



## Government of Lesotho

### THE MINISTRY OF FINANCE AND DEVELOPMENT PLANNING

#### **Actuarial services for the establishment of the Third-Party Motor Vehicle Accident Compensation Fund.**

##### **Background**

The Government of Lesotho, through the Ministry of Finance and Development Planning, is transitioning from an insurance-based model to a fund-based model for third-party motor vehicle accident compensation. This transition requires the development of a legal instrument, a fund structure, and regulations governing compensation, MVA levy rates, and overall fund management.

To ensure the financial sustainability and integrity of the new fund, the Ministry requires expert actuarial services to assess the risk profile, determine compensation levels, and advise on appropriate rates.

**The Terms of Reference (TOR)** will be obtainable at Ministry of Finance and Development Planning Procurement Unit, Room 2010 from 22 December 2025 and at [www.finance.gov.ls](http://www.finance.gov.ls).

Respondents must possess the necessary technical expertise to undertake the proposed scope of work.

##### Proposal Submission

Respondents are required to submit their proposals in the following format:

- The proposal should be typed, with clear headings and page numbers.
- The proposal should be written in English.
- The proposal should provide experience of performing similar work and qualifications.

##### 1.1.2 Deadline for Submission

Proposals must be submitted not later than **24 February, 2026**. Late submissions will NOT accepted.

##### 1.1.1 Clarification and Inquiries

Clarifications and enquiries should be made in writing to;

[George.senauoane@gov.ls](mailto:George.senauoane@gov.ls)

The Secretary

Procurement Committee

Ministry of Finance and Development Planning

Email: moipone.ramollo@gov.ls

##### **INSTRUCTION FOR SUBMISSION**

The consultant should submit the proposal in one original and four copies in sealed envelopes clearly marked "**Actuarial services for the establishment of the Third Party Motor Vehicle Accident Compensation Fund**"

. One original and 4 copies envelopes should be in one big envelope or container, marked as above and delivered to the following address:

Finance House tender box situated at 3<sup>rd</sup> Floor, Government Complex not later than **24 February, 2026 on or before 1200hrs**. Proposals will be opened in the presence of bidders or their representatives who choose to attend at **1430hrs** on the same day (**24 February, 2026**) at 3<sup>rd</sup> Floor, Ministry of Finance Tender Board Room.

Please note that all costs associated with the preparation and submission of the proposal will be borne by the consultant.

This tender will be awarded by the Ministry of Finance and Development Planning Procurement Committee. **Bidders must however, note that awarding of this tender will be subject to an agreed contract**

**The Ministry also reserves the right to cancel the tenders before submission/opening OR postpone the tender submission/opening dates and to accept/reject any or all tenders without assigning any reasons thereof. The Ministry is not bound to accept the lowest or any bid**

## **Terms of Reference (ToR)**

Actuarial Services for the Establishment of the Third-Party Motor Vehicle Accident Compensation Fund - Ministry of Finance and Development Planning, Government of Lesotho

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### **1. Background**

Since independence in 1966, Lesotho has experienced significant expansion of road infrastructure and an increase in motor vehicle usage, resulting in a steady rise in motor vehicle accidents with substantial social and economic costs.

Initially, compensation for motor vehicle accidents was governed by common law and the law of delict, requiring victims to claim damages directly from negligent drivers. This system proved unsustainable due to drivers limited financial capacity and the high cost of litigation.

In 1972, the Government introduced compulsory motor vehicle insurance. However, noncompliance and inadequate premiums limited the scheme's effectiveness. In 1989, the Government replaced premium based insurance with a fuel levy to provide more reliable funding for third party compensation under a statutory framework.

Despite these reforms, the rising number of vehicles and claims continues to strain the system. To ensure sustainability, efficiency, and alignment with international best practices, the Government has drafted the Third Party Motor Vehicle Accident Compensation Fund Bill, which seeks to repeal the Motor Vehicle Insurance Order No. 26 of 1989 and establish a dedicated compensation fund.

