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"Island Energy For Island Life"

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TERMS OF REFERENCE

CONCEPT PAPER FOR AN ENERGY-FOCUSED CAPTIVE INSURANCE MULTI-WINDOW FACILITY FOR SMALL ISLAND DEVELOPING STATES (SIDS)

1. INTRODUCTION & BACKGROUND

The SIDS DOCK Secretariat is seeking the services of an international consultant (IC) in Climate Change Risk Management in order to support the development of an Energy-focused Captive Insurance Multi-Window Facility for Small Island Developing States. The services requested for the IC entail designing the conceptual proposal for the facility, inclusive of a review of international experience of pooling risk through funds or captives, and a major conceptual proposal of a captive insurance multi-window facility, considering the international experience and the proposal originally developed by the Alliance of Small Island States (OASIS) to the United Nations Framework Convention on Climate Change (UNFCCC) in 2008¹. The proposal should serve as the blueprint of the facility, considering all relevant activities to be performed for its implementation and operation.

About SIDS DOCK

SIDS DOCK is an initiative among member countries of the Alliance of Small Island States (AOSIS) to provide Small Island Developing States (SIDS) with a shared institutional mechanism to assist them in transforming their national energy sectors into catalysts for sustainable economic development and to help generate financial resources to address adaptation to climate change. SIDS DOCK is so named because it is designed as a “DOCKing station,” to connect the energy sector in SIDS with the global markets for finance, sustainable energy technologies and carbon.

In 2010, at the United Nations Framework Convention on Climate Change (UNFCCC) Conference of Parties meeting (COP 16), Small Island Developing States launched the SIDS Sustainable Energy and Climate Resilience Initiative - SIDS DOCK - as the SIDS-owned mechanism to bring

¹ UNFCCC, *Mechanisms to manage financial risks from direct impacts of climate change in developing countries* (21 November 2008, FCCC/TP/2008/9)

about the transformation of the SIDS energy sector, which is considered by islands as the most effective and sustainable manner to build resilience to climate change. The SIDS DOCK goal is to increase energy efficiency by 25 percent (2005 baseline) and to generate a minimum of 50 percent of electric power from renewable sources and a 50 percent decrease in conventional transportation fuel use by 2033: *Island Energy for Island Life 25-50-25 by 2033*.

The SIDS DOCK organisation was established to provide SIDS with a mechanism:

1. For coordinating the development of technical capacity, sharing of technical expertise and the provision of technical support to adaptation and mitigation activities, and sustainable development.
2. To assist SIDS transition to a sustainable energy sector through the acquisition and transfer of sustainable energy technologies and by increasing energy efficiency and conservation and development of renewable energy.
3. Through which SIDS can access investment financing from the global markets and from entities such as pension funds, and labour unions, and social responsible investment funds wanting to support sustainable energy development.
4. For participating in the global carbon market and to conduct advocacy and develop cooperative agreements with parties who wish to assist with financial resources.

It was in 2009, that SIDS DOCK Members began the process of establishing the organisation through a Memorandum of Agreement, and on 1 September 2014, the Statute Establishing the SIDS DOCK was signed by 20 states, during the Ceremony for the Opening of the Signing of the Statute Establishing the SIDS DOCK, on the margins of the United Nations Third International Meeting on Small Island Developing States, in Apia, Samoa, in September 2014. The Statute came into force on 27 September 2015, and members convened a ratification ceremony on 30 September 2015, on the margins of the 70th United Nations (UN) General Assembly, in New York, to celebrate the legal recognition of entry into force of the SIDS DOCK Treaty, recognising the establishment of the historic intergovernmental organisation vested with the full powers of the United Nations. In December 2015, on the margins of the UNFCCC COP 21, in Paris, France, the First Session of the SIDS DOCK Assembly was held, where members were elected to serve on the Executive Council. In June 2016, the First Session of the SIDS DOCK Executive Council was held in New York, where the SIDS DOCK Registration Certificate from the UN Secretary General, received on 3 June 2016, was tabled at the meeting.

Belize is the SIDS DOCK Host Country, and the Belize-based Caribbean Community Climate Change Centre (CCCCC/5Cs) is the interim host of the SIDS DOCK Secretariat.

