



CONTRACTS COMMITTEE SUBMISSION

Confidential

Part B – Contract Award

Date: 3rd June 2022

Category		Contract ID:	CW546357
Contract Title:	SPDC JV Operational Insurance [July 2022-June 2025]		
HSE Mode & Risk	Low Risk, Mode 3		
Agenda Item	(TB secretary to complete)		
Proposed Authorized Contract Value (ACV)	\$793,773 per annum; Cumulative \$ 2,381,390 for 3years	Segmentation (Click here to access tool)	Operational
Proposed expenditure while pending NAPIMS approval	\$793,773		
Start & End dates	01/07/2022 30/06/2023 both days inclusive	Duration	1 year
		Extension options	1 year + 1 year

PURPOSE**To seek approval from CC:**

- Award contract for the Provision of SPDC JV Operational Insurances, medical Professional Indemnity and Shell Offices Occupiers Liability Insurance (100%) to the lead underwriter – Aiico Insurance PLC - for a period of 3 years renewable annually (1 + 1 + 1) subject to favourable terms and conditions.
- The initial ACV (Gross Premium) for the first policy year (1st July 2022 – 30th June 2023) shall be **US\$793,773 (SPDC JV \$791,038 and medical PI & Ocd \$2,735)** which includes broker's fee, NCDMB and NAICOM levy and brokers fees. **See attachment 5 – Summary of Commercial Negotiation**
- Implement the contract in SAP and pay the sum of \$793,773 to Aiico Insurance PLC being the Gross premium for the first policy year while waiting for NAPIMS approval but subject to LDL approval.
- Renew contract with the lead underwriter for the subsequent 1 +1 years if the rates, terms and condition remain the same or lower with signoff by line and CP without recourse to the MCB/CC.

Stakeholders Endorsement:

	Procurement Manager	Contract Owner
	Reviewed and approved for CC and confirms: <ol style="list-style-type: none"> 1. Alignment with approved Category Strategy (& Global Category Strategy where applicable) 2. Compliance with the NOGICD Act & Community Content commitments. 	Reviewed whole submission and confirms support from: <ol style="list-style-type: none"> 1. Finance [Abdulazeez Muritala] - for the financial aspects of the submission, including adequate budget cover/JV Partner approval to ensure full cost recovery/approved GIP in place (if applicable) 2. HSSE [Adams Collins] - HSSE consideration and requirements are met
Signature		
Name	YEMI ABODERIN	WOLE AKINYOOYE
Date		

Approval:

	CC Chairman
Signature	
Name	
Date	

Declaration:

Signatories to this submission acknowledge that they have read and understood the Conflict of Interest Policy in SEPCiN and that they do not have any direct or indirect arrangement or relationship with any other person or company that breaches the requirements of that Conflict of Interest Policy, or that they have fully disclosed any potential Conflict of Interest to the Contract Owner, CP Manager and the Supply Chain Council/Tenders Board.

SECTION A: CONFORMANCE TO CONTRACT PLAN (PART A)

APPROVAL REFERENCES

On 13th August 2021, CC Approved Part A Strategy. *See attachment 1*

On 10th March 2022 Technical evaluation was concluded by NAPIMS and SPDC. *See attachment 4*

On 30th March 2022, NCDMB technical evaluation Report was received. *See attachment 3*

On 19th April 2022, Part A2 - Technical Evaluation Results was approved by Line and CP. *See attachment 2*

BACKGROUND

Part A – Contract Strategy - for the Provision of SPDC JV USD Operational Insurance (2022-25) USD was approved by the CC on 13/08/2021 (See attachment 1). After placing adverts in the national dailies and on NIPEX, Technical ITT was published to Bidders via NipeX portal on 09/02/2022 with a bid closing date of 22/02/2022.

The bids were opened on 24/02/2022 with SPDC, NAPIMS and NCDMB in attendance. Out of the 44 bidders that were issued technical ITT, 30 submitted technical bids via NipeX.

Joint technical evaluation conducted by SPDC and NAPIMS was concluded on 10/03/2022 (See attachment 4) while NCDMB technical evaluation report received on 30th March 2022.(See attachment 3).

At the end of the exercise, Twenty-three (23) bidders out of the thirty (30) bidder that submitted their bids achieved the pass mark of 60% with Aiico insurance PLC scoring the highest mark of 100% in the evaluation exercise, and Custodian and Allied Insurance Ltd scoring the second highest mark of 99% in the evaluation exercise (See attachments 2 & 4). The difference of 1% between the highest Aiico and the 2nd highest (Custodian) bidders was on account of Custodian's Staffing ratio, which was less than 200 personnel. The staffing criteria measures the bidders capacity to adequately handle shell's day-to-day operations and requests.

