



EXPRESSION OF INTEREST (EOI)

IRA/134/2021-2022 - EXPRESSION OF INTEREST FOR ACTUARIAL STUDY TO DETERMINE APPROPRIATE PREMIUM RATES

1. Background

The Insurance Regulatory Authority is a state corporation established under the Insurance Act CAP. 487. The Authority's mandate is to regulate, supervise and promote the development of the insurance industry in Kenya. The Authority has an objective of promoting initiatives that seek to make the insurance industry in Kenya to work well by ensuring appropriate protection of consumers, promoting effective competition in consumers' interests and protecting and enhancing the integrity of the financial system.

In line with Section 75 of the Insurance Act, insurers are required to file with the Commissioner of Insurance a schedule or manual of premium rates, to be used for each class of insurance business. Where an insurer proposes to amend the manual or schedule of rates, they are required to file with the Commissioner, details and reasons for the alteration at least sixty days before giving effect to the revision.

2. Introduction

Insurance plays an important role in national development through providing individual households, businesses and corporates with protection from uncertainty. A review of performance of the insurance industry in Kenya based on Gross Written Premiums shows the market remains general business dominated with general and long-term insurance business accounting for 59.3% and 40.7% of total industry premiums respectively in 2020. Premiums written vary between product lines with motor and medical accounting for over 62.3% of total general insurance business written.

Customer behaviour for insurance is changing rapidly owing to a variety of factors along the insurance value chain. New approaches and technological solutions that can support supply side providers' ability to meet policyholders' reasonable expectations (PRE) which is changing quite fast.

Despite the market showing signals of growth, there is strong evidence that there exist differences between premium rates paid for insurance by different consumers compared to the cost of providing them with insurance cover. Premium setting for insurance products is based on the specific personal

characteristics and histories of consumers. The consumers usually end up paying a different premium at renewal and this has an influence on the uptake, usage and quality of insurance services offered to policyholders and beneficiaries.

COVID-19 pandemic induced shocks resulted in a contraction of economic activities and expansion of exclusion gap for insurance services among other economic sectors. Within this period, the insurance industry demonstrated resilience with marginal growth being registered in key business lines. In the light of this dynamic, pricing of insurance products and the insurance premiums paid by consumers need to adopt a framework for dealing with questions about how fairness of premium rates can stimulate uptake and usage of insurance services.

Supply side players have adopted a wide array of business models in setting premium rates for insurance products offered to consumers. This includes considerations such as specific personal characteristics and history of consumers, customer acquisition costs, marketing expenditure, commissions, claims costs etc.

With product ranges remaining generally similar, consumers have exhibited high levels of premium sensitivity given the cut throat competitive prevailing among then various regulated players in the industry. Although there has been a host of new and somewhat radical products, overall, the premium rating environment has remained largely dull especially in the last couple of years as concerns remain about insurance uptake, usage, value, quality, availability and affordability for many consumers.

However, the current premium rating and risk classification face some significant challenges. Besides a competitive market environment, various risk-rating factors “commonly used are being questioned”. Supply side players must find risk-rating factors that can be determined as accurately as possible and also earn social acceptance.

Premium rating should be based on the comprehensive knowledge of individual customer’s needs and to design from this knowledge appropriate products for the respective target group. These aspects together with increasing transparency requirements mean that the intensified application of customer-oriented risk based premium rating can create a competitive advantage. Furthermore, the issue of transparency plays an important role in demand for insurance especially for price sensitive consumers.

3. Justification

General insurance constitutes over 60% of gross written premiums in any given year in Kenya and therefore impacts on a critical mass of the insuring public/consumers. It is important that general insurance market works well and delivers good outcomes for all consumers.

Evidence from the nature and scale of complaints received at Insurance Regulatory Authority (IRA), however this might not be the case as insurers continue to use rating practices that may in the long run distort competition and increase costs for both consumers and the firms themselves thereby, leading to higher overall prices for consumers.

4. Purpose of the assignment

Insurance premium rating is one of the most significant business activities for insurers. For some time now, concerns have continued to be raised around insurers' premium rating practices which in certain circumstances may lead to poor outcomes for consumers. Rating for reasons other than risk profile of the insured limits effective competition and may delimit access to and use of insurance services.

