral in the amount of $239,000 (2022: $690,000). This collateral is required by Goldman Sachs for particular trades. Accordingly, management considers there to be limited credit risk associated with cash and cash equivalent balances.

10. CLASS C MEMBERS' RETURNABLE CAPITAL

The two Class C Members contributed Returnable Capital with a maximum fixed term of 20 years to the Company. These contributions were made on March 17, 2014 from KfW (USD 48,405,000) and FCDO (GBP 30,000,000) with a maturity date of March 17, 2034 under the CCA. The CCA provides that this Capital will be paid and returned in the afore-stated currencies and may be withdrawn early by the relevant Member, or returned early by the Company to such Member, in accordance with the relevant clause of the CCA and the Company's Bye-Laws. The Class C Member Capital Commitment is returnable or may be withdrawn subject to the Company complying with its solvency margin, liquidity ratio, and all requirements of the Insurance Act and satisfying the obligations of the policyholders. The two Class C Members have equivalent interests in the Company, having both subscribed to one interest each, as per the CCA.

Figures in USD	FCDO GBP	FCDO USD	KFW USD	TOTAL USD
Initial fair value of capital commitment	30,000,000	49,929,600	48,405,000	98,334,600
Reserve fund – statutory capital requirement	–	(125,000)	(125,000)	(250,000)
Impairment	–	–	–	–
Total value of capital commitment	–	**49,804,600**	**48,280,000**	**98,084,600**
Equity grant	–	(16,203,411)	(15,704,823)	(31,908,234)
Accretion	–	7,188,185	6,968,699	14,156,884
Net movement on equity grant	–	(9,015,226)	(8,736,124)	(17,751,350)
Net value of loan	**–**	**40,789,374**	**39,543,876**	**80,333,250**
Foreign exchange movement	–	(9,585,967)	–	(9,585,967)
Fair value of loan December 31, 2023	**–**	**31,203,407**	**39,543,876**	**70,747,283**
Fair value of loan December 31, 2022	–	29,078,163	38,770,162	67,848,325
Net movement on loan for 2023	**–**	**2,125,244**	**773,714**	**2,898,958**
Net movement on equity grant	–	9,015,226	8,736,124	17,751,350
Foreign exchange movement	–	(2,148,059)	3	(2,148,056)
Fair value of equity grant December 31, 2023	**–**	**6,867,167**	**8,736,127**	**15,603,294**
Fair value of grant December 31, 2022	–	7,101,264	9,509,834	16,611,098
Net movement on grant for 2023	**–**	**(234,097)**	**(773,707)**	**(1,007,804)**

The foreign exchange amounts shown in the above table totaling $11,734,023 which is for the period March 17, 2014 to December 31, 2023 (March 17, 2014 to December 31, 2022: $13,625,173) are netted off against the foreign exchange movements for the current and prior periods on the GBP denominated marketable investments and cash and cash equivalents in the Statement of Income. This reflects that the initial GBP capital commitment is economically hedged for foreign exchange purposes with the GBP assets included in marketable investments and cash and cash equivalents.

NOTES TO FINANCIAL STATEMENTS

10. CLASS C MEMBERS' RETURNABLE CAPITAL (CONTINUED)

Similarly, in respect of the equity grant accretion totaling $14,156,884 (2022: $12,585,094), this is netted off against the Class C loan write up in the Statement of Income as the amount of the equity grant accretion equates the amount of interest expense accreted on Class C funding which the grant is intended to compensate. The amounts equate and there is a $Nil impact on the Statement of Income.

The subsequent fair value of the capital commitments has been calculated using discounted cash flow analysis. The interest rate ascertained from recent arm's length transactions at the time, which are substantially the same as these Class C loans, was 2% (2022: 2%). This interest rate was used to calculate the fair value of these loan commitments at the date of recognition. In relation to the FCDO Capital Commitment, the foreign exchange rate used on initial measurement was the spot exchange rate of GBP to USD on March 17, 2014 (GBP 1 : USD 1.66432). On subsequent measurement at year end, the spot exchange rate on December 31, 2023 was used (GBP 1: USD 1.27319). In relation to the accretion of FCDO loan, an average rate over the period from initial receipt of the loan to the period end was used (GBP1: USD 1.34701).

The Class C Members have terms of redemption for all or part of the returnable capital provided to the Company, which are established under the Company Bye-Laws and contractually confirmed in the 'Return of Funds' clause in the CCA. A Class C Member ceases to be a Member of the Company on the date that its capital is completely withdrawn from the Company and returned to that Class C Member, under Bye-Law 4.4.3.

Bye-Law 5 states: "Class C Member Capital is returnable or may be withdrawn subject to the Company complying with its solvency margin, liquidity ratio, and all requirements of the Insurance Act and satisfying its obligations to its Policy-holders provided that the Company shall use its best endeavours promptly to (and procure that any necessary third party shall) execute and deliver all such documents and perform such acts as may be required for the purpose of such compliance, as follows:

- Each Class C Member has the right to have its initial capital returned at the end of the term in accordance with its Capital Commitment Agreement;
- Each Class C Member will have its initial Capital returned prior to the end of the term set forth in its Capital Commitment Agreement, with seventy (70) Business Days prior written notice, if two-thirds of the Class A Members vote to return the Capital to such Member prior to the end of such term;
- If the Conference of the Parties, decides to discontinue the Company in Bermuda and continue the Company in a jurisdiction outside of Bermuda, each Class C Member will have the right to withdraw the entire amount of its initial Capital prior to the date of continuation. For the avoidance of doubt, the Company will only be discontinued once the initial Capital provided by the Class C Member that has requested the withdrawal of its Capital has been fully repaid;
- If the Company is deemed Financially Unsustainable each Class C Member will have the right to withdraw the entire amount of its Capital as it appears in the Capital C Account upon giving written notice to the Company. If the Company is deemed Financially Unsustainable, no further Policy will be issued;
- If there is a Legal Violation which cannot be cured in twenty-two (22) Business Days, each Class C Member will have the right to withdraw the entire amount of its Capital as it appears in the Capital C Account upon giving written notice of its intent to withdraw its Capital to the Company. If a Class C Member indicates that it will withdraw its Capital because of a Legal Violation, the Company will not issue Policies until the respective
- Class C Member has been repaid. The Company shall repay the Class C Member as soon as legally possible; or
- If a Class A Member is given a new Certificate of Good Standing (or holds a Policy under an existing Certificate of Good Standing) and a Class C Member objects, acting reasonably, to such Class A Member's participation in the Company, such Class C Member may provide the Company with a 155 Business Day written notice of its intent to withdraw its Capital and may subsequently withdraw the entire amount of its Capital as it appears in the Capital C Account at the end of such Class A Member's paid Policy term. If the Class C Member gives written notice to the Company that it will withdraw its Capital as it appears in the Capital C Account in accordance with this Bye-Law 5.6, no further Policies will be issued until the Capital has been repaid to such Class C Member. The Company shall repay the Class C Member as soon as legally possible.
- The Members, acting reasonably, may remove a Class B Member or Class C Member in accordance with this Bye- Law 5.7. Before a Class B Member or Class C Member is removed, the Members must consult with the relevant Class B Member or Class C Member, and allow that Member to cure the issue giving rise to its potential removal, within seventy (70) Business Days of written notice of such issue being given to that Member by the other Members.
- The removal of a Class B Member or Class C Member requires a two-thirds affirmative vote of the Class A Members and two-thirds vote of the Class B Members and Class C Members voting together (excluding the Class B Member or Class C Member whose membership is under consideration). If the Members vote to remove a Class B Member or C Member from the Company membership, the relevant Class B Member will have the entire amount of its then-current Capital returned to it and the relevant Class C Member will have its initial Capital returned to it, within seventy (70) Business Days of the date of such vote."