3. SCOPE OF WORK

This Terms of Reference and Contract for Services is for a highly qualified and experienced international expert and consultant in climate change and natural disaster risk management with knowledge of the SIDS energy sector. The SIDS DOCK Secretariat will contract the International Consultant (IC).

Profile of the International Consultant (IC)

The IC should have substantial expertise and a demonstrated track record on:

- (i) Participating in modelling natural disaster and climate change risk; in particular understanding outcomes of risk modelling for financial risk structuring;
- (ii) Structuring financial risk management instruments, including captives, funds, insurance, reinsurance, cat-bonds;
- (iii) Assess financial strength and long-term sustainability of captives, insurers and reinsurers;
- (iv) Structure and terms of parametric insurance policies, including pricing;
- (v) Understanding and operating in traditional and non-traditional reinsurance markets, and;
- (vi) Working with governments to strengthen their understanding of climate change risk assessment and financial risk transfer.

An IC highly experienced in interacting with governments in SIDS and the Caribbean States is highly desirable, so too experience interacting with government in developing economies and less developed economies. English is the operating language of SIDS DOCK and deliverables should be provided in this language.

Principal Responsibilities of the IC

The principal responsibilities of the IC include Develop concept paper for captive insurance multi-window facility.

The concept paper should be developed through two stages. In the first one (see section A below), the IC will review international experience of pooling risk through funds or captives. The main outcome of this review will be the development of a comparative matrix assessing each scheme, including an evaluation of best practices in this kind of risk management structure.

In the second stage (see section B below), the IC will develop a conceptual proposal of a captive insurance multi-window facility, considering the international experience and the proposal originally developed by the OASIS to the UNFCCC in 2008. The proposal should serve as the blueprint of the facility, considering all relevant activities to be performed for its implementation and operation. The proposal should be divided into two stages: first, through a set of OASIS members (pilot island states chosen by CCREEE) and secondly, implementing the facility incorporating all OASIS members.

A. Review of International Experience

1. Review international experience in financial risk pooling for governments, in the case of climate change and natural disaster

1.1 The review will assess the following cases:

- 1.1.1 Caribbean: Caribbean Catastrophe Risk Insurance Facility
- 1.1.2 Canada: P&C Insurance Compensation Corp
- 1.1.3 Spain: Consorcio de Compensación de Seguros
- 1.1.4 USA: California Earthquake Authority
- 1.1.5 USA: National Flood Insurance Program
- 1.1.6 USA: Florida Hurricane Catastrophe Fund
- 1.1.7 USA: Louisiana Citizens Property Insurance Corporation
- 1.1.8 France: Caisse Centrale de Reassurance
- 1.1.9 Japan: Japanese Earthquake Reinsurance Co.
- 1.1.10 Norway: The Norwegian Natural Perils Pool
- 1.1.11 New Zealand: Earthquake Commission

- 1.1.12 Turkey: Turkish Compulsory Insurance Pool
- 1.1.13 Mexico, Fonden, Fondo de Desastres Naturales

2. In each case, the assessment should include an explanation about the risk transfer mechanism provided, including: risk covered, insured, coverage, premium estimation, deductibles, policy issuer, government support.
3. An assessment for pool member (for each case of section 1.1), describing how each case plays a role as the risk management instrument.
4. An assessment for each case about operation from the pool to clients (pool member) and from the pool to risk markets (insurer or reinsurers).
5. A matrix comparing each case, collecting best practices and justifying those practices taken as best practice.

B. Conceptual Proposal

The aim of this component is to provide a conceptual proposal based on the review of international experience.

1. Overview
 - 1.1. Proposal elements
 - 1.2. Feasibility assessment
 - 1.3. Funding strategy
 - 1.4. Pilot implementation
 - 1.5. Funding for adaptation projects in renewable energy and energy efficiency
2. Startup strategy considering pilot countries in the Caribbean
3. Modeling strategy
 - 3.1. Strategy to use models (own or rented) to enable quantification of catastrophe risk, considering the following aspects:
 - 3.1.1. hazard assessments;
 - 3.1.2. damage and
 - 3.1.3. vulnerability modeling;
 - 3.1.4. loss estimations;
 - 3.2. Definition of portfolio and loss calculation;
 - 3.3. Strategy for risk profile of pool member in order to show a clear picture of the key risks which each country faces in order to guide national climate change risk management.
4. Strategy on actuarial assessment
 - 4.1. Strategy for developing a Dynamic Financial Analysis model to advise the pool on policy structure and pricing to ensure pool financial survivability and long-term sustainability in line with member risk profiles;
5. Strategy on investment in securities assets
 - 5.1. Strategy for invest reserves and seed capital in securities assets, the investment returns and investment guidelines should match returns, high quality in credit risk rating of securities, duration of portfolio invested and liquidity of the facility, with insurance policies issued;