One of the main objectives of supervision of insurance business in Kenya is to protect policyholders, beneficiaries and members of the public. This can be achieved through an array of factors with insurance product governance being one of them i.e. insurance premiums charged need to be commensurate to the risk exposures to enable the insurer meet its contractual obligations and at the same time ensure fair competition within the insurance sector.

The Authority is therefore seeking a reputable firm to carry out an industrywide study on premium rating practices in the insurance industry in Kenya. The analysis should further consider how the market is working currently, how it should develop and the measures to be put in place to ensure that the premium is commensurate to the risk exposure.

The aim is to ensure insurance products are appropriately priced, of suitable quality and providing long term fair value for consumers. Premium rating practices need to deliver competitive and fair outcomes and consumers in making choices of products to buy need not be targeted with poor value products.

5. Objectives of the study

- i. Review the existing legal and regulatory framework, policies and practices used in premium rating of insurance products in Kenya;
- ii. Review business premium rating models and/or methodologies adopted in premium rating in the Kenyan insurance industry and whether they deliver good outcomes for consumers;
- iii. Identify gaps or areas of disparity in the existing legal and regulatory framework, rating models and practices viz-a-viz practices locally regionally and internationally;
- iv. Engagement of stakeholders' (market wide and/or firm specific) for feedback, analysis and report writing, setting out findings and suggested actions on the range of proposals from the study
- v. Make recommendations on the need for any reviews, changes in legal and regulatory framework and/or approaches to premium rating of insurance products with the aim of addressing the identified gaps or disparities; and
- vi. Develop insurance product premium rating policy guidelines for the public service to guide in streamlining the management and administration of the benefits

6. Scope of work

The scope of the assignment will include the following:

- i) Review the structure of insurance premium rating in line with risk based premium underwriting given the emerging changes in the legal and regulatory framework.
- ii) Assess supply side players involved in rating of insurance products, the extent they do influence competition works and therefore the premium rates paid by consumers
- iii) Review models of insurance rating in other select jurisdictions, and the impact these have on supporting effective competition, delivering good consumer outcomes and minimizing premium rate differentials and/or consumer vulnerability to among others include others include.
 - Premium rating strategies, governance and controls
 - Premium rating approaches (the methodology used to set the premium rates)
 - Types of systems and data used
 - Factors used in premium rating
 - scenario analysis to understand the extent to which the premium consumers pay are above or below the risk premium
 - Benchmarking

- impact on premium due to consumer loyalty and distribution method
- iv) Assess impact of premium competition on product quality, availability, affordability, governance and fair value to the target market over time. This should include identification of a set of fair value measures and how to increase transparency in insurance premium rating.
- v) Without impairing the insurance market, provide guidance on appropriate flexible premium rating and banding for classes of insurance giving due consideration to effects on market penetration of insurance services (uptake, usage, value, quality, availability and affordability).

7. Eligibility criteria

The Expression of Interest must be accompanied by the consultants' qualifications, professional capabilities and documentary evidence of having successfully completed assignment/ project of similar nature. Interested firms should provide specific information which will be the basis for shortlisting and further invite to respond to comprehensive terms of reference as indicated below: -

a) **Technical/Functional Skills**

The consultant should meet the following requirements

- vi) Graduate level of academic qualification, with at least Master's degree related to Actuarial Science and full Actuarial professional qualifications from an accredited body for the team leader and insurance, economics, finance or related social science field for the other team members.
- vii) Experience in use of articulated and coherent methodology that may allow for practical review of pricing of insurance services in the selected classes of insurance.
- viii) Show a deep understanding of the Kenyan insurance industry and a suitable knowledge of pricing approaches and methodologies.
- ix) At least 10 years of experience in undertaking pricing of insurance contracts or developing premium rating guidelines.

- x) Ability to undertake analytical work, with excellent communication, computer application and presentation skills.
- xi) Able to work in teams, with inter-personal skills and high levels of integrity and objectivity.
- xii) Good professional standing with the relevant professional certification body.

