



**AFRICAN RISK CAPACITY LIMITED**  
**REQUEST FOR PROPOSAL AND TERMS OF REFERENCE**  
**INVESTMENT CONSULTING SERVICES**

**1. Introduction**

The African Risk Capacity Insurance Company Ltd (ARC Ltd) is part of the African Risk Capacity (ARC) initiative of the African Union (AU), designed to improve current responses to drought food security emergencies. The aim of ARC is to improve the timeliness of responses and build capacity within AU member states to manage drought risks by directly linking funds to defined contingency plans. ARC is an African, continental index-based weather risk insurance pool and early response mechanism, which offers an African solution to one of the continent's most pressing challenges. By bringing together the concepts of insurance and contingency planning, ARC aims to create a new way of managing weather risk by transferring the burden away from African governments, and their vulnerable populations who depend on government assistance, to international markets that can handle the risk much better, as well as incentivizing Governments to plan for and implement best-practice response mechanisms for food security emergencies in a timely manner.

ARC Ltd was established with a specific commercial mandate as a Class 2 mutual insurance (incorporated and licensed in Bermuda) as a 'hybrid mutual' insurance company. The company undertakes ARC's risk pooling and transfer activities including providing parametric insurance coverage for member countries against extreme weather events.

The membership of ARC Ltd includes:

- Capital contributors, via interest free 20-year loans: The United Kingdom (through DFID) has committed GBP 100 million to the project, the first GBP 30 million of which has already been transferred to ARC Ltd, while Germany (through BMZ via KfW) has committed EUR 50 million, of which USD 48 million has already been made available to ARC Ltd.
- Policyholders: These are African Union countries that have taken out insurance contracts to cover drought and / or cyclone for the current underwriting period.

The ARC value proposition offers a comprehensive, integrated solution that transfers weather risk away from governments and vulnerable households to ARC. The proposition seeks to enable governments to build resilience and better plan, prepare for, and respond to extreme weather events. ARC's developmental insurance proposition (a financial institution that offers insurance and complementary technical assistance tied to explicit development objectives) brings together four critical elements of preparedness through early warning and contingency planning; weather risk insurance; early response and finally, accountability and transparency.

Additional information on ARC Ltd is available at: <https://www.arc.int/arc-limited>

## **2. Request for Proposal**

The objective of this Request for Proposal (RFP) is to invite parties to submit proposals for consideration to be appointed to ARC Ltd for the provision of Investment Consulting Services. The Terms of Reference are intended to define the purpose, scope of work and deliverables of the required services.

## **3. Overview of Investment Portfolio**

The investment portfolio is overseen by the Finance and Investment Committee, a subcommittee of the Board.

ARC Ltd's investment portfolio is currently managed by one asset manager, with a portfolio value of \$78 million at 30 June 2024. The portfolio is made up of approximately 80% fixed income, 15% equity and 5% cash. The target objective is to achieve a net return of 1.5% above SOFR.

The aggregate portfolio under management may range from \$30 - \$200 million during a three-year period. Funding sources include donor income, premiums paid by participating members for parametric insurance against catastrophic events, and capital contributions.

For the fourth year in a row, ARC Ltd has secured the top ranking in the insurance industry for environmental, social and governance, awarded by Sustainalytics. ARC Ltd's credit rating remains strong, whereby Fitch upgraded their outlook to stable during 2023, and an IFS Rating of 'A-' and a Long-Term Issuer Default Rating (IDR) of 'BBB+'.

## **4. Investment Consulting Service Requirements**

The Investment Consultant will perform a once-off review of matters relating to the investment portfolio, including:

- Review of ARC Ltd's investment guidelines, in line with market best practice, industry peers and ARC Ltd's strategy.
- Review of strategic asset allocation and asset-liability modelling (ALM).
- Review of the current asset manager's performance against industry peers and the overall investment universe.
- Advise if separate asset managers should be considered for the following asset classes:  
i) fixed income, ii) equity, and iii) cash management.
- Provide recommendations on the best approach to take for all the above.

Upon successful completion of the review, consideration will be made as to the frequency of future reviews and any other ad-hoc advice as required.

## 5. Further documentation to be provided

Upon confirmation that an entity is interested in submitting a proposal, and subject to signing a non-disclosure agreement, the following additional documents will be provided:

- ARC Ltd's investment guidelines
- Summary investment report
- A 45-minute meeting with the Head of Finance and Investment, on any further information required to submit a proposal.

## 6. Proposal Submission

The bidder is invited to submit a comprehensive proposal stipulating market-related competitive fees. The proposals will be evaluated on the strength on the information provided with respect to the unique requirements and nature of ARC Ltd and based on value for money for the company. Proposals must be submitted by no later than 17h00 (GMT+2) **30 September 2024** to: [ybodiat@ltd.arc.int](mailto:ybodiat@ltd.arc.int)

As part of the RFP process, bidders will be offered the opportunity to engage with ARC Ltd prior to the submission due date, by way of a 45-minute online/virtual meeting in order to get clarity on ARC Ltd, the RFP or any further information required.