6. Event Monitoring and Reporting Strategy
 - 6.1. Define a strategy to develop a system for monitoring climate change events with a view of determining whether an event triggers a policy held by a pool member
7. Insured Relation Services
 - 7.1. Define a strategy for working with members in regard to policy issuance, renewal, and options for members, supporting the expansion of the pool to include new members.
8. Research and Development Services
 - 8.1. Define a strategy for R&D activities aimed to keep improving the loss estimation models as part of the long-term pool strategy
9. Technical Advisory on Mitigation and Adaptation
 - 9.1. Define a strategy to fund mitigation and adaptation projects to facilitate the exchange of technical, scientific and management information the topic;
10. Strategic Partnerships
 - 10.1. Define an approach to establish a country climate change risk management strategy and coordinate with international agencies or organizations in order to participate as a part of the global climate change community.

4. DURATION, COST & DELIVERABLES

The period of the performance of the contract will be from 00 Month 2017 to 00 Month 2018. The SIDS DOCK Secretariat will pay the International Consultant a one-off fee of USD 45,000, paid in the following manner and upon satisfactory completion of all deliverables:

Deliverables:

Item	Activity/Description	Due Date	Amount (USD)
CONCEPT PAPER FOR AN ENERGY-FOCUSED CAPTIVE INSURANCE MULTI-WINDOW FACILITY FOR SMALL ISLAND DEVELOPING STATES (SIDS)	a. Develop Workplan – 20% mobilization fee upon signing of contract and acceptance of workplan		5,000
	b. Review of international experience of pooling risk through funds or captives		10,000
Item	Activity/Description	Due Date	Amount (USD)

	c. First Draft - Conceptual proposal of a captive insurance multi-window facility, considering the international experience and the proposal originally developed by the Alliance of Small Island States (OASIS) to the United Nations Framework Convention on Climate Change (UNFCCC) in 2008		20,000
	d. Final Draft - Conceptual proposal of a captive insurance multi-window facility, considering the international experience and the proposal originally developed by the Alliance of Small Island States (OASIS) to the United Nations Framework Convention on Climate Change (UNFCCC) in 2008		10,000
Total			45,000

5. INTELLECTUAL PROPERTY

The SIDS DOCK represents to Consultant and unconditionally guarantees that any elements of text, graphics, photos, designs, trademarks, or other artwork furnished are owned by the SIDS DOCK, or that the SIDS DOCK has permission from the rightful owner to use each of these elements.

Consultant acknowledges the SIDS DOCK ownership of its name and logos, in any format. The Contract for Services between the SIDS DOCK shall not be construed to grant the Consultant any license to use the marks of the SIDS DOCK except in reference to work as set forth in this Terms of Reference, and in such form and manner as may be approved with the prior written consent of the SIDS DOCK. Any and all requests for use of the marks of the SIDS DOCK shall be submitted to the SIDS DOCK and will require the written approval prior to any such use.

6. CONFIDENTIALITY

During the course of the Contract for Services, the SIDS DOCK may make available to the Consultant, certain Confidential Information (as hereinafter defined) or one party may otherwise learn of Confidential Information belonging to the other party. For purposes of this Section, “**Confidential Information**” means any and all confidential or proprietary information regarding a party or its business, including, without limitation, all products, patents, trademarks, copyrights,

trade secrets, processes, techniques, scientific information, computer programmes, databases, software, services, research, development, inventions, financial, purchasing, accounting, marketing, fundraising and other information, whenever conceived, originated, discovered or developed, concerning any aspect of its business, whether or not in written or tangible form; provided, however, that the term “Confidential Information” shall not include information (i) which is or becomes generally available to the public on a non-confidential basis, including from a third party provided that such third party is not in breach of an obligation of confidentiality with respect to such information, (ii) which was independently developed by a party not otherwise in violation or breach of the Consultant’s Contract for Services or any other obligation of one party to the other, or (iii) which was rightfully known to a party prior to entering into this Contract for Services.