8. Evaluation Criteria

The following evaluation criteria will be applied based on Pass or Fail in each applicable item: -

a) Mandatory requirements

1.	Mandatory Requirements	Provided Yes/No
a)	Submit a copy of certificate of incorporation/business registration.	
b)	Submit a valid tax compliance/Exemption certificate from Kenya Revenue Authority	
c)	Provide Company profile of the firm indicating the contact details including physical address, telephone number, email and contact person on behalf of the bidder	
d)	Confidential business questionnaire	
e)	Copy of CR 12 for Limited companies issued within the last one year	
f)	Copy of certificate of registration with relevant regulatory bodies where applicable	
g)	Self-declaration letter that the consultant is not debarred in the matters of Public Procurement and Asset Disposal Act, 2015	
i)	Self-declaration that the person or tenderer will not engage in any corruption or fraudulent practice	
	Qualified / Not Qualified	

b) Qualification Criteria

1. Firms experience
2. Provision of relevant references
3. Qualification of Key Staff Proposed for the assignment
4. Proof of adequate resources to execute the contract

9. Clarifications

IRA shall promptly respond to all request for any clarification relating to expression of interest where such request is received before the deadline for submission. Any request for clarification must be sent in writing by electronic mailed to:

**Manager Procurement,
Insurance Regulatory Authority,
Zep-Re Place, Longonot Road, Upper hill,
P.O. Box 43505-00100
Nairobi, Kenya
Email: procurement@ira.go.ke**

10. Submission

Completed EOI proposal shall be submitted in ONE (1) “ORIGINAL hard copy and in CD/Flash Disk saved in PDF format clearly labelled your company name and placed in separate sealed envelopes. The two envelopes shall be placed in an outer envelope and sealed bear IRA address, EoI name and number and clearly marked “DO NOT OPEN before day, date and time of EOI closing/Opening date.

“IRA/134/2021-2022 -EXPRESSION OF INTEREST FOR PROVISION OF CONSULTANCY SERVICES TO DETERMINE APPROPRIATE PREMIUM RATES”

The pre-qualification application must be delivered (by hand or registered mail) to:

**Tender Box at Insurance Regulatory Authority Offices on 10th Floor,
ZepRe Place, Longonot Road, Upperhill, Nairobi** or be addressed to:

**Chief Executive Officer,
Insurance Regulatory Authority,
10th Floor Zep Re Place, Longonot Road, Upperhill,
P.O. Box 43505 – 00100 Nairobi, Kenya
Telephone: +254-20-4996000; 254-719-047000
Email: procurement@ira.go.ke; Website: <http://www.ira.go.ke>**

On or before: **9th March, 2022 at 10:00 a.m.** The EOI shall be opened immediately on **9th March, 2022 at 10:00 a.m.** and in the presence of tenderers’ representatives who choose to attend.

Only firms shortlisted under this procedure will be invited to submit their Technical and Financial proposals under the Request for Proposals (RFP).

CHIEF EXECUTIVE OFFICER/COMMISSIONER OF INSURANCE

TENDERER'S ELIGIBILITY-CONFIDENTIAL BUSINESS QUESTIONNAIRE

Instruction to Tenderer

Tenderer is instructed to complete the particulars required in this Form, *one form for each entity if Tender is a JV*. Tenderer is further reminded that it is an offence to give false information on this Form.

a) Tenderer's details

	ITEM	DESCRIPTION
1	Name of the Procuring Entity	
2	Reference Number of the Tender	
3	Date and Time of Tender Opening	
4	Name of the Tenderer	
5	Full Address and Contact Details of the Tenderer.	1. Country 2. City 3. Location 4. Building 5. Floor 6. Postal Address 7. Name and email of contact person.
6	Current Trade License Registration Number and Expiring date	
7	Name, country and full address (<i>postal and physical addresses, email, and telephone number</i>) of Registering Body/Agency	
8	Description of Nature of Business	
9	Maximum value of business which the Tenderer handles.	
10	State if Tenders Company is listed in stock exchange, give name and full address (<i>postal and physical addresses, email, and telephone number</i>) of state which stock exchange	

General and Specific Details

b) **Sole Proprietor**, provide the following details.

Name in full _____ Age _____
Nationality _____ Country of Origin _____
Citizenship _____

c) **Partnership**, provide the following details.

	Names of Partners	Nationality	Citizenship	% Shares owned
1				
2				
3				

d) **Registered Company**, provide the following details.

(i) Private or public Company _____

(ii) State the nominal and issued capital of the Company

Nominal Kenya Shillings
(Equivalent).....

Issued Kenya Shillings
(Equivalent).....

(iii) Give details of Directors as follows.