This transition requires:

- An enabling legal framework
- A well structured fund
- Regulations governing compensation, benefit levels, contribution (premium) rates, and overall fund governance and management

### **2. Fund Source of Revenue**

The Fund will be primarily financed through:

- Oil levies
- Vehicle registration fees

- Other statutory contributions

To ensure long term sustainability, accurate liability estimation, fair compensation, and integrity of the fund, the Ministry requires expert actuarial services to:

- Design and cost the fund
- Assess risk profiles
- Determine compensation levels
- Advise on appropriate contribution (premium) rates

### **3. Objective of the Assignment**

The main objective is to provide actuarial analysis and recommendations for establishing the Third-Party Motor Vehicle Accident Compensation Fund, focusing on its sustainability, adequacy, and long term viability.

Specific Objectives include:

- (a) Determine/propose an appropriate benefit structure and compensation limits
- (b) Assess funding options and contribution mechanisms
- (c) Advise on solvency and long term financial viability under multiple scenarios
- (d) Provide recommendations on actuarial governance, legislative framework, and operational design

### **4. Scope of Work**

The actuary shall undertake, but is not limited to, the following tasks:

#### **4.1 Fund Design & Sustainability**

- Conduct actuarial modelling to determine the long-term financial sustainability of the fund
- Analyse expected claim frequencies, severities, and trends for third-party motor vehicle accidents
- Assess adequacy of anticipated cash flow, project future liabilities, and recommend reserves and solvency margins under different scenarios

#### **4.2 Contribution and Benefit Rate Determination**

- Determine appropriate contribution/premium rates to fund long-term liabilities
- Recommend a pricing structure balancing affordability, fund sustainability, and fair compensation
- Assess loading factors including administrative costs, risk margins, and inflation adjustments

### **4.3 Compensation Framework**

- Develop a compensation model including injury classification and benefit limits
- Advise on compensation levels, claiming procedures, and eligibility criteria
- Provide benchmarks from comparable jurisdictions

### **4.4 Risk Assessment/Management & Reinsurance Options**

- Identify key financial and actuarial risks and develop a risk profile based on vehicle categories, accident trends, and demographic factors
- Assess high risk segments and recommend mitigation measures
- Advise on mechanisms to reduce fraud, abuse, and moral hazard

### **4.5 Regulatory & Legal Support**

- Provide actuarial input into drafting the Fund's legal instrument, regulations, and governance structures
- Ensure compliance with international actuarial standards and best practice
- Support consultations with stakeholders, including insurers, transport sector, and legal bodies
- Align Fund operations with international best practices

### **4.6 Reporting & Capacity Building**

- Conduct a workshop to brief Ministry staff on key findings and build internal capacity

## **5. Deliverables**

1. Inception Report – summarising methodology, data needs, and timelines (within 2–3 weeks of contract signing)
2. Actuarial Data Assessment Report – assessing data quality, gaps, and limitations
3. Draft Actuarial Report – including financial models, assumptions, and scenario analysis
4. Final Actuarial Report – incorporating feedback with detailed recommendations on fund design, contribution rates, compensation levels, and governance
5. Workshop Report – summary of training and capacity building activities

## **6. Duration of Assignment**

The assignment is expected to be completed within 10–12 weeks from the date of contract signing.

## **7. Required Expertise**

The actuary or firm should demonstrate:

- Professional actuarial qualification (FIA, ASA, or equivalent)
- Experience in motor vehicle accident compensation funds
- Expertise in fund design, solvency assessment, and contribution rate setting
- Knowledge of regional and international best practices
- Experience in legal, regulatory, and governance frameworks for public funds

## **8. Reporting and Supervision**

- The actuary will report to the Ministry of Finance and Development Planning, in coordination with the Ministry of Public works and Transport(Road Safety and Transport Policy Unit)
- The Ministry will provide historical accident and claims data, financial records, and stakeholder contacts for consultation

## **9. Confidentiality and Compliance**

- All data, models, and analysis are confidential and remain the property of the Government of Lesotho
- The assignment must comply with international actuarial standards and good practice