Except as otherwise provided herein: (i) the SIDS DOCK and the Consultant shall hold in strictest confidence any of the other party’s Confidential Information; (ii) the SIDS DOCK and the Consultant shall restrict access to the Confidential Information to those of their personnel with a need to know and engaged in a permitted use of the Confidential Information; (iii) the SIDS DOCK and the Consultant shall not distribute, disclose or convey Confidential Information to any third party; (iv) the SIDS DOCK and the Consultant shall not copy or reproduce any Confidential Information except as reasonably necessary to perform any obligations hereunder; and (v) the SIDS DOCK and the Consultant shall not make use of any Confidential Information for its own benefit or for the benefit of any third party. The foregoing to the contrary notwithstanding, the SIDS DOCK and the Consultant shall not be in violation of this subsection in the event that a party is legally compelled to disclose any of the Confidential Information, provided that in any such event the disclosing party will provide the other party with reasonably prompt written notice prior to any such disclosure so that the non-disclosing party may obtain a protective order or other confidential treatment for the Confidential Information, and in the event that a protective order or other remedy is not obtained by the non-disclosing party, the disclosing party will furnish only that portion of the Confidential Information which is legally required to be furnished.

7. NO ASSIGNMENT

The Contract for Services under this Terms of Reference may not be transferred or assigned to any other party without the express written permission of the SIDS DOCK hereto.

8. DISPUTE RESOLUTION

The Parties shall attempt to resolve amicably any disputes arising in relation to the interpretation and implementation of this Terms of Reference and Contract for Services. In the event that such resolution proves impossible, the Parties shall resolve their differences by binding arbitration in accordance with the procedures of and applying the laws of Belize. Nothing in this Terms of Reference and Contract for Services constitutes a waiver, expressed or implied, of the Recipient’s privileges and immunities under international and domestic law.

9. NO OBLIGATION

The SIDS DOCK and the Consultant acknowledge that nothing in this Agreement:

- a) Gives the SIDS DOCK and the Consultant the authority to act on behalf of the other party or gives rise to a partnership, agency, joint venture or employment relationship between the SIDS DOCK and the Consultant.
- b) Is intended to create an exclusive relationship between the SIDS DOCK and the Consultant for the purpose of undertaking any programme contemplated by this Contract for Services or any other activities that the SIDS DOCK and the Consultant undertake as a result of entering into this Contract for Services;
- c) Will imply any form of preferential treatment by a party to the other party (other than the relationship created by this Contract for Services) and the SIDS DOCK and the Consultant working together hereunder will not imply an endorsement of any third party associated with the other party.

10. PRESS/MARKETING

Any public announcements through press releases, media advisories or other similar means regarding this Contract for Services or the work of the SIDS DOCK and the Consultant hereunder shall require the prior written approval of the SIDS DOCK hereto prior to such announcements.

11. TERMINATION

The term of this Contract for Services shall commence upon the date hereof and shall continue by mutual consent of the SIDS DOCK and the Consultant, provided that the SIDS DOCK and the Consultant shall meet at least once, to evaluate the work being undertaken hereunder. This Contract for Services shall terminate upon the occurrence of any of the following conditions:

- a) Satisfactory completion of the Scope of Work and Deliverables (Items 3 and 4) under this Terms of Reference.
- b) Either party desiring to terminate this Contract for Services shall provide written notice to the other party hereto in 30 calendar days.

12. AMENDMENT

Modifications within the scope of this Terms of Reference and Contract for Services shall be made by formal consent of the SIDS DOCK and the Consultant, by the issuance of a written modification, signed and dated by the SIDS DOCK and the Consultant, prior to any changes becoming effective.

IN WITNESS WHEREOF, the authorized representatives, have signed this Terms of Reference and Contract for Services:

SIDS DOCK SECRETARIAT

CONSULTANT

Date:

Date: