Central Bank of Lesotho

REQUEST FOR PROPOSAL

Consultant for Implementation of IFRS 17 Insurance Contracts Standard, and Development of Capital and Solvency Framework

Insurance Supervision Division
Department, Other Financial Institutions Supervision (DOFIS)

1. Background and Objectives

The Central Bank of Lesotho (CBL), through the Insurance Supervision Division in the Department of Other Financial Institutions Supervision (DOFIS), seeks to strengthen insurance supervision in line with International Financial Reporting Standard 17 (IFRS 17). The implementation of IFRS 17 introduces significant changes in insurance contract measurement, presentation, and disclosure, necessitating updates to regulatory reporting, supervisory frameworks, and institutional capacity.

The objective of this assignment is to support the CBL in aligning regulatory reporting, financial soundness monitoring, and solvency frameworks with IFRS 17, while building sustainable internal capacity.

2. Scope of Work

The selected consultant will be responsible for the following tasks:

The consultant will undertake:

(i) Diagnostics
(ii) Regulatory returns redesign
(iii) FSIs development
(iv) Solvency framework alignment
(v) Training and CPD framework.

3. Deliverables

(i) Diagnostic Report
(ii) IFRS 17 aligned Regulatory Returns
(iii) Revised FSIs
(iv) Capital and Solvency Framework
(v) Training programmes and CPD framework
(vi) Final Project Report

4. Duration

The assignment is expected to run for up to 18 months.

5. Proposal Submission

Bidders shall submit Technical and Financial Proposals. Technical proposals should include methodology, team, and experience.

6. Evaluation Criteria

Criteria	Weight	Purpose
Experience	25%	IFRS 17 & regulatory track record
Methodology	20%	Technical robustness
Team	15%	Expertise depth (actuarial + regulatory)
Workplan	10%	Feasibility
Financial	30%	Value for money

7. Governance and Reporting

The consultant shall report to DOFIS and provide monthly progress reports. A steering committee will oversee implementation.

ANNEX 1: TERMS OF REFERENCE (TOR)
Consultant for Implementation of IFRS 17 Insurance Contracts Standard

1. Background

The Central Bank of Lesotho (CBL), through the Department of Other Financial Institutions Supervision (DOFIS), is implementing supervisory reforms arising from the adoption of IFRS 17.
IFRS 17 introduces a **comprehensive and consistent framework for the valuation and reporting of insurance contracts**, significantly improving transparency, comparability, and risk assessment across jurisdictions.
In line with **IAIS Insurance Core Principles (ICPs)**:

- **ICP 14 (Valuation)** requires consistent, transparent valuation of assets and liabilities for solvency purposes
- **ICP 17 (Capital Adequacy)** requires a risk-based capital framework using a total balance sheet approach integrating assets, liabilities, and capital requirements

The assignment will therefore support the alignment of regulatory reporting, solvency frameworks, and supervisory tools to IFRS 17 while strengthening the Bank's risk-based supervision framework.

2. Objective of the Assignment

The overall objective is to:
Strengthen insurance supervision in Lesotho through full integration of IFRS 17 into regulatory reporting, financial soundness monitoring, and capital adequacy frameworks, in alignment with IAIS ICPs and Insurance capital standard (ICS).
Specific objectives:

- Align regulatory returns with IFRS 17
- Develop IFRS 17-based Financial Soundness Indicators (FSIs)
- Design or enhance capital and solvency framework
- Strengthen supervisory capacity and tools
- Ensure consistency between financial reporting and prudential supervision

3. Scope of Work

The consultant shall execute the assignment in **three structured phases**:

PHASE 1: DIAGNOSTIC AND GAP ANALYSIS (0–4 Months)
Key Activities

- Review current:
  - Regulatory returns and templates
  - Supervisory processes and FSIs
  - Capital and solvency framework
- Assess alignment with:
  - IFRS 17 requirements
  - IAIS ICP 14 (valuation consistency)
  - IAIS ICP 17 (risk-based capital adequacy)
- Evaluate:
  - Data systems (e.g., BSA system limitations)
  - Analytical capabilities and reporting tools
- Conduct stakeholder consultations:

    - Insurers
    - Auditors
    - Actuaries

Deliverables

- **Diagnostic & Gap Analysis Report**
- **Benchmarking Report** (international comparators)

Acceptance Criteria

- Comprehensive identification of gaps
- Clear mapping to:
    - IFRS 17 requirements
    - IAIS ICPs and ICS
- Validated through stakeholder consultation.