At the date of approval of these financial statements, none of these criteria have been met that would trigger a redemption.

11. INSURANCE AND REINSURANCE CONTRACTS

The breakdown of groups of insurance and reinsurance contracts issued, and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

	31 DECEMBER 2023			31 DECEMBER 2022		
Figures in USD	ASSETS	LIABILITIES	NET	ASSETS	LIABILITIES	NET
INSURANCE CONTRACTS ISSUED						
Drought	–	(12,522,694)	(12,522,694)	–	(26,721,335)	(26,721,335)
Tropical cyclone	–	(2,889,672)	(2,889,672)	–	(136,793)	(136,793)
NSB	–	(11,593,999)	(11,593,999)	–	(20,752)	(20,752)
O&E	–	(503,576)	(503,576)	–	(503,563)	(503,563)
Total insurance contracts issued	**–**	**(27,509,941)**	**(27,509,941)**	**–**	**(27,382,443)**	**(27,382,443)**
REINSURANCE CONTRACTS HELD						
Drought	436,584	–	436,584	529,371	–	529,371
Tropical cyclone	57,811	–	57,811	–	(354,775)	(354,775)
NSB	2,201,294	–	2,201,294	63,036	–	63,036
O&E	460,454	–	460,454	–	(2,459)	(2,459)
Total reinsurance contracts held	**3,156,143**	**–**	**3,156,143**	**592,407**	**(357,234)**	**235,173**

11.1. Roll-forward of net asset or liability for insurance contacts issued showing the liability for remaining coverage and the liability for incurred claims

The Company disaggregates information to provide disclosure in respect of major product lines separately: drought, tropical cyclone, non-sovereign business and O&E. This disaggregation has been determined based on how the company is managed.

NOTES TO FINANCIAL STATEMENTS

11.1.1. Drought

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for drought product line, is disclosed in the table below:

	31 DECEMBER 2023				
	LIABILITIES FOR REMAINING COVERAGE		LIABILITIES FOR INCURRED CLAIMS		
Figures in USD	EXCLUDING LOSS COMPONENT	LOSS COMPONENT	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	TOTAL
Insurance contract liabilities as at 1 January 2023	1,356,401	–	19,652,003	5,712,931	26,721,335
Insurance contract assets as at 1 January 2023	–	–	–	–	–
Net insurance contract (assets)/ liabilities as at 1 January 2023	**1,356,401**	**–**	**19,652,003**	**5,712,931**	**26,721,335**
Insurance revenue	(38,386,254)	–	–	–	(38,386,254)
Insurance service expenses	–	–	11,586,562	(1,734,971)	9,851,591
Incurred claims and other expenses	–	–	15,119,033	–	15,119,033
Amortisation of insurance acquisition cash flows	–	–	–	–	–
Changes that relate to past service - adjustments to the LIC	–	–	(3,532,471)	(1,734,971)	(5,267,442)
Total changes in the statement of comprehensive income	**(38,386,254)**		**11,586,562**	**(1,734,971)**	**(28,534,663)**
Cash flows	32,394,726	–	(18,058,703)	–	14,336,023
Premium received	32,394,726	–	–	–	32,394,726
Claims and other expenses paid	–	–	(18,058,703)	–	(18,058,703)
Insurance acquisition cash flows	–	–	–	–	–
Net insurance contract (assets)/ liabilities as at 31 December 2023	**(4,635,127)**	**–**	**13,179,862**	**3,977,960**	**1 2,522,694**
Insurance contract liabilities as at 31 December 2023	–	–	13,179,862	3,977,960	17,157,822
Insurance contract assets as at 13 December 2023	(4,635,127	–	–	–	(4,635,127)
Net insurance contract (assets)/ liabilities as at 31 December 2023	**(4,635,127**	**–**	**13,179,862**	**3,977,960**	**12,522,694**

11.1.1. Drought (continues)

	31 DECEMBER 2022				
	LIABILITIES FOR REMAINING COVERAGE		LIABILITIES FOR INCURRED CLAIMS		
Figures in USD	EXCLUDING LOSS COMPONENT	LOSS COMPONENT	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	TOTAL
Insurance contract liabilities as at 1 January 2022	459,904	–	29,826,458	4,095,550	34,381,912
Insurance contract assets as at 1 January 2022	–	–	–	–	–
Net insurance contract (assets)/ liabilities as at 1 January 2022	**459,904**	**–**	**29,826,458**	**4,095,550**	**34,381,912**
Insurance revenue	(20,317,223)	–	–	–	(20,317,223)
Insurance service expenses	–	–	25,150,146	1,617,381	26,767,527
Incurred claims and other expenses	–	–	25,150,146	5,712,931	30,863,077
Amortisation of insurance acquisition cash flows	–	–	–	–	–
Changes that relate to past service – adjustments to the LIC	–	–	–	(4,095,550)	(4,095,550)
Total changes in the statement of comprehensive income	**(20,317,223)**		**25,150,146**	**1,617,381**	**6,450,304**
Cash flows	21,213,720	–	(35,324,601)	–	(14,110,881)
Premium received	21,213,720	–	–	–	2 1,213,720
Claims and other expenses paid	–	–	(35,324,601)	–	(35,324,601)
Insurance acquisition cash flows	–	–	–	–	–
Net insurance contract (assets)/ liabilities as at 31 December 2022	**1,356,401**	**–**	**19,652,003**	**5,712,931**	**26,721,335**
Insurance contract liabilities as at 31 December 2022	1,356,401	–	19,652,003	5,712,931	26,721,335
Insurance contract assets as at 31 December 2022	–	–	–	–	–
Net insurance contract (assets)/ liabilities as at 31 December 2022	**1,356,401**	**–**	**19,652,003**	**5,712,931**	**26,721,335**

NOTES TO FINANCIAL STATEMENTS

11.1.2. Tropical cyclone

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for tropical cyclone product line, is disclosed in the table below:

