



KENYA REINSURANCE CORPORATION LTD

ADDENDUM 1

Pursuant to section 75 of the PPADA 2015, Kenya Reinsurance Corporation Limited wishes to clarify to various aspects of the tender **REQUEST FOR PROPOSAL FOR PROVISION OF CONSULTANCY SERVICES TO REVIEW AND ENHANCE THE CORPORATION'S CAPITAL ADEQUACY MODEL AND FRAMEWORK- KRC/2026/2814/203.**

Section No.	Clarification	KenyaRe Response
5.2(b)	<p>Benchmark the current internal capital model with the global best models in capital management, especially the ICMs that meet expectations of the rating agencies (A.M Best and GCR) and regulators in the Corporation's chosen markets.</p> <p>Q1 - When was the Corporation's capital adequacy framework last formally reviewed and approved? Please include details of the review scope, governance, and any external validation (if applicable).</p>	<p>Review and approval was last done in the year 2023. The review of current internal capital model with the global best models in capital management, especially the ICMs that meet expectations of the rating agencies regulators in the Corporation's chosen markets. It will include recalibration, reparameterization and validation that it is fit for purpose based on the legal requirements and benchmarked models.</p>
5.2(e)	<p>Integrate the Capital Adequacy Framework to other existing internal models in the Corporation to avoid duplication of effort and harmonize outputs (these will be shared with the successful consultant).</p> <p>Q1 - What is the current maturity and implementation status of the Capital Adequacy</p>	<p>Q1- No available maturity assessment done on the model</p> <p>Q2 – The model is aligned with the CAF</p> <p>Q3 – There are existing models on Financial, actuarial and investment related modelling. Details will be availed with the winning firm</p>

	<p>Framework within the Corporation?</p> <p>Q2 - To what extent are the existing internal models aligned with the principles, assumptions, and requirements of the Capital Adequacy Framework?</p> <p>Q3 - Which internal models and systems have been identified for integration with the Capital Adequacy Framework</p>	
5.2(f)	<p>Develop and apply a methodology that the Corporation can use to allocate / reallocate capital to business lines and/or business units.</p> <p>Q1 - Does the Corporation currently have an established approach or methodology for allocating and reallocating capital across business lines and/or business units</p>	Q1 – the consultant to develop and apply
5.2(h)	<p>Validate the assumptions and parameters of the internal capital model to ensure the model adequately quantifies risks and the relevant economic capital. Output of the foregoing, to be used to calibrate/update the existing internal capital model. The model should also be aligned with the Corporation’s risk appetite, expectations of rating agencies as well as regulatory requirements in Kenya, Zambia, Uganda and ivory Coast.</p> <p>Q1 - Which key assumptions and parameters within the internal capital model are expected to be validated as part of this exercise (e.g., probability of default, loss given default, correlations, diversification effects, stress scenarios, confidence levels, base mortality and</p>	<p>Q1- This will be availed at the engagement stage</p> <p>Q2 – To be agreed upon at engagement stage</p> <p>Q3 – this was done in year 2023, further details to be availed at engagement level.</p>

	<p>longevity)</p> <p>Q2 - What is the current process of independent validation/peer review of these assumptions and parameters?</p> <p>Q3 - When was the last validation or review conducted, and what were the key findings or gaps identified?</p>	
5.3(b) (ii)	<p>A redesigned internal Capital model based on IFRS 17 and IFRS 9 reporting standards and any other standards or guidelines. Q1 -Have you implemented IFRS 17 and IFRS 9 standards already. What other reporting guidelines the internal model should align to?</p> <p>Q1 -Have you implemented IFRS 17 and IFRS 9 standards already. What other reporting guidelines should the internal model align to?</p>	<p>Q1 – Yes. Any other details to be agreed/availed at engagement stage</p>
5.3(b) (v)	<p>A stress testing and scenario analysis supported by model outputs of all plausible events that would lead to capital thresholds breach and pre-agreed remediation plans/recommendations to address the breaches. Where agreements are required with the shareholder, support in drafting the documentation.</p> <p>Q1 - We understand that stress scenarios and plausible events will be provided by Kenya Re. Could you please elaborate on the scope, level of detail, and categories of scenarios/events that will be shared for the stress testing and scenario analysis exercise?</p>	<p>Q1 – Consultant to guide through based on model outputs all plausible events that would lead to capital thresholds breach and pre- agreed remediation plans/recommendations to address the breaches. Where agreements are required with the shareholder, support in drafting the documentation. Any other detail will be availed at engagement stage.</p>

5.3 (e)	<p>Support and prepare the Corporation own risk and solvency assessment (ORSA) and present the report to the management and Board. Ensure capacity building to the internal teams to prepare and update the ORSA going forward.</p> <p>Q1 - Does the Corporation currently have an existing ORSA (Own Risk and Solvency Assessment) framework, application, or documentation in place? If so, could you please share details on its scope, structure, and current level of maturity?</p>	<p>Q1 – No. The consultant to support and prepare the ORSA and present the report to the management and Board. Ensure capacity building to the internal teams to prepare and update the ORSA going forward.</p>
5.3 (f)	<p>Run model outputs using the budget projections and the strategic plan projects for 3 years and advise on the use of the model in strategic planning and budgeting. Assist set the Budget solvency position Key Performance Indicators (KPIs). Q1 - Are the budget projections and strategic plan inputs expected to be forward-looking (future 3-year horizon), or should the modelling also incorporate historical data/back-testing using past years? That are we expected to run the ICM for 3 planning cycles after the project? or is this a backtesting where we test the deployed ICM with past 3 years planning projections?</p> <p>Q2 - To what extent are budgeting and strategic planning assumptions currently integrated into the ICM (e.g., premiums, claims, investment strategy, capital actions)?</p> <p>Q3 - Are there existing solvency-related KPIs used in budgeting and planning, or will these need to be defined from scratch?</p>	<p>Q1- both</p> <p>Q2 – Not fully integrated, The consultant to provide further guidance on the integration</p> <p>Q3 – some are define and more will also be proposed by the consultant and developed from scratch</p>

5.3 (g)	<p>Guide on the use of the model in retrocession purchase and management of the retro program.</p> <p>Q1 - What is the Corporation's current approach to retrocession purchase and management (e.g., decision-making process, tools/models used, key metrics considered such as risk transfer, capital relief, cost of retrocession)?</p> <p>Q2 - Should the ICM be calibrated to incorporate both current portfolio exposures and forward-looking business projections (including growth, underwriting plans, and investment strategy) to inform retrocession strategy?</p>	<p>Q1- To be availed at the engagement stage due to the level of detail.</p> <p>Q2 - Yes</p>
	<p>Capital modelling</p> <ul style="list-style-type: none"> • Please confirm whether the scope only includes the validation (and Gap analysis) of your existing model, or an entire rebuild of your capital model along with the submission of results generated from the model; parts of the scope indicate an entire model rebuild is required and we want to confirm our understanding • Please provide details of your existing model i.e., tool(s) used to build this, standards followed and areas you believe it to fall short, where relevant 	<p>Yes, it is gap analysis and entire rebuild and outputs is required. The tools and model documentation is available and will be availed at the engagement stage.</p>

The addendum has been sent to all bidders who have so far downloaded the respective tender documents. Any bidder who has not received their relevant addendum may download the same from the Kenya Re website www.kenyare.co.ke. All other conditions and requirements in the respective principal tender documents remain the same.

Prospective bidders may download the principal tender document from the Kenya Re website www.kenyare.co.ke free of charge

