

1. Terms of Reference for consultants- MOLDOVA Strengthening Insurance Supervision

Two consultants will be required for this project. Both should have an expertise in insurance regulation and have experience working in the region. The consultant to work on the first component should have experience training insurance regulators and have extensive knowledge of risk-based insurance supervision and authorisation requirements. The second consultant should have expertise in TPL insurance markets and supervision.

a. Recipient's arrangements

At the beginning of the project the consultants will agree with the Recipient and FIRST, specific arrangements for co-operation with staff members of the Inspectorate and the Ministry of Finance.

b. Licensing requirements and training

The consultant will work closely with the Inspectorate and liaise as necessary with other government departments and agencies and reporting to the Ministry of Finance. The consultant will undertake the following activities:

- Examine and review the existing and planned authorisation (licensing) criteria/procedures and report on their adequacy in terms of the exercise of prudential supervision by the Inspectorate
- Draw up a detailed manual of internal authorisation criteria/procedures for use by the Inspectorate in the application of appropriate prudential standards for the processing and evaluation of applications for the authorisation (licensing) of insurers and for the granting of such authorisation. Such criteria/evaluation should include, but not be restricted to, business plans (including solvency and ratio projections and scenario testing), management structure, "fit and proper" requirements, corporate governance and internal controls, reinsurance and authorisation conditions
- Prepare an information paper/set of guidelines, which is to be a public document, setting out the prudential criteria and administrative procedures that will need to be satisfied/complied with prior to a decision for granting authorisation (licensing) being made
- Provide instruction and training to relevant staff of the Inspectorate in the application and use of the manual (including the supervisory criteria embedded in the manual)
- Evaluate staffing needs and medium term training needs and make appropriate recommendations
- Organise a workshop with the industry to present the new licensing requirements and answer queries
- Provide hands-on help in implementing the licensing requirements during the following two months.

c. Strengthening the TPL insurance market and supervision

The second consultant will work closely with the Inspectorate, consult with individual insurers, liaise with appropriate insurance market representative bodies, and report to the Ministry of Finance:

- Examine and review the motor insurance market, with particular reference to motor TPL
- Meet with the industry stakeholders to identify key issues facing the TPL market
- Examine and review the legal framework of the motor insurance business and the mechanisms used by individual insurers, market participants, and government regulators to identify and rate (i) TPL motor insurance risks and (ii) non-TPL motor insurance risks.
- Develop with the Inspectorate and market representatives, a risk-based statistical model/methodology to rate motor TPL risks that can be used to develop appropriate recommendations to Parliament for tariff pure risk premiums
- Determine, with the Inspectorate and in consultation with the appropriate market body, requirements for claims reserving for motor TPL insurance risks and guideline requirements for motor claims reserving generally
- Determine, with the Inspectorate and in consultation with the appropriate market body, requirements for centralising and streamlining record keeping/data storage/information systems in respect of individual insurers' motor TPL risks
- Design with the Inspectorate, in close consultation with the appropriate market bodies, a format for periodic insurer returns to the Inspectorate to facilitate the operation of the motor TPL risk-based tariff rating model
- Provide an internal working manual for the Inspectorate on the nature, design and operation of the motor TPL risk based tariff rating model
- Design, with the Inspectorate and in consultation with the appropriate insurance market body, a detailed information paper, to be circulated to insurers, explaining
 - The nature and operation of the risk based motor TPL tariff rating model,
 - The requirements for periodic returns to the Inspectorate regarding motor TPL risks
 - The requirements for individual insurer claims reserving for motor TPL risks
 - The suggested requirements for motor claims reserving general
- In consultation with the Inspectorate, relevant market bodies and the insurance industry; design and execute a one-day seminar programme on modern approaches to motor insurance underwriting to include the proposed new reporting/reserving requirements for motor TPL risks and international standards for the underwriting and reserving of motor insurance generally
- Provide an outline appraisal of the problem of uninsured drivers and the implications for the management of the guarantee fund administered by the National Association of Insurers (ARCA)
- Provide approx. 10 days hands-on support during the following three months

All reports will be produced in both English and Romanian.

2. Project cost and beneficiary contribution

The total cost of the project is estimated at US\$249,000, consisting of US\$196,000 for consulting fees and US\$30,900 for reimbursables.