



Terms of Reference for the Services of Asset Manager

1.0 Background

In 2007, the Caribbean Catastrophe Risk Insurance Facility (CCRIF) was formed as the first multi-country risk pool in the world, and was the first insurance instrument to successfully develop parametric policies backed by both traditional and capital markets. It was initially designed as a regional catastrophe fund for Caribbean governments to limit the financial impact of devastating hurricanes and earthquakes by quickly providing financial liquidity when a policy is triggered.

Effective June 1, 2014, CCRIF was restructured into a segregated portfolio company (SPC) and renamed CCRIF SPC (“the Facility”) in order to broaden both its natural disaster risk insurance products and its geographical reach. The Facility currently has established the following Segregated Portfolios (SPs):

- a) CCRIF SPC on behalf of EQ-TC SP
 - Providing Earthquake and Tropical Cyclone Policies for Caribbean Governments
- b) CCRIF SPC on behalf of Caribbean XSR SP
 - Providing Excess Rainfall Policies for Caribbean Governments
- c) CCRIF SPC on behalf of Caribbean Public Utilities SP (CPU SP)
 - Providing Tropical Cyclone Policies for electric utilities against loss of overhead transmission and distribution infrastructure
- d) CCRIF SPC on behalf of Central America SP
 - Providing Earthquake, Excess Rainfall and Tropical Cyclone Policies for COSEFIN Governments.
- e) CCRIF SPC on behalf of COAST SP
 - Providing fisheries insurance coverage for Caribbean Government against the effects of tropical cyclones
- f) CCRIF SPC on behalf of CWUIC SP
 - Providing multi-peril Tropical Cyclone and Excess Rainfall Policies for water utilities in the Caribbean

The Caribbean EQ-TC, XSR, and Loan Portfolio Cover SPs and their respective assets are owned by the CCRIF STAR Trust. The CWUIC SP and CA SP and its assets are owned by the CWUIC SP STAR Trust and the Central America STAR Trust respectively.

In April 2015, CCRIF signed an MOU with COSEFIN - the Council of Ministers of Finance of Central America, Panama and the Dominican Republic - to enable Central American countries to formally join the CCRIF. Expansion of membership into Central America has the potential to diversify the risk portfolio, and improve access to reinsurance markets, hence reducing the cost of risk transfer and allowing these benefits to be passed on to its members.

CCRIF offers earthquake, tropical cyclone and excess rainfall policies to Caribbean and Central American governments. CCRIF helps to mitigate the short-term cash flow problems small developing economies suffer after major natural disasters. CCRIF's parametric insurance mechanism allows it to provide rapid payouts to help members finance their initial disaster response and maintain basic government functions after a catastrophic event.

CCRIF was developed under the technical leadership of the World Bank and with a grant from the Government of Japan. It was capitalized through contributions to a multi-donor Trust Fund by the Government of Canada, the European Union, the World Bank, the governments of the United Kingdom and France, the Caribbean Development Bank and the governments of Ireland and Bermuda, as well as through membership fees paid by participating governments.

Nineteen Caribbean governments are currently members of the facility: Anguilla, Antigua & Barbuda, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Dominica, Grenada, Haiti, Jamaica, Montserrat, St. Kitts & Nevis, Saint Lucia, Saint Vincent & the Grenadines, Sint Maarten, Trinidad & Tobago and Turks & Caicos Islands. Nicaragua was the first Central American government to become a CCRIF SPC member. Panama, Honduras and Guatemala have since joined the facility.

CCRIF SPC is registered in the Cayman Islands with a Board of Directors which is responsible for governance and the strategic direction of the company and a Chief Executive Officer with responsibility for managing the company on a day-to-day basis, with the support of a Chief Operations Officer. It operates largely as a virtual organisation, supported by a network of service providers covering the areas of risk management, risk modelling, captive management, reinsurance, reinsurance brokerage, asset management, technical assistance, and corporate communications and information technology. The following graphic depicts the organizational structure of the Facility.

The Asset Manager plays a pivotal role in income generation. CCRIF may engage the services of one or more Asset Managers. With the approval of the Board, investment guidelines may vary between Asset Managers, depending on the specific needs and characteristics of the owner of the portfolio under management. The Asset Managers are responsible for ensuring portfolio security and preservation of capital, adequate liquidity and adequate returns. CCRIF currently has two asset managers, and the role is retendered every 10 years.

The aggregate portfolio under management will usually range between US\$30 million and US\$200 million and will be managed through multiple Segregated Portfolios. The minimum portfolio of a Segregated Portfolio is estimated to be US\$5 million. Funding sources managed by the Asset Managers will include premiums paid to the Facility by participating Governments for parametric

insurance against catastrophic events, monies received by the Facility as capital contribution, and any others assigned by the Board.

2.0 Goal

The goal of this re-render process is to select a suitably qualified and duly licenced firm with the requisite reputation, experience and competence to serve as Asset Manager for part of CCRIF SPC's investment portfolio. The investments may be in the full range of equity and fixed and variable rate debt instruments, directly or via collectives in order to maximize returns through both income and capital appreciation, in accordance with CCRIF's Investment Policy.