The following Three (3) tenderers were fatal flawed for the reasons stated below:

S/N	Bidder	Technical Evaluation Assessment	Comment
2	Heirs Life	Fatal-flawed	Heirs Life - No NAICOM approval of annual return, No 3 years published FS, No VAT certificate/remittance
3	Saham Unitrust Insurance Nig Ltd	Fatal-flawed	No VAT certificate/remittance
4	Veritas Kapital Assurance PLC African Alliance	Fatal-flawed	No certificate of incorporation, 2020 Financial statement was not endorsed by auditor, No VAT/ remittance.

The following 4 tenderers failed the Technical Evaluation exercise:

S/N	Bidder	Technical Evaluation Score	Comment
	FIN Insurance Company Ltd	58%	FIN did not score up to 60% cut off
	Great Nigeria Insurance PLC	51%	Great Nigeria did not score up to 60% cut off
	Guinea Insurance PLC	48%	Guinea did not score up to 60% cut off
	Sunu Assurance Nigeria PLC	47%	Sunu did not score up to 60% cut off

Thus twenty-three (23) bidders passed both NAPIMS/SPDC technical evaluations.

The approved contract strategy (see attachment 1) is for the highest scoring bidder in the technical evaluation to be selected as the lead underwriter, leading a consortium made up of all the other technically qualified bidders. Based on the outcome of the evaluation exercise, AIIICO INSURANCE PLC, the bidder with the highest technical evaluation score of 100%, was therefore proposed as the lead insurer/underwriter, while the other twenty-two (22) insurance companies that passed the technical evaluation exercise were recommended as co-insurers.

Aiico insurance PLC was thus issued commercial ITT, following which negotiations were held virtually with the the foreign broker, local lead underwriter, other partners, local broker, SPDC Insurance and CP Team and Shell International Risk manager on 26th and 30th May 2022.

This award proposal summarises the outcome of the negotiation and seeks approval of the contract to the lead local underwriter – Aiico Insurance PLC for a period of 3 years starting with 2022/2023 policy and renewable annually subject to favorable terms and conditions.

CHANGES FROM STRATEGY

There are no changes from approved strategy.

SUMMARY OF VALUE CONTRIBUTION

State N/A where not applicable. Only applicable to contracts with direct impact on production. Do not use total Bonga/Field production numbers unless the contract can result in complete shutdown of the field.

	Benefit	Losses
Safety	N/A	N/A
Production – Oil ('000 b/d)	N/A	N/A
Production – Gas (mscf/d)	N/A	N/A
Reserves (mboe/d)	N/A	N/A
Flares reductions (mscf/d)	N/A	N/A

Cost Saving	USD31,410.98	N/A
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SECTION B: RESULTS AGAINST AGREED CRITERIA

TECHNICAL EVALUATION

Technical evaluation was conducted for 30 bidders. Twenty-three (23) passed, Three (3) were fatal-flawed and Four (4) failed. (See Part A2 attachment 2). Based on the approved contract strategy, the bidder with the highest technical evaluation score was to be awarded the role of Lead insurer. Aiico Insurance PLC scored the highest (100%) in the technical evaluation exercise and was therefore selected as the lead underwriter to lead a consortium made up of all the other technically qualified bidders.

See Attachment 2 – Part A2 & Attachment 4 (Technical evaluation results) for more details about the technical evaluation

COMMERCIAL EVALUATION

The commercial evaluation for SPDC JV operational insurance for the policy period 01 July 2022 to 30 June 2023 held virtually on 26th and 30th May 2022.

Evaluation:

The Commercial bids were received by Lockton Companies LLP from the bidders, and all opened with the participation of NAPIMS, SPDC Insurance & CP team, Total Energies, NAOC, Shell group R & I, Ark insurance Brokers, Mainway insurance Brokers and Aiico insurance PLC. Out of eight (18) syndicates approached, Three (3) quoted and Fifteen (15) declined as per the attached (See attachment 5). The gross premium ranges from \$3m (Highest) to \$879k (lowest), whilst the net premium moves from \$655k to \$3M. AIG gave the lowest and most favourable terms and conditions with a net premium of \$655k.

Below is analysis of AIG quote which forms the basis of the award:

- AIG syndicate being the incumbent slip leader showed remarkable interest in this policy by offering 23.5% brokerage and 2.00% levy discounts

In summary;

1. Premium payable for SPDC JV (inclusive of NCDF & NAICOM levies, Brokerage fees) is at US\$793,773 (SPDC JV \$791,038 and medical PI & Occl \$2,735) for One (1) year, effective from 01st July 2022 until 30th June 2023.
2. Winning bidder is AIG with 3.65% line to be written on foreign reinsurance.
3. Captives will be allowed to participate on the foreign reinsurance based on equity interest.
4. Premium to be paid 100% before 30th June 2022 to Aiico Insurance PLC in line with No Premium No cover regulation of NAICOM.
5. Local consortium led by Aiico Insurance PLC has undertaken to write 100% (with 30% to be ceded to foreign market) and will in alliance with Mainway and Ark Insurance brokers approach NAICOM to secure approval of foreign cession.