PHASE 2: FRAMEWORK DEVELOPMENT AND SYSTEM DESIGN (4–12 Months)

Key Activities

A) Regulatory Returns Redesign

- Develop IFRS 17-aligned reporting templates:
    - Fulfilment cash flows
    - Contractual Service Margin (CSM)
    - Risk adjustment
- Ensure reconciliation between:
    - Audited financial statements
    - Regulatory reporting

B) Financial Soundness Indicators (FSIs)

- Redesign FSIs to reflect:
    - IFRS 17 valuation concepts
    - Forward-looking risk measures
- Develop analytical dashboards

C) Capital and Solvency Framework

- Develop framework in line with ICS and SAM and aligned to:
    - **ICP 17 (risk-based capital adequacy)**
    - Total balance sheet approach
- Define:
    - Capital resources
    - Capital requirements
    - Solvency ratios and thresholds
- Incorporate:
    - Risk sensitivity
    - Stress testing

D) Supervisory System Design with BSA Application as foundation

- Upgrade or design system capable of:
    - Handling IFRS 17 data
    - Automated validation
    - Data analytics

Deliverables

- Draft regulatory returns and templates
- FSI framework and methodology
- Capital and solvency framework with draft regulations/guidelines.

- System design document / prototype

Acceptance Criteria

- Technical consistency with IFRS 17
- Alignment with IAIS ICP 14 & 17
- Tested using sample insurer data
- Internal validation by DOFIS

PHASE 3: IMPLEMENTATION, TESTING AND CAPACITY BUILDING (12–18 Months)

Key Activities

A) Pilot Testing

- Conduct pilot implementation with selected insurers
- Validate:
    - Data quality
    - Reporting consistency
    - System functionality

B) Finalisation of Frameworks

- Refine:
    - Regulatory returns
    - FSIs
    - Capital framework
- Incorporate stakeholder feedback

C) Training and Knowledge Transfer

- Deliver structured training programmes:
    - IFRS 17 technical concepts
    - Supervisory interpretation
    - FSI analysis
    - Capital adequacy assessment
- Develop:
    - Training manuals
    - CPD framework

D) Implementation Support

- Provide technical support during transition
- Assist with supervisory guidelines and manuals

Deliverables

- Final regulatory returns and reporting templates
- Final FSI framework
- Final Capital & Solvency Framework
- Training materials and delivery report
- **Final Project Report (including implementation roadmap)**

Acceptance Criteria

- Successful pilot results
- Full consistency with IFRS 17 reporting
- Supervisory usability confirmed
- Knowledge transfer completed
- Formal sign-off by CBL

4. Key Deliverables Summary (Milestone-Based)

Deliverable	Timeline	Acceptance Requirement
Diagnostic & Gap Report	Month 4	Approved by DOFIS
Draft Returns & FSIs	Month 6	Tested & validated
Draft Capital Framework	Month 12	Meets ICP 17 standards
Final Frameworks	Month 18	Fully approved
Training & Final Report	End of project	Capacity transferred

5. Reporting and Governance

- Consultant reports to: **Head of Insurance Supervision in DOFIS**
- Oversight: **Project Steering Committee**
- Reporting frequency:
    - Monthly progress reports
    - Quarterly steering committee presentations

6. Performance Indicators (KPIs)

- Alignment with IFRS 17 achieved
- FSIs reflect risk-based supervision
- Capital framework consistent with ICP 17
- Timely delivery of milestones
- Effective knowledge transfer

7. Payment Linked to Deliverables

Payments shall be:

- Linked to **accepted deliverables**
- Subject to:
    - Technical review
    - Formal approval

8. Confidentiality and Data Protection

The consultant shall:

- Maintain strict confidentiality of insurer data
- Comply with CBL data governance policies
- Ensure secure handling of all regulatory information

9. Required Team Composition

The consultant team must include:

- Proven Experience of working with the regulator on IFRS 17
- Ability to integrate IFRS 17 into existing technology
- Lead Consultant should be a qualified actuary who is a fellow member of a certified and verifiable actuarial body
- Accreditation with the relevant supervisory/regulatory agencies
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END