	31 DECEMBER 2023				
	LIABILITIES FOR REMAINING COVERAGE		LIABILITIES FOR INCURRED CLAIMS		
Figures in USD	EXCLUDING LOSS COMPONENT	LOSS COMPONENT	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	TOTAL
Insurance contract liabilities as at 1 January 2023	136,793	–	–	–	136,793
Insurance contract assets as at 1 January 2023	–	–	–	–	–
Net insurance contract (assets)/ liabilities as at 1 January 2023	**136,793**	**–**	**–**	**–**	**136,793**
Insurance revenue	(3,497,121)	–	–	–	(3,497,121)
Insurance service expenses	–		300,977	–	300,977
Incurred claims and other expenses	–	–	670,874	–	670,874
Amortisation of insurance acquisition cash flows	–	–	–	–	–
Changes that relate to past service - adjustments to the LIC	–	–	(369,897)	–	(369,897)
Total changes in the statement of comprehensive income	**(3,497,121)**	**–**	**300,977**	**–**	**(3,196,144)**
Cash flows	6,250,000	–	(300,977)	–	5,949,023
Premium received	6,250,000	–		–	6,250,000
Claims and other expenses paid	–	–	(300,977)	–	(300,977)
Insurance acquisition cash flows	–	–	–	–	–
Net insurance contract (assets)/ liabilities as at 31 December 2023	**2,889,672**	**–**	**–**	**–**	**2,889,672**
Insurance contract liabilities as at 31 December 2023	2,889,672	–	–	–	2,889,672
Insurance contract assets as at 31 December 2023	–	–	–	–	–
Net insurance contract (assets)/ liabilities as at 31 December 2023	**2,889,672**	**–**	**–**	**–**	**2,889,672**

11.1.2. Tropical cyclone (continues)

	31 DECEMBER 2022				
	LIABILITIES FOR REMAINING COVERAGE		LIABILITIES FOR INCURRED CLAIMS		
Figures in USD	EXCLUDING LOSS COMPONENT	LOSS COMPONENT	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	TOTAL
Insurance contract liabilities as at 1 January 2022	–	–	–	–	–
Insurance contract assets as at 1 January 2022	(575,002)	–	–	–	(575,002)
Net insurance contract (assets)/ liabilities as at 1 January 2022	**(575,002)**	**–**	**–**	**–**	**(575,002)**
Insurance revenue	(2,286,576)	–	–	–	(2,286,576)
Insurance service expenses	–	–	10,714,206	–	1 0,714,206
Incurred claims and other expenses	–	–	10,865,968	–	1 0,865,968
Amortisation of insurance acquisition cash flows	–	–	–	–	–
Changes that relate to past service – adjustments to the LIC	–	–	(151,762)	–	(151,762)
Total changes in the statement of comprehensive income	**(2,286,576)**	**–**	**10,714,206**	**–**	**8,427,630**
Cash flows	2,998,371	–	(10,714,206)	–	(7,715,835)
Premium received	2,998,371	–	–	–	2,998,371
Claims and other expenses paid	–	–	(10,714,206)	–	(10,714,206)
Insurance acquisition cash flows	–	–	–	–	–
Net insurance contract (assets)/ liabilities as at 31 December 2022	**136,793**	**–**	**–**	**–**	**136,793**
Insurance contract liabilities as at 31 December 2022	136,793	–	–	–	136,793
Insurance contract assets as at 31 December 2022	–	–	–	–	–
Net insurance contract (assets)/ liabilities as at 31 December 2022	**136,793**	**–**	**–**	**–**	**136,793**

NOTES TO FINANCIAL STATEMENTS

11.1.3. Non–sovereign business

The roll–forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for NSB product line, is disclosed in the table below:

Figures in USD	31 DECEMBER 2023				
	LIABILITIES FOR REMAINING COVERAGE		LIABILITIES FOR INCURRED CLAIMS		
	EXCLUDING LOSS COMPONENT	LOSS COMPONENT	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	TOTAL
Insurance contract liabilities as at 1 January 2023	–	–	120,342	5,730	126,072
Insurance contract assets as at 1 January 2023	105,320	–	–	–	105,320
Net insurance contract (assets)/ liabilities as at 1 January 2023	**(105,320)**	**–**	**120,342**	**5,730**	**20,752**
Insurance revenue	(4,414,013)	–	–	–	(4,414,013)
Insurance service expenses	376,206	–	2,635,326	456,139	3,467,671
Incurred claims and other expenses	–	–	2,375,485	–	2,375,485
Amortisation of insurance acquisition cash flows	376,206	–	–	–	376,206
Changes that relate to past service – adjustments to the LIC	–	–	259,841	456,139	715,980
Total changes in the statement of comprehensive income	**(4,037,807)**	**–**	**2,635,326**	**456,139**	**(946,342)**
Cash flows	12,860,352	–	(340,763)	–	12,519,589
Premium received	13,304,929	–	–	–	13,304,929
Claims and other expenses paid	–	–	(340,763)	–	(340,763)
Insurance acquisition cash flows	(444,577)	–	–	–	(444,577)
Net insurance contract (assets)/ liabilities as at 31 December 2023	**8,717,225**	**–**	**2,414,905**	**461,869**	**11,593,999**
Insurance contract liabilities as at 31 December 2023	8,717,225	–	2,414,905	461,869	11,593,999
Insurance contract assets as at 31 December 2023	–	–	–	–	–
Net insurance contract (assets)/ liabilities as at 31 December 2023	**8,717,225**	**–**	**2,414,905**	**461,869**	**11,593,999**

11.1.3. Non-sovereign business (continues)

Figures in USD	31 DECEMBER 2022				
	LIABILITIES FOR REMAINING COVERAGE		LIABILITIES FOR INCURRED CLAIMS		
	EXCLUDING LOSS COMPONENT	LOSS COMPONENT	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	TOTAL
Insurance contract liabilities as at 1 January 2022	–	–	109,337	7,515	116,852
Insurance contract assets as at 1 January 2022	(196,892)	–	–	–	(196,892)
Net insurance contract (assets)/ liabilities as at 1 January 2022	**(196,892)**	**–**	**109,337**	**7,515**	**(80,040)**
Insurance revenue	(158,258)	–	–	–	(158,258)
Insurance service expenses	92,212	–	211,340	(1,785)	301,767
Incurred claims and other expenses	–	–	209,253	5,730	214,983
Amortisation of insurance acquisition cash flows	92,212	–	–	–	92,212
Changes that relate to past service – adjustments to the LIC	–	–	2,087	(7,515)	(5,428)
Total changes in the statement of comprehensive income	**(66,046)**	**–**	**211,340**	**(1,785)**	**143,509**
Cash flows	157,618	–	(200,335)	–	(42,717)
Premium received	215,332	–	–	–	215,332
Claims and other expenses paid	–	–	(200,335)	–	(200,335)
Insurance acquisition cash flows	(57,714)	–	–	–	(57,714)
Net insurance contract (assets)/ liabilities as at 31 December 2022	**(105,320)**	**–**	**120,342**	**5,730**	**20,752**
Insurance contract liabilities as at 31 December 2022	–	–	120,342	5,730	126,072
Insurance contract assets as at 31 December 2022	(105,320)	–	–	–	(105,320)
Net insurance contract (assets)/ liabilities as at 31 December 2022	**(105,320)**	**–**	**120,342**	**5,730**	**20,752**

NOTES TO FINANCIAL STATEMENTS

11.1.4. Outbreaks and Epidemics

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for O&E product line, is disclosed in the table below:

	31 DECEMBER 2023				
	LIABILITIES FOR REMAINING COVERAGE		LIABILITIES FOR INCURRED CLAIMS		
Figures in USD	EXCLUDING LOSS COMPONENT	LOSS COMPONENT	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	TOTAL
Insurance contract liabilities as at 1 January 2023	484,464	–	–	19,099	503,563
Insurance contract assets as at 1 January 2023		–	–	–	–
Net insurance contract (assets)/ liabilities as at 1 January 2023	**484,464**	**–**	**–**	**19,099**	**503,563**
Insurance revenue	(508,065)	–		–	(508,065)
Insurance service expenses	–	–	(52)	–	(52)
Incurred claims and other expenses	–	–	–	–	–
Amortisation of insurance acquisition cash flows	–	–	–	–	–
Changes that relate to past service – adjustments to the LIC	–	–	(52)	–	(52)
Total changes in the statement of comprehensive income	**(508,065)**	**–**	**(52)**	**–**	**(508,117)**
Cash flows	508,130	–	–	–	508,130
Premium received	508,130	–	–	–	508,130
Claims and other expenses paid	–	–	–	–	–
Insurance acquisition cash flows	–	–	–	–	–
Net insurance contract (assets)/ liabilities as at 31 December 2023	**484,529**	**–**	**(52)**	**19,099**	**503,576**
Insurance contract liabilities as at 31 December 2023	484,529	–	–	19,099	503,628
Insurance contract assets as at 31 December 2023	–	–	(52)	–	(52)
Net insurance contract (assets)/ liabilities as at 31 December 2023	**484,529**	**–**	**(52)**	**19,099**	**503,576**

11.1.4. Outbreaks and Epidemics (continues)

	31 DECEMBER 2022				
	LIABILITIES FOR REMAINING COVERAGE		LIABILITIES FOR INCURRED CLAIMS		
Figures in USD	EXCLUDING LOSS COMPONENT	LOSS COMPONENT	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	TOTAL
Insurance contract liabilities as at 1 January 2022	–	–	–	–	–
Insurance contract assets as at 1 January 2022	–	–	–	–	–
Net insurance contract (assets)/ liabilities as at 1 January 2022	**–**	**–**	**–**	**–**	**–**
Insurance revenue	(23,666)	–	–	–	(23,666)
Insurance service expenses	–	–	–	19,099	19,099
Incurred claims and other expenses	–	–	–	19,099	19,099
Amortisation of insurance acquisition cash flows	–	–	–	–	–
Changes that relate to past service – adjustments to the LIC	–	–	–	–	–
Total changes in the statement of comprehensive income	**(23,666)**	**–**	**–**	**19,099**	**(4,567)**
Cash flows	508,130	–	–	–	508,130
Premium received	508,130	–	–	–	508,130
Claims and other expenses paid	–	–	–	–	–
Insurance acquisition cash flows	–	–	–	–	–
Net insurance contract (assets)/ liabilities as at 31 December 2022	**484,464**	**–**	**–**	**19,099**	**503,563**
Insurance contract liabilities as at 31 December 2022	484,464	–	–	19,099	503,563
Insurance contract assets as at 31 December 2022	–	–	–	–	–
Net insurance contract (assets)/ liabilities as at 31 December 2022	**484,464**	**–**	**–**	**19,099**	**503,563**

NOTES TO FINANCIAL STATEMENTS

11.2. Roll–forward of net asset or liability for reinsurance contacts held showing the Assets for remaining coverage and the amounts recoverable on incurred claims.

11.2.1. Drought

The roll–forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising on drought insurance ceded to reinsurers is disclosed in the table below:

	31 DECEMBER 2023				
	ASSETS FOR REMAINING COVERAGE		AMOUNTS RECOVERABLE ON INCURRED CLAIMS		
Figures in USD	EXCLUDING LOSS–RECOVERY COMPONENT	LOSS–RECOVERY COMPONENT	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	TOTAL
Reinsurance contract assets as at 1 January 2023	529,372	–	–	–	529,372
Reinsurance contract liabilities as at 1 January 2023	–	–	–	–	–
Net reinsurance contract (assets)/ liabilities as at 1 January 2023	**529,372**	**–**	**–**	**–**	**529,372**
Reinsurance premium	(13,260,060)	–	–	–	(13,260,060)
Amounts recoverable from reinsurers for incurred claims	472,458	–	525,932	–	998,390
Amounts recoverable for incurred claims and other expenses	–	–	(116,181)	–	(116,181)
Amortisation of insurance acquisition cash flows	472,458	–	–	–	472,458
Changes to amounts recoverable for incurred claims	–	–	642,113	–	642,113
Total changes in the statement of comprehensive income	**(12,787,602)**	**–**	**525,932**	**–**	**(12,261,670)**
Cash flows					
Premiums paid	12,948,022	–	–	–	12,948,022
Amounts received	–	–	(525,932)	–	(525,932)
Insurance acquisition cash flows	(253,207)	–	–	–	(253,207)
Total cash flows	12,694,815	–	(525,932)	–	12,168,883
Net reinsurance contract assets/ (liabilities) as at 31 December 2023	**436,585**	**–**	**–**	**–**	**436,585**
Reinsurance contract assets as at 31 December 2023	436,585	–	–	–	436,585
Reinsurance contract liabilities as at 31 December 2023	–	–	–	–	–
Net reinsurance contract assets/ (liabilities) as at 31 December 2023	**436,585**	**–**	**–**	**–**	**436,585**

11.2.1. Drought (continues)

	31 DECEMBER 2022				
	ASSETS FOR REMAINING COVERAGE		AMOUNTS RECOVERABLE ON INCURRED CLAIMS		
Figures in USD	EXCLUDING LOSS-RECOVERY COMPONENT	LOSS-RECOVERY COMPONENT	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	TOTAL
Reinsurance contract assets as at 1 January 2022	–	–	14,913,228	2,047,775	16,961,003
Reinsurance contract liabilities as at 1 January 2022	(2,559,849)	–	–	–	(2,559,849)
Net reinsurance contract (assets)/ liabilities as at 1 January 2022	**(2,559,849)**	**–**	**14,913,228**	**2,047,775**	**14,401,154**
Reinsurance premium	(9,919,571)	–	–	–	(9,919,571)
Amounts recoverable from reinsurers for incurred claims	1,061,017	–	339,640	(2,047,775)	(647,118)
Amounts recoverable for incurred claims and other expenses	–	–	(2,586,344)	(2,047,775)	(4,634,119)
Amortisation of insurance acquisition cash flows	1,061,017	–	–	–	1,061,017
Changes to amounts recoverable for incurred claims	–	–	2,925,984	–	2,925,984
Total changes in the statement of comprehensive income	**(8,858,554)**	**–**	**339,640**	**(2,047,775)**	**(10,566,689)**
Cash flows					
Premiums paid	12,681,366	–	–	–	12,681,366
Amounts received	–	–	(15,252,868)	–	(15,252,868)
Insurance acquisition cash flows	(733,591)	–	–	–	(733,591)
Total cash flows	**11,947,775**	**–**	**(15,252,868)**	**–**	**(3,305,093)**
Net reinsurance contract assets/ (liabilities) as at 31 December 2022	**529,372**	**–**	**–**	**–**	**529,372**
Reinsurance contract assets as at 31 December 2022	529,372	–	–	–	529,372
Reinsurance contract liabilities as at 31 December 2022	–	–	–	–	–
Net reinsurance contract assets/ (liabilities) as at 31 December 2022	**529,372**	**–**	**–**	**–**	**529,372**

NOTES TO FINANCIAL STATEMENTS

11.2.2. Tropical cyclone

The roll-forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising on tropical cyclone insurance ceded to reinsurers is disclosed in the table below:

	31 DECEMBER 2023				
	ASSETS FOR REMAINING COVERAGE		AMOUNTS RECOVERABLE ON INCURRED CLAIMS		
Figures in USD	EXCLUDING LOSS-RECOVERY COMPONENT	LOSS-RECOVERY COMPONENT	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	TOTAL
Reinsurance contract assets as at 1 January 2023	–	–	–	–	–
Reinsurance contract liabilities as at 1 January 2023	(354,775)	–	–	–	(354,775)
Net reinsurance contract (assets)/ liabilities as at 1 January 2023	**(354,775)**	**–**	**–**	**–**	**(354,775)**
Reinsurance premium	(2,103,878)	–	–	–	(2,103,878)
Amounts recoverable from reinsurers for incurred claims	95,310	–	–	–	95,310
Amounts recoverable for incurred claims and other expenses	–	–	–	–	–
Amortisation of insurance acquisition cash flows	95,310	–	–	–	95,310
Changes to amounts recoverable for incurred claims	–	–	–	–	–
Total changes in the statement of comprehensive income	**(2,008,568)**	**–**	**–**	**–**	**(2,008,568)**
Cash flows					
Premiums paid	2,421,154	–	–	–	2,421,154
Amounts received	–	–	–	–	–
Insurance acquisition cash flows	–	–	–	–	–
Total cash flows	2,421,154	–	–	–	2,421,154
Net reinsurance contract assets/ (liabilities) as at 31 December 2023	**57,811**	**–**	**–**	**–**	**57,811**
Reinsurance contract assets as at 31 December 2023	57,811	–	–	–	57,811
Reinsurance contract liabilities as at 31 December 2023	–	–	–	–	–
Net reinsurance contract assets/ (liabilities) as at 31 December 2023	**57,811**	**–**	**–**	**–**	**57,811**

11.2.1. Drought (continues)

	31 DECEMBER 2022				
	ASSETS FOR REMAINING COVERAGE		AMOUNTS RECOVERABLE ON INCURRED CLAIMS		
Figures in USD	EXCLUDING LOSS-RECOVERY COMPONENT	LOSS-RECOVERY COMPONENT	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	TOTAL
Reinsurance contract assets as at 1 January 2022	–	–	–	–	–
Reinsurance contract liabilities as at 1 January 2022	(378,995)	–	–	–	(378,995)
Net reinsurance contract (assets)/ liabilities as at 1 January 2022	**(378,995)**	**–**	**–**	**–**	**(378,995)**
Reinsurance premium	(1,353,970)			(1,353,970)	(9,919,571)
Amounts recoverable from reinsurers for incurred claims	22,642	–	8,630,571	–	8,653,213
Amounts recoverable for incurred claims and other expenses	–	–	9,497,457	–	9,497,457
Amortisation of insurance acquisition cash flows	22,642	–	–	–	22,642
Changes to amounts recoverable for incurred claims	–	–	(866,886)	–	(866,886)
Total changes in the statement of comprehensive income	**(1,331,328)**	**–**	**8,630,571**	**–**	**7,299,243**
Cash flows					
Premiums paid	1,406,797	–	–	–	1,406,797
Amounts received	–	–	(8,630,571)	–	(8,630,571)
Insurance acquisition cash flows	(51,249)	–	–	–	(51,249)
Total cash flows	**1,355,548**	**–**	**(8,630,571)**	**–**	**(7,275,023)**
Net reinsurance contract assets/ (liabilities) as at 31 December 2022	**(354,775)**	**–**	**–**	**–**	**(354,775)**
Reinsurance contract assets as at 31 December 2022	–	–	–	–	–
Reinsurance contract liabilities as at 31 December 2022	(354,775)	–	–	–	(354,775)
Net reinsurance contract assets/ (liabilities) as at 31 December 2022	**(354,775)**	**–**	**–**	**–**	**(354,775)**

NOTES TO FINANCIAL STATEMENTS

11.2.3. Non-sovereign business

The roll-forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising on NSB insurance ceded to reinsurers is disclosed in the table below:

	31 DECEMBER 2023				
	ASSETS FOR REMAINING COVERAGE		AMOUNTS RECOVERABLE ON INCURRED CLAIMS		
Figures in USD	EXCLUDING LOSS-RECOVERY COMPONENT	LOSS-RECOVERY COMPONENT	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	TOTAL
Reinsurance contract assets as at 1 January 2023	–	–	60,171	2,865	63,036
Reinsurance contract liabilities as at 1 January 2023	–	–	–	–	–
Net reinsurance contract (assets)/ liabilities as at 1 January 2023	**–**	**–**	**60,171**	**2,865**	**63,036**
Reinsurance premium	(2,703,104)	–	–	–	(2,703,104)
Amounts recoverable from reinsurers for incurred claims	244	–	378,622	31,525	410,391
Amounts recoverable for incurred claims and other expenses	–	–	55,844	–	55,844
Amortisation of insurance acquisition cash flows	244	–		–	244
Changes to amounts recoverable for incurred claims	–	–	322,778	31,525	354,303
Total changes in the statement of comprehensive income	**(2,702,860)**	**–**	**378,622**	**31,525**	**(2,292,713)**
Cash flows					
Premiums paid	4,499,443	–	–	–	4,499,443
Amounts received	–	–	(67,822)	–	(67,822)
Insurance acquisition cash flows	(650)	–	–	–	(650)
Total cash flows	4,498,793	–	(67,822)	–	4,430,971
Net reinsurance contract assets/ (liabilities) as at 31 December 2023	**1,795,933**	**–**	**370,971**	**34,390**	**2,201,294**
Reinsurance contract assets as at 31 December 2023	1,795,933	–	370,971	34,390	2,201,294
Reinsurance contract liabilities as at 31 December 2023	–	–	–	–	–
Net reinsurance contract assets/ (liabilities) as at 31 December 2023	**1,795,933**	**–**	**370,971**	**34,390**	**2,201,294**

11.2.3. Non-sovereign business (continues)

	31 DECEMBER 2022				
	ASSETS FOR REMAINING COVERAGE		AMOUNTS RECOVERABLE ON INCURRED CLAIMS		
Figures in USD	EXCLUDING LOSS-RECOVERY COMPONENT	LOSS-RECOVERY COMPONENT	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	TOTAL
Reinsurance contract assets as at 1 January 2022	–	–	54,669	3,758	58,427
Reinsurance contract liabilities as at 1 January 2022	–	–	–	–	–
Net reinsurance contract (assets)/ liabilities as at 1 January 2022	**–**	**–**	**54,669**	**3,758**	**58,427**
Reinsurance premium	–	–	–	–	–
Amounts recoverable from reinsurers for incurred claims	–	–	12,644	(893)	11,751
Amounts recoverable for incurred claims and other expenses	–	–	–	2,865	2,865
Amortisation of insurance acquisition cash flows	–	–	–	–	–
Changes to amounts recoverable for incurred claims	–	–	12,644	(3,758)	8,886
Total changes in the statement of comprehensive income	**–**	**–**	**12,644**	**(893)**	**11,751**
Cash flows					
Premiums paid	–	–	–	–	–
Amounts received	–	–	(7,142)	–	(7,142)
Insurance acquisition cash flows	–	–	–	–	–
Total cash flows	**–**	**–**	**(7,142)**	**–**	**(7,142)**
Net reinsurance contract assets/ (liabilities) as at 31 December 2022	**–**	**–**	**60,171**	**2,865**	**63,036**
Reinsurance contract assets as at 31 December 2022	–	–	60,171	2,865	63,036
Reinsurance contract liabilities as at 31 December 2022	–	–	–	–	–
Net reinsurance contract assets/ (liabilities) as at 31 December 2022	**–**	**–**	**60,171**	**2,865**	**63,036**