Changes/savings achieved:

A savings of **USD\$31,410.06** was made for the SPDC JV based on efficient negotiation skills displayed by the team to ensure allowance of further discount by the reinsurer with an improved policy conditions, even though the rating in the global insurance market for Liability risk increased by about 10% amidst other factors including the current USD1.9bn awarded against SPDC by a lower court though currently under appeal, this in particular reduced the willingness of the Global insurance market to participate on this policy.

BASIS OF AWARD & RECOMMENDATION

Contract award is recommended to Aiico Insurance PLC for a period of 3 years (1 + 1 + 1) renewable annually subject to favourable terms and conditions. The initial ACV (Gross Premium) for the first policy year shall be US\$793,773 (SPDC JV \$791,038 and medical PI & Occl \$2,735) which includes NAICOM levy & NCDF & brokers fees, being premium agreed by NAPIMS, SPDC, Group R & I Manager and Partners (Total and NAOC) for 2022/2023 SPDC JV operational insurance, medical professional indemnity and Occupiers liability Insurance.

SPDC JV would be paid in USD while Medical PI & Ocl would be paid in NGN1,120,000.00 (\$2,735)

TRANSITION PLAN / COST OF IMPROVEMENTS (IF APPLICABLE)

Not Applicable

APPROVED CONTRACT VALUE

Proposed ACV is US\$793,773 (SPDC JV \$791,038 and medical PI & Occl \$2,735) being the negotiated Gross premium for July 2022 to June 2023 – first policy year.

COMPLIANCE TO MODEL TERMS & CONDITIONS

The Insurer shall use the Lloyd's underwriting terms and conditions as recommended by Shell Group Risk & Insurance

GOVERNMENT INTERMEDIARY (GI) ELEMENT

GI elements present in work scope?	<input type="checkbox"/> YES	<input checked="" type="checkbox"/> NO
If yes, GI terms & conditions included in contract?	<input type="checkbox"/> YES	<input checked="" type="checkbox"/> NO

IDD STATUS

Vendors' Name	IDD Status	Expiry Date
Aiico Insurance PLC	Green	24 th February 2023

SECTION C: POST AWARD CONTRACT MANAGEMENT

KEY PERFORMANCE INDEX (KPI) (FROM PART A)

Business Objective	KPI	Measure	2022 Target	Frequency Measured
Quality	Monitor Performance of Insurance Policy	Half-yearly Business Performance reviews	Within 3 months of policy inception	Yearly
Quality	Ensure prompt claims administration	Swiftness of claims administration	Within 48 hours of claim	Monthly
Quality	Payment of Claims	Complete claims settlement	100% Claim settlement	Bi-annually

CONTRACT MANAGEMENT PLAN (CMP)

Not applicable – Mode 3

HSE PLAN

Not applicable – Mode 3

NIGERIAN CONTENT EXECUTION PLAN**a. Indicate Schedule target(s) and vendors Nigerian Content pledge (s) e.g.**

Work Category	Schedule Target	**Vendor's NC Pledge	Measuring Metrics	Agreed actions including authorisation to import
Non-Life Insurance Services	70%	>70%	Spend	N/A

b. Nigeria Content Summary Work scope.

Provision of Liability coverage for SPDC JV operations 2022 to 2023

c. Vendor's training plan in alignment with pre-approved Project's Nigerian Content Plan and also in line with the human development capacity guide 2014

	Training Type	Training Mode	Area of Specialisation	Name / Level of Certification
1	Special Risk Underwriting			Chartered Certification in Insurance

d. Global Sustainable Sourcing opportunity (provide details of the global sourcing opportunity utilised and capacity gap addressed).

Not applicable

e. Nigerian Content Compliance Certificate required prior to award approval recommendations to NAPIMS**COMMUNITY CONTENT NIGER DELTA CONTENT EXECUTION PLAN**

Not applicable

RISK ASSESSMENT

Risk Description	Likelihood (H / M / L)	Impact (H / M / L)	Mitigating Actions	Action Owner
Delayed claims payment/inability to pay	L	L	Constant monitor the financial situations of Lead Underwriter	Contract Holder

THE SHELL PETROLEUM DEVELOPMENT COMPANY OF NIGERIA LIMITED

Contracts Committee Submission

Shoddy administration of insurance policy	L	L	Ensure that the technical evaluation process is robust enough to eliminated incompetent underwriters	Contract Holder
Risk of Insurance Company Liquidation	L	L	Annual post-placement report enables quick intervention if there is a going-concern issue	Contract Holder

ATTACHMENT:

Approved Part A	Approved Part A2	NCDMB Report	Technical Evaluation Result	Outcome and Summary of Commercial Evaluation	Commercial evaluation sign off sheet and Quote
Attachment 1	Attachment 2	Attachment 3	Attachment 4	Attachment 5	Attachment 6
LINK	LINK	LINK	LINK	LINK	Healthcare link and SPDC FINAL GTPL SIGNOFF
Napims HCD Rejection LINK					