

TERMS OF REFERENCE

ESG Integration by Insurance Regulators in Kenya, Nigeria, and Ghana

1. Introduction

The insurance sector in Africa is very exposed to economic sectors and corporate clients with high levels of environmental, social and governance (ESG) risk. Most of the large infrastructure projects in Africa, which typically carry significant ESG challenges, require insurance. However, ESG risks are, generally, not considered during underwriting, capital management and risk management decisions by insurers. The interest, activity, and commitment of the African insurance sector to proactively address ESG issues and to engage within the sector, and outside the sector with experts, policymakers and businesses, is currently minimal.

The African insurance sector is not contributing to, or influencing, ongoing discussions on the integration of ESG issues in underwriting or asset management. Regulators and supervisors contribute to this by not requiring insurers to consider ESG issues. An adequate response from supervisors to both the risks and opportunities from ESG related exposures will support the objectives of insurance supervision of protecting policyholders, contributing to financial stability, and promoting the maintenance of a fair, safe, and stable insurance market. Furthermore, supervisors are in a well-placed position to influence national-level strategies that can support sustainability.

The important role of insurance companies and regulators in driving global sustainability agendas has led to an increase in expectations of this sector with respect to responsible business conduct. Regulators and supervisors in Africa need to improve their capabilities to identify, monitor, assess and contribute to the identification, reporting and mitigation of ESG risks in and through the insurance sector.

The assessment of regulatory aspects particularly preparedness and knowledge of regulators and supervisors on ESG principles and goals is crucial. There is need to assess regulatory capacity and resources to formulate, implement and enforce ESG principles in Africa. This will improve ESG corporate governance, ESG reporting and sustainable finance activities by insurers in the region.

In that regard, FSD Africa is seeking the services of a specialized regulatory consultants to assist insurance regulators in Kenya, Nigeria, and Ghana to integrate ESG principles in their supervisory process. The purpose of this consultancy is to build an enabling supervisory environment for ESG regulation and disclosure through the formulation of proportional and fit-for-purpose supervisory instruments to promote effective and consistent supervision of the insurance industry. The consultant will perform this assignment in two phases.

- Phase 1 - The consultant will carry out an assessment on the current status and regulatory practices of the insurance regulators in Kenya, Ghana and Nigeria in relation to ESG risks. The consultants will be required to review various regulatory instruments, policies and initiatives in place, identify the regulatory gaps and recommend changes that will support or promote ESG adoption. This phase will focus on the integration of ESG principles in the regulatory and supervisory framework and practices. The consultant will be required to produce a diagnostic report containing the findings of the assessment.

- Phase 2 - The consultant will be required to develop an ESG toolkit and ESG focused regulations/policy to support supervisors in their efforts to integrate ESG principles and goals into the supervision of the insurance sector. The consultant will be required to deliver the following.
 - a) ESG toolkit for identifying and assessing ESG risks and integration of those risks into risk management, underwriting and capital adequacy processes
 - b) ESG focused regulation/policy for ESG-related considerations on investment decision making, underwriting disclosures, and reporting.
 - c) Capacity building and training of the regulators to embed ESG toolkit and regulations.

2. Background

Financial Sector Deepening Africa (FSD Africa)

FSD Africa is a specialist development agency working to reduce poverty by strengthening financial markets across sub-Saharan Africa. Based in Nairobi, FSD Africa's team of financial sector experts work alongside governments, business leaders, regulators, and policy makers to design and build ambitious programmes that make financial markets work better for everyone. Established in 2012, FSD Africa is incorporated as a non-profit company limited by guarantee in Kenya. It is funded by UK aid from the UK government.

3. Objectives and Scope

3.1. Objective

The objective of this consultancy to provide a diagnostic report of how the regulators in Africa, and specifically Kenya, Nigeria and Ghana are addressing and integrating environmental, social, and governance (ESG) issues into their regulatory framework. The diagnostic will provide the status of the sector in addressing ESG issues and provide strategic recommendations on how to advance adoption of ESG principles in the insurance sector. This will support in building an enabling supervisory environment for ESG regulation and disclosure through formulation of proportional and fit for purpose supervisory instruments to promote effective and consistent supervision of the insurance industry.

The diagnostic study will be based on desktop research and interviews with relevant stakeholders and result in a report with key findings and strategic recommendations based on research. The main deliverable will be submitted as a final draft to guide on ESG regulation and disclosure in Kenya, Nigeria and Ghana.

3.2. Scope of work

- A. Phase 1** - This phase is expected to take 3 months of work from the signing of the contract. The diagnostic report will include an analysis on the following:
 - a) High-level mapping of regulatory actors, policy makers and other stakeholders - This will include an overview of the main regulatory agencies and policymakers involved in overseeing and advising the insurance sector in Kenya, Nigeria, and Ghana (e.g., insurance regulators, Ministry of finance, Associations, etc.). It may also include key sub-national or regional bodies

such as IAIS and AIO.

- b) **Research on regulation/policy or initiatives** (or lack thereof) regarding expectations of insurance sector practitioners to integrate ESG issues into governance, strategy and risk management. This may include law/regulation as well as government policy, action plans, or voluntary stakeholder initiatives related to promoting ESG in the insurance sector. Relevant areas of policy analysis may include:
 - i. Scope of fiduciary duties (as relevant) and existence (or lack thereof) of mandates for insurance players to integrate ESG issues into investment, underwriting, finance, or advisory processes.
 - ii. Expectations (or lack thereof) that ESG risks are understood and discussed at board level and embedded into the strategy of insurance players.
 - iii. Disclosure/reporting expectations (or lack thereof) on ESG issues for insurance players.
 - iv. Extent to which supervisory authorities are called on to support/engage with insurance players to ensure effective integration of the ESG issues into risk management and activities.
 - v. Regulatory capacity and resources (or lack thereof) to formulate, implement and enforce ESG principles.