NOTES TO FINANCIAL STATEMENTS

11.2.4. Outbreaks and Epidemics

The roll–forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising on O&E insurance ceded to reinsurers is disclosed in the table below:

	31 DECEMBER 2023				
	ASSETS FOR REMAINING COVERAGE		AMOUNTS RECOVERABLE ONINCURRED CLAIMS		
Figures in USD	EXCLUDING LOSS–RECOVERY COMPONENT	LOSS–RECOVERY COMPONENT	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	TOTAL
Reinsurance contract assets as at 1 January 2023	–	–	19,099	–	19,099
Reinsurance contract liabilities as at 1 January 2023	(21,559)	–	–	–	(21,559)
Net reinsurance contract (assets)/ liabilities as at 1 January 2023	**(21,559)**	**–**	**19,099**	**–**	**(2,460)**
Reinsurance premium	(508,065)	–	–	–	(2,703,104)
Amounts recoverable from reinsurers for incurred claims	45,219	–	(52)	–	45,167
Amounts recoverable for incurred claims and other expenses	–	–	–	–	–
Amortisation of insurance acquisition cash flows	45,219	–	–	–	45,219
Changes to amounts recoverable for incurred claims	–	–	(52)	–	(52)
Total changes in the statement of comprehensive income	**(462,846)**	**–**	**(52)**	**–**	**(462,898)**
Cash flows					
Premiums paid	971,036	–	–	–	971,036
Amounts received	–	–	–	–	–
Insurance acquisition cash flows	(45,224)	–	–	–	(45,224)
Total cash flows	925,812	–	–	–	925,812
Net reinsurance contract assets/ (liabilities) as at 31 December 2023	**441,407**	**–**	**19,047**	**–**	**460,454**
Reinsurance contract assets as at 31 December 2023	441,407	–	19,047	–	460,454
Reinsurance contract liabilities as at 31 December 2023	–	–	–	–	–
Net reinsurance contract assets/ (liabilities) as at 31 December 2023	**441,407**	**–**	**19,047**	**–**	**460,454**

11.2.3. Non-sovereign business (continues)

	31 DECEMBER 2022				
	ASSETS FOR REMAINING COVERAGE		AMOUNTS RECOVERABLE ON INCURRED CLAIMS		
Figures in USD	EXCLUDING LOSS-RECOVERY COMPONENT	LOSS-RECOVERY COMPONENT	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	TOTAL
Reinsurance contract assets as at 1 January 2022	–	–	–	–	–
Reinsurance contract liabilities as at 1 January 2022	–	–	–	–	–
Net reinsurance contract (assets)/ liabilities as at 1 January 2022	**–**	**–**	**–**	**–**	**–**
Reinsurance premium	(23,666)	–	–	–	(23,666)
Amounts recoverable from reinsurers for incurred claims	2,107	–	19,099	–	21,206
Amounts recoverable for incurred claims and other expenses	–	–	19,099	–	19,099
Amortisation of insurance acquisition cash flows	2,107	–	–	–	2,107
Changes to amounts recoverable for incurred claims	–	–	–		–
Total changes in the statement of comprehensive income	**(21,559)**	**–**	**19,099**	**–**	**(2,460)**
Cash flows					
Premiums paid	45,224	–	–	–	45,224
Amounts received	–	–	–	–	–
Insurance acquisition cash flows	(45,224)	–	–	–	(45,224)
Total cash flows	**–**	**–**	**–**	**–**	**–**
Net reinsurance contract assets/ (liabilities) as at 31 December 2022	**(21,559)**	**–**	**19,099**	**2,865**	**(2,460)**
Reinsurance contract assets as at 31 December 2022	–	–	19,099	2,865	19,099
Reinsurance contract liabilities as at 31 December 2022	(21,559)	–	–	–	(21,559)
Net reinsurance contract assets/ (liabilities) as at 31 December 2022	**(21,559)**	**–**	**19,099**	**–**	**(2,459)**

NOTES TO FINANCIAL STATEMENTS

12. RESERVE FUND

In accordance with the Company's Memorandum of Association, the reserve fund consists of $250,000 of capital contribution, which was funded in equal amounts by FCDO and KfW.

13. TRUST FUNDS

A 'Premium Support Facility Trust' ("PSF Trust") was established on November 23, 2021 with Appleby Global Trust Services (Bermuda) Ltd. acting as trustee. The intended purpose of the PSF Trust is to receive trust funds from Donors pursuant to Grant Agreements entered into by the Company and Donors, intended to provide financing support for risk transfer programs. Subject to the eligibility requirements, on application to the trustee, the Company may receive distributions as premium-subsidized co-payments for ARC Member States insurance or other risk transfer transaction premiums. During the year ended December 31, 2023, premium subsidy grant disbursements received by the Company amounted to $15,464,146 (2022: $1,091,182).

14. OTHER INTEREST AND SIMILAR INCOME/(LOSS)

Figures in USD	31 DEC 2023	31 DEC 2022
Interest and dividend income	2,383,075	1,458,375
Amortization of bonds	2,911	(171,069)
Realized loss on investments	(746,862)	(5,460,689)
Realised gain on futures and derivatives	–	1,514,789
Unrealized gains on forwards and derivatives	40,383	–
Gross investment income/(loss)	1,679,507	(2,658,594)
Less: Investment managers, custody and portfolio fees	(97,024)	(92,800)
Other interest and similar income/(loss)	1,582,483	**(2,751,394)**

Interest rates on investments ranged from 0% to 9.0% (2022: 0% to 9.0%) during the year.

15. EXPENSES AND REIMBURSEMENTS

Figures in USD	31 DEC 2023	31 DEC 2022
Member costs	133,745	154,974
Board costs	413,253	285,600
Corporate secretarial and regulatory fees	101,052	26,701
Legal fees	62,511	104,522
Insurance	149,389	158,849
Bank charges	27,861	24,405
External audit	118,917	101,417
Internal audit	–	60,000
Insurance manager's fees	280,000	280,000
Actuarial and loss reserve specialist fees	272,898	4,328
Executive management and administration	3,854,297	3,116,333
Reinsurance broker fees	230,074	202,097
Communications	169,557	187,043
Depreciation	16,203	16,905
Reversal in provision for doubtful debts	–	(750,000)
Total general and administration expenses	**5,829,757**	**3,973,174**
Once-off costs:		
Consultancy	241,336	490,583
Total once-off costs	**241,336**	**490,583**
Claims incurred (claims expenses)	18,165,393	36,225,367
Change risk adjustment (LIC)	2,191,110	1,634,694
Insurance acquisition expenses	376,206	92,212
Loss component - regular release of loss component	(7,112,522)	(149,675)
Insurance revenue expense	**13,620,187**	**37,802,598**

NOTES TO FINANCIAL STATEMENTS

16. RELATED PARTY TRANSACTIONS

The Company provides insurance coverage to Class A Members, as described in note 1. The premiums and related transactions with these Class A Members are thus related party transactions. In addition, as described in note 10 above, the two Class C Members provided Returnable Capital to the Company. These financial liabilities are also related party transactions, given that ARC Ltd. is a mutual company.

Remuneration during the year in respect of the Board of Directors is in the form of an annual fixed Honorarium of $30,000 (2022: $20,000) for Board Chair, $25,000 (2022: $18,000) for Board Committee Chair, $20,000 (2022: $15,000) per Director and $10,000 (2022: $10,000) for the Board Advisor. There were six Directors on the Board and one Advisor to the Board at the beginning and end of the year. The total Honorarium paid during the period was $150,000 (2022: $133,000). The total amount of travel and subsistence expenses reimbursed to Directors, or to entities who have paid on behalf of respective Directors, for the period was $43,525 (2022: $21,880).

Effective August 2020, the Company entered into an agreement with GP3 Institute Trust, a non-profit which provides Legal Advisory and Governance Support Services for public private corporation initiatives within the United Nations Sustainable Development Goals framework. The Company's Legal Secretary service is provided by the GP3 Institute Trust. The Company provides grant funding to GP3 Institute in recognition of the legal and governance services provided to the Company. The amount of $Nil (2022: $15,454) representing grant funding due to GP3 Institute is included in accounts payable and accrued liabilities at the year end. GP3 Institute is not considered a related party as ARC Ltd.'s Legal Secretary is an independent contractor of GP3 Institute.

17. TAXATION

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Bermuda government exempting it from all local income, withholding and capital gains taxes until March 31, 2035. At present, the Bermuda government has enacted legislation for its 15% corporate income tax ("CIT") that would apply to Bermuda businesses that are part of multinational enterprise groups (MNE Groups) with annual revenue of €750milion or more. The corporate income tax was enacted on December 27, 2023 and will be effective for tax years beginning on or after January 1, 2025. It is not anticipated that the CIT will affect the Company since it is not an MNE Group.

18. CAPITAL RISK MANAGEMENT AND STATUTORY FINANCIAL DATA

18.1. Bermuda

ARC Ltd. is a mutual insurance Company, registered as a Class 2 Insurer under the Bermuda Insurance Act 1978 and Related Regulations ("the Act"). In accordance with the Act, statutory capital and surplus at the period end was $62,811,197 (December 31, 2022: $52,120,302) and the amount required to be maintained by the Company was $4,583,406 (December 31, 2022: $1,944,097). The Company has met the minimum solvency margin requirement at the year end. In addition, a minimum liquidity ratio must be maintained whereby relevant assets, as defined by the Act, must exceed 75% of relevant liabilities. The ratio was met at the period end.

Under the Act, the Company is required to prepare Statutory Financial Statements. The Bermuda Statutory accounting regulations allow the recognition of Class C Member Capital as Statutory Capital, as opposed to debt financial liabilities or equity grant under IFRS. The Members' equity is comprised of the reserve fund, retained earnings and Class C equity grant. The Company's objectives when managing 'capital' are to comply with the minimum capital and surplus requirements of the Act and to safeguard the Company's ability to continue as a going concern.

In disclosure note 10, there is reference to "Financially Unsustainable", which is a term taken directly from the Company's Bye-Laws. Financially unsustainable is defined in the Bye-Laws as a reduction of capital which endangers the Company's capacity to maintain its claim-paying capacity in a financially sustainable manner as measured by the ECR ratio. The ECR ratio is the Enhanced Capital Requirement under Bermuda Insurance regulations. Should the statutory capital of the Company decrease to a level below 150% of the ECR, then this would be deemed "financially unsustainable". At no point to the date of approval of these financial statements has the Company been Financially Unsustainable, based on the above definition.

The difference between the Company's statutory capital and surplus and Members' equity as per these financial statements is as shown in the below table.

Figures in USD	31 DEC 2023	31 DEC 2022
Statutory capital and surplus	62,811,197	52,120,302
Adjust for: Non-admitted items for statutory purposes		
Prepaid expenses	348,685	225,843
Deferred policy acquisition costs	140,443	72,285
Adjust for Impact of IFRS 17 application	(756,750)	(5,987,038)
Adjust for: Class C Members' returnable capital		
FCDO – Initial contribution treated as equity capital	(49,929,600)	(49,929,600)
Less: FCDO initial contribution treated as equity grant	6,867,167	7,101,264
KfW – Initial contribution treated as equity capital	(48,405,000)	(48,405,000)
Less: KfW initial contribution treated as equity grant	8,736,127	9,509,834
Forex revaluation of GBP capital contribution	11,734,024	13,625,175
Reserve fund – Initial contribution designated as share capital	250,000	250,000
Members' deficit	**(8,203,707)**	**(21,416,935)**

18.2. Participating African Countries

ARC Ltd. has been granted approval for issuance of the Insurance Policies recognised in these Financial Statements in each of the participating Class A Member countries via a written letter of exemption from national insurance laws and regulations.

NOTES TO FINANCIAL STATEMENTS

19. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Company is exposed to a range of risks through its financial assets, financial liabilities and insurance liabilities. This section summarises these risks and the way the Company manages them.

19.1. Insurance risk

The risk under an insurance contract is the risk that an insured event will occur, including the uncertainty of the amount of any resulting claim. The principal risk the Company faces under such contracts is that provisions for claims liabilities are estimates which are subject to variability, and the variability could be material in the near term. The variability arises because the amount of rainfall, which impacts on the ultimate settlement of claims, has not yet been fully determined as it is a future event. Provision for claims liabilities are based on all relevant information available to the Company. Methods of estimation are used which the Company believes produce reasonable results given current information.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. The Company only insures the drought risks of participating African member states, therefore, there is a concentration of insurance risk within the industry sector and broadly within the territories the Company serves.

The variability of risks is improved by the use of reinsurance arrangements. Similar to other insurance companies, in order to minimise financial exposure arising from large claims (from, for example, correlated drought events affecting multiple insured countries), the Company, in the normal course of business, will enter into agreements with other parties for reinsurance purposes.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Furthermore, the financial strength and managerial and technical expertise as well as historical performance, wherever applicable, are thoroughly reviewed by the Company. Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the Statement of Financial Position as reinsurance assets.

The following tables show the concentration of net insurance contract liabilities/assets by type of contract:

	DECEMBER 31, 2023			DECEMBER 31, 2022		
Figures in USD	INSURANCE	REINSURANCE HELD	NET	INSURANCE	REINSURANCE HELD	NET
Drought	12,522,694	(436,584)	12,086,110	26,721,335	(529,371)	26,191,963
Tropical cyclone	2,889,672	(57,811)	2,831,861	136,793	354,775	491,528
NSB	11,593,999	(2,201,294)	9,392,705	20,752	(63,036)	(42,284)
O&E	503,576	(460,454)	43,122	503,563	2,459	506,023
Total net insurance	**27,509,941**	**(3,156,143)**	**24,353,799**	**27,382,443**	**(235,173)**	**27,147,230**

19.1.1. Claims development table

Any claim pay-outs are made shortly after the end of the underlying risk years for each respective policyholder. The risk years, as explained in Note 4.2.5.3., are the growing seasons for each participating country. Practically, this means that within four weeks of the growing season ending, any relevant claim pay-out shall be made, subject to conditions around Financial Implementation Plan ("FIP") and other required documentation being in order. Claims paid for in the current period net of recoveries of $18,106,688 (2022: $22,348,561) represent claim pay-outs under the drought program for $17,532,771 to The Gambia, Togo, Niger, Somalia, Burkina Faso and Madagascar; pay- outs under the non-sovereign program for $272,940 and pay-outs under the tropical cyclone program for $300,977.

