

Southeast Asia Disaster Risk Insurance Facility (SEADRIF)

Reinsurance Broking Services for the SEADRIF Insurance Company

Terms of Reference for Reinsurance Broker for SEADRIF Insurance Company

Background

The Governments of the ASEAN+3 countries, with the support of Singapore and Japan, have jointly established the Southeast Asia Disaster Risk Insurance Facility (SEADRIF) to increase financial resilience against natural disasters in the member countries. Floods, tropical storms, droughts, earthquakes, and tsunamis have left severe physical, economic, and human impacts in the region, exacerbated increasingly by climate change. Through SEADRIF, Southeast Asian nations are taking ownership in building a joint mechanism to enhance preparedness for climate and disaster risks.

About the SEADRIF Insurance Company

The SEADRIF Insurance Company ('The Company') was incorporated in Singapore in April 2019 as a licensed insurance company under the Singapore Insurance Act and regulated by the Monetary Authority of Singapore. The Company is fully owned by SEADRIF member countries through Intertrust acting as Trustee of the SEADRIF Trust. The Company develops catastrophe risk insurance products to support the Disaster Risk Financing strategies of member countries. It retains risk through its reserves and transfer excess risk to the reinsurance markets to protect its capital base, where it is cost-effective to do so.

Insurance Product

The Company signed a three-years insurance policy with the Ministry of Finance of Lao PDR on 1 February 2021 to provide protection against flood and other catastrophic events. The policy consisted of a parametric insurance component based on number of people affected and a finite insurance component to cover events missed by the parametric component (e.g. a protection against basis risk) or other uninsured catastrophic events. The Company purchased reinsurance to cover losses to the parametric component.

Flood Monitoring Platform

From 2015 to 2017, a flood model was developed to determine the risk profile of the country. This model supported the pricing of the policy and was the critical input into an innovative near real time flood monitoring platform that was developed to continuously monitor flood events in Lao PDR and estimate the number of people affected.

Given advancements in modelling approaches and technology, the Company is critically evaluating the use of this platform and intend to develop options and recommendations for the future modelling and monitoring of flood risk in Lao PDR.

Interim Policy

The three-years policy expired on 31 Jan 2024 and was renewed on 1 Feb 2024 under revised terms. The parametric trigger has been expanded from 2 levels to 4 levels and thresholds lowered, providing flexibility to address varying risk scenarios. The interim policy has a reduced limit, was fully retained by the company and can be renewed on a rolling basis.

Future Policy

The interim policy is expected to be replaced with a full multi-year policy renewal in Q3 2024 that would require the Company to purchase reinsurance cover in the international insurance market, subject to the necessary government and donor decisions being taken in time.

Proposed Assignment

The objective of this tender is to solicit proposals from qualified reinsurance brokers to provide brokerage, risk advisory services and administration services to support the placement of the Company's reinsurance program with international reinsurance markets. With the policy renewal planned for Q3 2024, the Company seeks a Reinsurance Broker (the Broker) to facilitate the process. Key objectives of the assignment include:

- (i) Contribute to the design and selection of the modelling and analytical approach to product design, including trigger mechanisms and policy structure and features. Review and evaluate options from a market placement perspective, including taking into account feedback from reinsurers.
- (ii) Secure high quality, competitive terms and conditions and pricing to provide reliable reinsurance coverage.
- (iii) Safeguard the Company's interests during potential claims processes and promote the product in international reinsurance markets.
- (iv) Support the Company with documentation, information, and regulatory requirements related to the reinsurance placement.

Scope of Services

The Broker will be responsible for the following key activities:

- 1. Product design and reinsurance strategy:**
 - i. The Broker will contribute to the design and selection of the modelling and analytical approach to product design, including trigger mechanisms and policy structure and features, drawing on their knowledge of existing solutions in the market and balancing cost and effectiveness.
 - ii. The Broker will advise on the development of a reinsurance strategy which includes clear objectives on risk retention, capital exposure and risk transfer, taking into account available reinsurance capacity, pricing, terms and conditions. This will include provision of market intelligence and other market monitoring, including development, implementation and monitoring of Reinsurance Guidelines for the Company.
- 2. Catastrophe Modelling Services:**
 - i. The Broker will evaluate and assess options and recommendations for alternative triggering mechanisms provided by the Company. The Broker will provide feedback on the likelihood of reinsurers' acceptance and impact on reinsurer's pricing for each variation. The Broker will offer recommendations for optimal triggering mechanisms based on a balance of acceptance, cost-effectiveness, and alignment with the Company's risk management objectives.