B. Phase 2 - This phase is expected to be completed three months after submission of the diagnostic report for phase 1. The consultant will be required to

- a) Develop an ESG toolkit to be used by the regulators to assess ESG adoption by regulated entities. ESG assessment toolkit should create a common language on ESG-related considerations for decision making, disclosures, and reporting.
- b) Develop ESG focused regulations for supervision of the insurance industry. The formulated ESG regulations should be fit-for-purpose as part of the broad policy framework.
- c) Capacity building and training of the regulators to embed the toolkit and regulations.

4. Deliverables

The deliverables under this contract are as follows:

- a) Inception report containing research methodology for the desktop research including the sources to be used, the interview questions and list of interviewees.
- b) Draft diagnostic report that will facilitate consultation with stakeholders.
- c) Final diagnostic report covering the key findings, recommendations and areas indicated in scope of work.
- d) ESG toolkit
- e) ESG focused regulations
- f) Capacity building

5. Timelines

The project shall be implemented under a 8-month consultancy contract. The consultant shall provide periodic update reports on the progress of implementation of the project as per the deliverables above and the workplan set out.

1. Phase 1 - Diagnostic Study

Item	Timeline
Inception Report	Within one month of signing the contract
Draft diagnostic report	Within the first two months of contract signing and after key stakeholders' consultation
Final diagnostic report	Two weeks before the end of the 3 rd -month of the consultancy period

2. Phase 2 - ESG Toolkit, Regulations and Capacity Building

Item	Timeline
ESG toolkit	Within two months of submission of the phase 1 final diagnostic report
ESG focused regulations	Within three months of submission of the phase 1 final diagnostic report and after key stakeholders' consultation
Capacity Building	Within four months of submission of the phase 1 final diagnostic report
Final project report	Two weeks before the end of the consultancy period

6. Invitation to Tender

FSD Africa are inviting proposals from suitably qualified consultant(s). Your proposal should contain:

- i. CV of the consultant(s) not exceeding 3 pages.
- ii. A summary of your experience in demonstrated expertise on ESG issues in the insurance sector
- iii. A description of your understanding of the role of the selected consultant(s) as outlined in the Terms of Reference highlighting how you intend to fulfil the services within the suggested timeline.
- iv. Samples of similar work to demonstrate capacity to carry out the assignment and testimonials from previous clients and/or employers.
- v. An estimated budget for both professional fees and reimbursable expenses- see Annex 1

Submitted proposals should not exceed 10 pages (excluding annexures). The review will be based on the main proposal. This should be sent by email to FSD Africa at bids@fsdafrica.org by noon (EAT) on 10th December 2021 under a subject line reading 'Invitation to tender: ESG Integration by Insurance Regulators'

Applications received after the deadline will not be considered.

7. Basis of award

Mandatory requirements
Undertaken at least 2 comparable assignments in the last 10 years on ESG issues in the insurance sector.
Experience working with the insurance sector within the region (experience may include research or other project work).
a proven record of strong analytical and drafting skills, experience designing and conducting interviews, and project management.
Relevant qualifications in insurance, actuarial science, development studies, risk management, project management or any other related field.
Understanding/interpretation of the task set out in the terms of reference including detailed work plan
Most economically advantageous

Selection will be made based on the following criteria:

Item	Timeline	Weighting (%)
Experience	Undertaken at least 2 comparable assignments in the last 10 on ESG issues in the insurance sector.	30
	Experience in the broader financial sector but without specific experience in the insurance market will be considered but will earn a maximum of 20 points.	
	Proven record of strong analytical and drafting skills, experience designing and conducting interviews, and project management.	20
Skills and qualification	At least a master's degree or equivalent post-graduate and/or professional qualifications in insurance, actuarial science, development studies, risk management, project management or any other related field	10
Methodology	Understanding/interpretation of the task set out in the terms of reference including a detailed work plan	20
Fee basis and total costs	<p>Most economically advantageous, where the computation will be based using the below formula</p> <p>$FS = 20\% \times LB/BP$ where:</p> <p>FS = is the financial score</p> <p>LB = is the lowest bid quoted</p> <p>BP= is the bid of the proposal under consideration.</p> <p>The lowest bid quoted will be allocated the maximum score of 20%. Fee quoted must be inclusive of applicable withholding tax</p>	20
TOTAL		100

8. Contact

Questions or comments in respect of these terms of reference should be directed by email to: bids@fsdafrica.org on or before 12 noon (EAT) 22nd November 2021 and feedback will be provided by 5 pm (EAT) 24th November 2021.

9. Applicable Taxes

As per Kenya's tax law, FSD Africa will pay the Consultant after withholding the appropriate taxes at the applicable rate between Kenya and the Consultant's country of tax residence, considering any tax treaties in force. It is the responsibility of the Consultant to keep themselves apprised of these applicable taxes. The below table provides guidance on the applicable rates as per tax regimes

Country	WHT Rate
Kenya	5%
United Kingdom	12.5%
Canada	15%
Germany	15%
Zambia	15%
India	10%
Non-resident rate for citizens of EAC member countries	15%
All other countries	20%

Annex 1: Proposed Fee Schedule

Costs should be shown separately in the format set out below. Fees proposed by tenderers should be inclusive of all taxes

Consultancy fees*	Days	Fee USD/GBP	Total USD/GBP
xx			
xx			
Total remuneration			0.00
Reimbursement costs**	Unit	Cost USD/GBP	Total USD/GBP
xx			
xx			
Total reimbursement cost			0.00
Total proposed costs			0.00
<i>*Fees incl of all taxes</i>			
<i>**Expenses to be reimbursed on actual costs as per FSD Africa's travel policy</i>			