Figures in USD	31 DEC 2023	31 DEC 2022
Claims development: At the end of the year	19,689,753	20,224,803

19.2. Financial risk

19.2.1. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with insurance liabilities that are settled by delivering cash or another financial asset. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

Prudent liquidity risk management implies maintaining sufficient cash and deposits and the availability of funding through an adequate amount of committed credit facilities. The Company's cash and cash equivalents have a maturity profile that ensures that it is able to meet liabilities arising from claims received. The Company shall also mitigate future liquidity risks by holding highly liquid financial assets which may be sold quickly in response to needs for liquidity. The Company holds derivatives, whose maturities are disclosed in Note 7.

All claims stated in the financial statements are expected to be settled within one year after the reporting date.

19.2.2. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument, insurance contract issued, or reinsurance contract held will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk); market interest rates (interest rate risk), and market prices (price risk).

19.2.2.1. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. Management assesses that, there is minimal risk of significant losses due to exchange rate fluctuations, based on the fact that the GBP denominated financial liability and grant equity are hedged by the GBP denominated marketable investments. All premium and risk exposures are denominated in USD.

NOTES TO FINANCIAL STATEMENTS

19.2. Financial risk (continued)

19.2.2.2. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company currently funds its insurance liabilities with a portfolio of cash accounts and fixed term deposits which are subject to interest rate risk. Short-term insurance liabilities are not directly sensitive to the level of market interest rates as they are undiscounted and contractually non-interest bearing. The Company manages interest rate risk by matching the cash flows profile of assets and liabilities.

19.2.2.3. Price risk

Price risk is the risk that the fair value or future cash flows of financial instruments or insurance contract assets and/or liabilities will fluctuate because of changes in market prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or contract, or by factors affecting all similar contracts or financial instruments traded in the market.

The Company's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. The Company does not issue any participating contracts. Therefore, there are no insurance or reinsurance contracts which are exposed to price risk.

The Company has no significant concentration of price risk.

19.2.3. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Company (including accrued investment income and cash and cash equivalents), other than those relating to reinsurance contracts as described in note 3 (d) above, the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the date of the Statement of Financial Position. The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. The Company does not hold any collateral in relation to its credit risk. Most of the reinsurers have a rating of at least A- or fully collateralized.

19.2.4. Prepayment risk

At December 31, 2023, the Company held $1,889,413 (2022: $3,801,276) of its fixed income portfolio in commercial mortgage bonds. The assets are exposed to prepayment risk, which occurs when holders of underlying loans increased the frequency with which they prepay the outstanding principal before the maturity date and/or re-finance at a lower interest rate cost. The adverse impact of prepayment is more evident in a declining interest rate environment. As a result, the Company will be exposed to reinvestment risk, as cash flows received by the Company will be accelerated and will be reinvested at the prevailing interest rates.

20. SEGREGATED ACCOUNT

On November 18, 2022, the Company received approval to be registered as a segregated accounts company under the Segregated Accounts Companies Act 2000, as amended (SAC Act). This facilitate the establishing of the segregated account designated as the Outbreaks and Epidemics Segregated Account ("O&E Segregated Account") to provide a fully funded cell through which to underwrite O&E Program insurance policies. The Company must keep the O&E Program funding separate since it is funded by a different donor agency compared to the other insurance program written by the Company.

Figures in USD	GENERAL CELL	O&E CELL	CONSOLIDATED
ASSETS			
Fixed assets	205,452	–	205,452
Prepaid expenses	348,685	–	348,685
Other receivable	27,666	–	27,666
Reinsurance assets	2,695,689	460,454	3,156,143
Insurance receivables	–	–	–
Accrued investment income	752,033	–	752,033
Marketable investments	315,675	–	315,675
Investment in Pula Advisors GmbH	57,145,066	–	57,145,066
Cash and cash equivalents	35,871,512	590,247	36,461,759
Total Assets	**9 7,361,778**	**1,050,701**	**98,412,479**
LIABILITIES			
Class C Members' Returnable Capital	70,747,283	–	70,747,283
Insurance contract liabilities	27,006,365	503,576	27,509,941
Reinsurance contract liabilities	–	–	–
Deferred income - other	–	433,297	433,297
Investment payables	–	–	–
Accounts payable and accrued liabilities	7,859,162	66,503	7,925,665
Total Liabilities	**1 05,612,810**	**1,003,376**	**106,616,186**
MEMBERS' EQUITY			
Reserve fund	250,000	–	250,000
Retained (deficit)/equity	(24,104,326)	47,325	(24,057,001)
Accumulated other comprehensive income:			
Class C Members' equity grant	15,603,294	–	15,603,294
Total Members' Equity	**(8,251,032)**	**47,325**	**(8,203,707)**
Total Liabilities and Members' Equity	**97,361,778**	**1,050,701**	**98,412,479**

NOTES TO FINANCIAL STATEMENTS

20. Segregated account (continued)

Figures in USD	GENERAL CELL	O&E CELL	CONSOLIDATED
Insurance revenue	46,297,388	508,065	46,805,453
Insurance revenue expense	(13,620,239)	52	(13,620,187)
Insurance service result before reinsurance contracts held	**32,677,149**	**(508,130)**	**(10,393,082)**
Allocation of reinsurance premium	(18,067,042)	(508,065)	(18,575,107)
Amounts recoverable from reinsurance for incurred claims	1,504,091	45,167	1,549,258
Net expense from reinsurance contracts held	**(16,562,951)**	**(462,898)**	**(17,025,849)**
Net insurance financial service result	**16,114,198**	**45,219**	**16,159,417**
General and administrative expenses	(5,774,838)	(54,919)	(5,829,757)
Once-off and start-up costs	(241,336)	–	(241,336)
Net investment income	1,582,483	–	1,582,483
Other income	–	54,919	54,919
Unrealized gain on marketable investments	3,187,170	–	3,187,170
Unrealized loss on foreign exchange	(1,887,725)	–	(1,887,725)
Realised gain on foreign exchange	1,195,861	–	1,195,861
Net income for the year	**14,175,813**	**45,219**	**14,221,032**
Write down of Equity grant from Class C Members	(1,007,804)	–	(1,007,804)
Total comprehensive income for the year	**13,168,009**	**45,219**	**13,213,228**

21. SUBSEQUENT EVENTS

Subsequent events were evaluated to April 16, 2024, the date the financial statements were available to be issued. No events have occurred subsequent to December 31, 2023 requiring adjustments or disclosure in these financial statements.

22. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on April 15, 2024. Management does not have the power to change or amend the financials after the date of approval by the Board of Directors.

African Risk Capacity Limited

10 YEARS ANNIVERSARY