- ii. The Broker will review outputs provided by the Company and modelling vendors regarding catastrophe modelling. The Broker will analyse the implications of these outputs for reinsurance decision-making, including risk assessment and pricing, and provide insights and recommendations on adjustments or refinements to the reinsurance strategy or risk modelling approach.
- iii. If required the broker will enable discussions between the Company, the Broker and potential reinsurance companies.
- iv. The Broker will assist in the management of vendor firms involved in model and analytics development, as required.
- v. The Broker will communicate the modelling results to the reinsurers to enable acceptance and understanding of the Company's approach to risk transfer.

3. Actuarial Modelling Services

- i. The Broker will analyse information provided including but not limited to the review of validity and basic accuracy of such data.
- ii. The Broker will review the Company's retention management strategy and programme design.
- iii. The Broker will provide comparison of reinsurance alternatives including but not limited to the review of the impact of varying cover limits and deductibles along with probabilistic financial outcomes. Analysis will be undertaken in terms of pricing and perceived value.
- iv. The broker will provide technical support as part of reinsurer negotiations.

4. Reinsurance placement:

- i. The Broker will be responsible for all aspects of risk transfer to the reinsurance markets, following the strategy as approved by the Company, and will support communications with the markets.
- ii. The Broker will identify and recommend reinsurance companies from which to purchase reinsurance coverage based on best commercial practices consistent with the Company's strategy and Reinsurance Guidelines. Programme quotations and participations are to be sought from reinsurers operating in established reinsurance markets, including but not limited to Singapore. Reinsurers are to meet minimum credit ratings as advised by the Broker and approved by the Company.
- iii. Assess the financial soundness, based among others on the reinsurers credit rating, and claims handling track record and timeliness of the reinsurers being approached and being considered for the reinsurance panel, discuss with the Company any concerns that may arise.
- iv. Seek to negotiate the most advantageous terms with reinsurers internationally following written instructions from the Company and submit quotations from these reinsurers in writing.
- v. Provide regular updates/reports in writing on progress during the period of placement.
- vi. Confirm in writing signed lines within 10 working days of (a) the inception of cover or (b) finalisation of the marketing and placement process, whichever is earlier, listing Reinsurers and their participation.

5. Reinsurance administration:

- i. The Broker will be responsible for all reinsurance administration including, but not limited to preparation of and advice on reinsurance contract wordings, endorsements, cover notes, addenda noting alterations or cancellation to the reinsurance contracts, etc. which will be forwarded by the Broker to the Company for approval and execution.
- ii. The Broker will administer the billing, collection and payment to reinsurers of premium or refund of premiums from reinsurers in accordance with agreed terms and conditions.

6. Claims Subject to Reinsurance Recovery:

- i. On the occurrence of a reinsured catastrophe event, the Broker will administer claims recoveries, conducting negotiations as may be necessary with Reinsurers to ensure payment by reinsurers in accordance with the policy terms and conditions immediately on receipt of confirmation from the Calculation Agent.

Deliverables

Prior to reinsurance placement

1. Upon the final selection and signing of the service agreement between the Company and the Broker, the following deliverables are expected to be submitted to the Company and the Lead Technical Partner in Q2 2024:
 - i. Draft reinsurance strategy including reinsurance program options and Reinsurance Guidelines for the Company. The Broker is expected to provide indicative pricing based on current market dynamics, advising on the most cost-efficient structure while protecting capital.
 - ii. Draft reinsurance policy wording suitable for the proposed product design. The Broker is also expected to point out the most critical terms and conditions as well as potential exclusions, objections, amendment or additional clauses the reinsurance markets might raise.
 - iii. The marketing/communications material intended to be used by the Broker for presentation to the reinsurers.