The initial proposal must include:

- A brief history of the company
- Names and profile of key persons to be designated to this project
- Resources and capabilities, including research capability
- Investment consulting philosophy
- Experience in managing mandates of insurance companies
- Your approach on assisting clients with Environmental, Social and Governance (ESG) considerations in their investment portfolio
- Your approach to transitioning the portfolio (in the event of it being necessary)
- Technology, data and digital capabilities
- Proposed fees
- References (less than 6-months old from at least 3-clients)
- Details of any actual or potential conflicts of interest
- Level of Professional Indemnity Cover held by your firm

Upon successful submission of the above, a shortlist will be determined. Short-listed consultants will be invited to present their proposal to ARC Ltd by way of a virtual meeting in October 2024 (date to be confirmed). In addition to the abovementioned required information, short-listed consultants will be required to present a **proposed investment strategy** (to the extent of information made available, and include:

- Given your understanding of ARC Ltd, any specific investment strategies you would propose
- How to optimise the balance sheet, given the Enhanced Capital Requirements of ARC Ltd (as per Bermuda Monetary Authority)
- Asset liability modelling (ALM) capability and approach
- Tactical and strategic asset allocation approaches
- Manager selection and monitoring
- View on the use of derivative structures
- Any current favoured investment themes

## **7. Deliverables**

- Report on the review of ARC Ltd's investment guidelines, including suggested areas of improvement.
- Recommendation on the strategic asset allocation based on the abovementioned review of investment guidelines, including asset-liability modelling (ALM).
- Recommendation on the retention or replacement of the current asset, based on performance against industry peers and the overall investment universe.
- Advise if separate asset managers should be considered for the following asset classes: i) fixed income, ii) equity, and iii) cash management.
- Recommendations on the best approach to take for all the above.
- Recommendations on any additional ad-hoc improvements that can be made, based on the review performed.

## **8. Budget**

The bidder must state market related fees/cost.

## **9. Proposal Evaluation**

All proposals received by ARC Ltd's representative on or before the deadline listed above will be reviewed to determine whether they meet the minimum requirements of this RFP. All proposals received by the deadline and pass the pre-evaluation review will undergo an evaluation process conducted by ARC Ltd. They will be reviewed to determine whether they meet the requirements of this RFP, and a short-list of proposals will be determined. All short-listed bidders will be invited to present their proposal to ARC Ltd. Following the short-listed presentations, a final decision may be made.

ARC Ltd will consider the following factors in the evaluation process, ranked in no specific order, and will render a decision based on the perceived best fit and best value for the engagement. Fees will be one of the determining factors in this decision but will not be the primary determinative.

Proposals will be evaluated based on criteria including:

- Understanding of the services requested.
- Timeline for recommended solution.
- Proposed methodology and work plan to be used in the process.
- Proposed deliverables (products/services as and when).
- Relevant knowledge, experience and qualification of firm and team members including established record of success in similar work.
- Reflect ESG best practice in the business model.
- Reflect DEI (Diversity, Equity, and Inclusion) in the business values, culture and team.
- Willingness to negotiate contract terms.
- Independence.
- Cost and overall value proposed.
- Ability to scale as needs change.
- References, market responsiveness
- Customer experience in similar business supported by the bidder.
- Responses to service requirements.
- Adherence to RFP submission requirements.

During the evaluation process, proposers may be requested to provide additional information and/or clarify contents of their proposal.

#### **10. RFP Conditions**

- The purpose of this RFP is to solicit proposals from parties (bidders) who are interested in providing Investment Consulting Services in line with the terms and conditions described in this RFP.
- This RFP does not constitute an offer by ARC Ltd nor an agreement with ARC Ltd or any other person.
- ARC Ltd is not required to select any bidder. ARC Ltd reserves the right to reject all or any of the bidders or proposals with or without cause in its sole discretion.
- This RFP has been prepared in good faith, however ARC Ltd does not represent that all information is comprehensive, accurate or that it contains all the information that a bidder may require. The information contained in this RFP is selective and ARC Ltd may update, amend, or supplement the information, assessment or assumptions contained in this RFP, in its sole discretion.

- ARC Ltd disclaims all implied warranties including for the accuracy, reasonableness or completeness of the information contained in this RFP, including without limitation, for any errors, omissions, or misstatements, negligent, relating to the proposed project.
- Neither ARC Ltd nor any of its officers, employees nor any of its advisors nor consultants has any duty to provide any recipient with access to any additional information or to update the information in this RFP or to correct any inaccuracies therein which may become apparent. Each recipient must conduct its own analysis of and is advised to carry out its own investigation into, the proposed project, the legislative and regulatory regime which applies thereto and by and all matters pertinent to the proposed project and to seek its own professional advice on the legal, financial, regulatory and taxation consequences of entering into any agreement or arrangement relating to the proposed project.
- The bidder shall bear all its costs and expenses associated with or relating to the preparation and submission of its proposal, regardless of the conduct or outcome of the bidding process.
- The bidder will protect as confidential and will not disclose to any third party the information contained in or provided in connection this RFP, without the prior written consent of ARC Ltd.
- By responding to this RFP, each bidder confirms its agreement to the terms and conditions set forth in this RFP.

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