S/N o	Names of Director	Nationality	Citizenship	% Shares owned
1				
2				
3				

e) **DISCLOSURE OF INTEREST - Interest of the Firm in the Procuring Entity.**

i) are there any person/persons in (*Name of Procuring Entity*) who has/have an interest or relationship in this firm? Yes/ No.....

If yes, provide details as follows.

S/No	Names of Person	Designation in the Procuring Entity	Interest or Relationship with Tenderer
1			
2			
3			

ii) Conflict of interest disclosure

	Type of Conflict	Disclosure YES OR NO	If YES provide details of the relationship with Tenderer
1	Tenderer is directly or indirectly controls, is controlled by or is under common control with another tenderer.		
2	Tenderer receives or has received any direct or indirect subsidy from another tenderer.		
3	Tenderer has the same legal representative as another tenderer		
4	Tender has a relationship with another tenderer, directly or through common third parties, that puts it in a position to influence the tender of another tenderer, or influence the decisions of the Procuring Entity regarding this tendering process.		
5	Any of the Tenderer's affiliates participated as a consultant in the preparation of the design or technical specifications of the works that are the subject of the tender.		
6	Tenderer would be providing goods, works, non- consulting services or consulting services during implementation of the contract specified in this Tender Document.		
7	Tenderer has a close business or family relationship with a professional staff of the Procuring Entity who are directly or indirectly involved in the preparation of the Tender document or specifications of the Contract, and/or the Tender		

	evaluation process of Such contract.		
8	Tenderer has a close business or family relationship with a professional staff of the Procuring Entity who would be involved in the implementation or supervision of the such Contract.		
9	Has the conflict stemming from such relationship stated in item 7 and 8 above been resolved in a manner acceptable to the Procuring Entity throughout the tendering process and execution of the Contract.		

f) Certification

On behalf of the Tenderer, I certify that the information given above is complete, current and accurate as at the date of submission.

Full Name_____Title or Designation_____

(Signature)

(Date)

FORMAT OF CURRICULUM VITAE (CV) FOR PROPOSED PROFESSIONAL STAFF

Proposed Position: _____

Name of Firm: _____

Name of Staff: _____

Profession: _____

Date of Birth: _____

Years with Firm: _____ Nationality: _____

Membership in Professional Societies: _____

Detailed Tasks Assigned: _____

Key Qualifications:

[Give an outline of staff member's experience and training most pertinent to tasks on assignment. Describe degree of responsibility held by staff member on relevant previous assignments and give dates and locations].

Education:

[Summarize college/ Company and other specialized education of staff member, giving names of schools, dates attended and degree[s] obtained.]

Employment Record:

[Starting with present position, list in reverse order every employment held. List all positions held by staff member since graduation, giving dates, names of employing organizations, titles of positions held, and locations of assignments.]

Certification:

I, the undersigned, certify that these data correctly describe me, my qualifications, and my experience.

_____ Date: _____
[Signature of staff member]

_____ Date; _____
[Signature of authorized representative of the firm]

Full name of staff member: _____

Full name of authorized representative: _____

**SELF DECLARATION THAT THE PERSON/TENDERER WILL NOT ENGAGE
IN ANY CORRUPT OR FRAUDULENT PRACTICE**

I,of P. O. Box being a resident
of
..... in the Republic of do hereby
make a statement as follows: -

1. **THAT** I am the Chief Executive/Managing Director/Principal Officer/Director of (*insert name of the Company*) who is a Bidder in respect of **Tender No.** for(*insert tender title/description*) for(*insert name of the Procuring entity*) and duly authorized and competent to make this statement.
2. **THAT** the aforesaid Bidder, its servants and/or agents /subcontractors will not engage in any corrupt or fraudulent practice and has not been requested to pay any inducement to any member of the Board, Management, Staff and/or employees and/or agents of(*insert name of the Procuring entity*) which is the procuring entity.
3. **THAT** the aforesaid Bidder, its servants and/or agents /subcontractors have not offered any inducement to any member of the Board, Management, Staff and/or employees and/or agents of(*name of the procuring entity*)
4. **THAT** the aforesaid Bidder will not engage /has not engaged in any corruptive practice with other bidders participating in the subject tender
5. **THAT** what is deponed to hereinabove is true to the best of my knowledge information and belief.

Full name.....
Signature.....
Dated thisday of2022.

Suppliers' / Company's Official Rubber Stamp