During reinsurance placement

2. The Broker is expected to begin approaching the international reinsurance market in Q2 2024. The following deliverables are expected to be submitted to the Company and the Lead Technical Partner during the placement process:
 - i. Written updates regarding the feedback received from market participants on the product design and other critical terms and conditions.
 - ii. Detailed advice in writing shall be provided to the Company regarding requests for certain additions or alternations of the terms and conditions. This can include requests to alter the trigger and payout structure at each reinstatement of the underlying insurance coverage or include additional reinstatement for the policy period.
 - iii. Assessment of proposed reinsurers' financial health including credit ratings and claims handling track records.
 - iv. Detailed report on the indicative quotes received from reinsurer by two weeks prior to the inception date, including an overview of the differences in price, terms and conditions as well as the different reinsurers' financial strength and their track record of handling claims.
 - v. Written confirmation of final signed lines per reinsurer, the evidence of cover and the final policy
 - vi. Detailed standard operating procedures to respond to an event that will potentially trigger reinsurance recoveries including steps and timeline required to fulfil the Company's claim policy. This should be provided to the company at least five business day prior to the inception of the reinsurance policy.

After policy inception

3. Following the policy inception expected for Q3 2024, the following deliverables are expected from the Broker:

- i. Post-inception debrief, detailing salient information and summarizing terms and conditions of placement. Address potential questions and anticipated challenges pertaining to the policy period.
- ii. Issuance of invoices and settlement of amounts related to the premium payment due to the reinsurers
- iii. Upon the Company's request, provide a written update on reinsurance market trends or developments and/or participate in promotional activities related to SEADRIF's programme.
- iv. Detailed explanations and required analysis related to any potential alternations to the policy and any claims procedures during the policy period, if any.

Implementation Arrangement

1. The Broker will report to the Company's Chief Operating and Financial Officer (COFO). Additionally, close collaboration with the Cat Risk Analytics Consultant is anticipated.
2. The Broker is entitled access to relevant information and explanations considered necessary to facilitate the reinsurance placement, including legal documents, project preparation and supervision reports, data and information pertaining to the SEADRIF Flood Risk Monitoring Tool and associated models or outputs and correspondence with participating countries.

Requirements for the Firm to Qualify for the Assignment

1. The Broker must be licensed to operate in Singapore in accordance with the Insurance Act as a general reinsurance broker.
2. The lead broker should have minimum 15 years of relevant experience in the areas of reinsurance broking and demonstrated experience in placing catastrophe, reinsurance pool and parametric coverage in international reinsurance markets. Demonstrated experience and success with public sector insurance programs is a strong advantage.
3. Extensive and demonstrated professional experience in the following areas: parametric catastrophe insurance design and placement, actuarial services, risk modelling and analytics, insurance consulting, claims consulting.
4. Ability to provide profile and evidence/examples of past experience of similar nature to requirements of the assignment;
5. Ability to provide key staff with required qualifications and experience in the areas of (re)insurance, finance, actuarial, legal and relevant practice.
6. Security committee to analyze reinsurers using market knowledge in addition to output from rating agencies.

Future work

Following successful placement of the Lao policy as described in this tender, the Company and the selected Broker may on mutual agreement extend the engagement to future policies and risk advisory services to be provided to the Company.

Timeline

Output	Approximate completion date
Broker service agreement signed	Late April
Submission of indicative quotes provided by the reinsurance market	Early / Mid-July 2024
Firm order terms and signing of policy by the reinsurance panel and the Company	August 2024

Payment

The Broker's remuneration for the services provided can either be on a fixed fee basis or fixed percentage of reinsurance premium basis. The fee will be paid in annual instalments. Any brokerage paid by reinsurers is to be refunded to the Company.

The Broker should include a financial proposal as part of the proposal submission. This should be in US Dollar.

Deadline for Submission of Proposal

Expressions of interest and bidding documents should be submitted via email to: contact@seadrifinsurance.com by Monday 22 Apr 2024, 9.00 pm SGT.

The Company will be attending the CDRFI Conference at Frankfurt School from 11-12 Apr 2024, and welcomes the opportunity to meet in person with interested brokers for a 30-minutes pitch of proposed services and the broker's experience, in particular relating to public sector parametric insurance programs. Alternatively, the Company is open to conducting this session via webinar at alternative times to accommodate varying schedules.