3.0 Objectives

Performance Management: The key objective of the engagement is to ensure that the CCRIF portfolio preserves capital and achieves absolute growth through a combination of investment income and capital appreciation in equity and fixed and variable rate debt instruments issued by sovereign and non-sovereign organisations, both directly and via collective products. The performance objective for the portfolio is to match or exceed the performance of the benchmark, net of fees.

Portfolio Risk Management: The portfolio will actively use a combination of quantitative and qualitative risk management tools to preserve capital, enhance returns and control volatility.

Compliance: The Asset Manager must act in full compliance with CCRIF's Investment Policy.

The Asset Manager will be subject to the regulatory regime in its country of residency. The Asset Manager will be obliged, however, to notify the Facility of any breaches of regulations that may directly or indirectly affect the Facility's investment portfolio so that the Directors may take appropriate steps to safeguard the Facility's assets and reputation.

Asset Managers are required to comply with CIMA's Statement of Guidance on Asset Management and Investment Strategy for Insurance Companies. CCRIF's procedures for regulatory and anti-money laundering compliance apply equally across the entire Facility including all of its SPs and all service providers.

The Asset Manager must comply with the World Bank's Anti-Corruption Guidelines (ACG). This will require (i) sharing all relevant information on fraud and corruption allegations, and access to the Asset Manager's records to the World Bank for inspection or audit by itself or by an independent auditor satisfactory to the Bank; and (ii) in case of fraud and corruption, terminate the contract and request restitution.

4.0 Scope of Work

CCRIF retains the service of asset managers to invest the assets of the Facility and those held by the individual SPs. The primary responsibility of the Asset Manager is to ensure the security and preservation of the respective entities' capital, adequate returns thereto, and liquidity adequate to meet needs arising from projected Policy payouts and other requirements.

The principal tasks performed by the Asset Managers will be as follows:

- a. In consultation with the CEO and Facility's Board, identify, establish, and maintain appropriate third party (*i.e.* separate from the Asset Managers themselves) custodial arrangements for all invested assets.
- b. Assist the Investment Committee, as it may from time-to-time request, to review and, if necessary, recommend modifications to CCRIF's Statement of Investment Guidelines for the Board's approval.
- c. Manage the assets entrusted to them in accordance with the Facility's Statement of Investment Guidelines, their Discretionary Management Agreement, and other such instructions as may from time to time be approved by the Facility's Board and communicated to them in writing.
- d. Provide monthly summary statements of investment performance and detailed quarterly reports to the Facility's Board including:
 - i. Performance against benchmark for period under review and since inception;
 - ii. Sharpe Ratio Risk Criteria;
 - iii. Net Asset Value; and
 - iv. Statement of changes in Net Asset Value.
- e. Provide management with a summary of the projected portfolio performance to be used in the budgeting process.
- f. Be alert to market and regulatory developments and recommend to the Investment Committee of the Facility's Board any modifications to the Statement of Investment Guidelines that may be desirable and, if requested by the Committee, support the Committee in preparing recommendations for such modifications for the Board's consideration.
- g. Observe the Statement of Guidance on Asset Management & Investment Strategy for Insurance Companies.

In the day-to-day execution of their duties, the Asset Managers will liaise with the Insurance Manager.

Errors and Omission

As part of the contract to be signed, the Asset Manager will be liable for losses related to errors or omissions in rendering professional services.

Reporting

- Provide clear, accurate reports as detailed above to management within 3 working days following the reporting period. To facilitate investment reporting, the Asset Manager will ensure that the Custodian Bank and the Asset Manager's reports are reconciled on a monthly basis.
- Provide information in a format as required for accounting purposes.
- Adopt a collaborative approach with the other asset manager(s) regarding ways to improve investment performance and in particular, the format of board reports to ensure that both asset managers are using the same basis of calculation of ratios when reporting investment performance. Board reports are due within 3 working days following the reporting period.

Meetings

- The Asset Manager must be available to attend Board Meetings. At Board meetings, and as necessitated by the market or the Board, presentation of a summary of the market, a recap of key developments over the reporting period, the current drivers to portfolio performance and volatility, and an outlook for the coming period. The Asset Manager must provide information on market risks and the overall investment strategy. Through liaising with the other Asset Manager/s in CCRIF SPC, presentations must be comparable as far as possible.
- From time to time, the Asset Manager will provide management with an in depth risk-based analysis of the market and portfolio. The aim is to enable the Board to be satisfied that the risk allowance enabled by the IPS is suitable for the portfolio, and to make informed decisions based on recommendations.
- The Asset Manager will be required to conduct meetings with the Custodian bank, service providers, Board members, management and associates in order to fulfil the terms of engagement.
- Liaise effectively with the auditors to supply information requested and other additional information that may be pertinent to the audit regarding the investment portfolio and inherent risks.

5.0 Duration of Assignment

The contract shall be extended or terminated at the discretion of the Board of Directors pursuant to the contract.