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|  | **Development of Model Insurance Policies For SCiN Contracts** |

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| **Project Name:** Development of Model Insurance Policies for SCiN Contracts | **Project Manager:**  Samson OJO |
| **Sponsoring Business**: | Finance |

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| **Approval Signatures** | | |
| Name | Title | Signature / Date |
| Jonathan ANOLU | Project Sponsor |  |
| Anthony Ellis | Project Co-Sponsor |  |
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# Introduction

**Insurance** is a form of [risk management](http://en.wikipedia.org/wiki/Risk_management) primarily used to [hedge](http://en.wikipedia.org/wiki/Hedge_(finance)) against the risk of a contingent and uncertainty of loss. The transaction involves the Insured making a payment (premium) to the Insurer in exchange for the Insurer's promise to compensate ([indemnify](http://en.wikipedia.org/wiki/Indemnity)) the Insured in the case of a financial (personal) loss. The Insured receives a [contract](http://en.wikipedia.org/wiki/Contract), called the [insurance policy](http://en.wikipedia.org/wiki/Insurance_policy), which details the conditions and circumstances under which the Insured will be financially compensated.

By virtue of an existing or yet to be undertaken business relationship between a Shell Companies in Nigeria and Contractors, Contractors are requested to provide insurance cover for a particular type of risks based on the nature of the contract or peculiarity of the service. The commencement or continuation of a contract could be hampered by failure of the contractor to provide a valid and sufficient insurance cover. Fulfilment of this requirement has been time consuming and elongates the contract set-up time.

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## **Purpose of Development of Model Insurance Policies (DMIP)**

The purpose of the DMIP is to reduce the contract set up time, probability of accepting fake policies and reduce time spent on reviewing Contractors’ policy through the use of an agreed Model Insurance Policy Template with the preferred local underwriters. The DMIP initiative will not only provide adequate insurance coverage and strict compliance with the law, it will also be an enabler to the Shell Contracting Team while contributing to the Contractors’ risk management assessment in the process of delivering strategic support to the entire value chain system.

## **Background**

The Insurance Team reviews about 5,000 insurance policies annually. This review includes scope, risk assessment and mitigation, verification of policy source, corrections and adequacy of coverage etc. The review and finalisation of insurance document typically takes approximately three weeks on the average.

Over the years, the insurance team has engaged in prolonged review and amendment to Contractors’ insurance documents due to non-inclusion of Shell standard clauses, fake policy or certificate, issuance by fake insurance Companies, wrong citation of the Shell Company name (including use of abbreviations like SPDC and SNEPCo instead of the full names).

There have been instances where policies have been issued by Insurance Agents / Brokers with the Insurance Company unable to confirm the validity of the policy within a reasonable time; this usually leads to rejection of the Policies by Shell Insurance team. There are also several situations where Contractors obtain Policies from Insurers that either been blacklisted or suspended from doing business with Shell. The insurance review process is time consuming and thus creates a lot of tension between Shell Contracting team and the Contractor when any of the above factors is present.

The case for developing the model Insurance Policies for Shell contracts include:

1. **Reduction in Man-hours:** The time spent in reviewing insurance policies, providing feedback to the contracting team and then relaying same to the Contractor will be freed for value adding work.
2. **Legal Compliance:** Reduction in likelihood of breach of any statutory requirement, as this will guarantee that the insurer will issue policy wordings that can best support each contract and in accordance with statutory regulation. The receipt of fake policy issued by a non-licensed insurer will be eliminated.
3. **Clarity of Policy Requirement**: It provides the opportunity to clarify Shell Risk & Insurance requirements to the insurer, thus improving the quality of service obtained from the insurer.
4. **Increased Assurance and Integrity**:The process will involve technically qualified Insurers to obviate credit risks, increase the level of assurance and integrity of issued policies. This development will prevent receiving insurance policies from companies that have ongoing issues with Shell. The Insurance team will conduct monthly check with Insurance Companies to confirm that policies have been duly issued.
5. **Contracting Process:** The time lost by the contracting team in processing insurance requirement will be completely eliminated, thus improving quality of service offered by the Insurance team to the Contracting department and foster better relationship between the contracting team and the Contractors.
6. **New Information System:** The DMIP will support the ARIBA system that requires approval of insurance certificates with 48 hours. The DMIP will deliver accurate review almost instantly, avoids complexity and delay in processing**.**
7. **Business Relationship**:Standardization of the insurance policy review process will improve the business relationship between the Company and Contractors; enable the Contractors and the Insurance market to understand and abide by the Shell business principles.

## **DMIP Objectives / Expectations**

The objectives of the DMIP initiative are to:

1. Develop model Insurance policies in collaboration with the Insurance Service Providers.).
2. Reduce contract set- up and processing time
3. Foster good relationship between Shell , Insurance Service Providers and the Contractors
4. Provide a robust and efficient insurance security for the business
5. Facilitate compliance with the law

### Strategy

The development of model insurance Policies for Shell contracts requires the following actions:

1. Identification of at least 5 (FIVE) financially stable Insurance Companies that will constitute a list of preferred(approved) Companies from which policies will be acceptable for Shell contracts.; that will collaborate in the development of model insurance Policies for Shell use. Organize sessions with each of the technically qualified insurers to present the draft Standard Terms & Conditions of insurance for Shell contracts.
2. Agreement of the Standard Policy (terms & Conditions) wordings with the qualified Insurance Companies.
3. Organization of series of workshops for Contractors with the aim of sensitizing them on the availability and benefits of the model Insurance Policies

## **Scope and deliverables**

## The main deliverables of the DMIP are:

## Finalisation of the list of selected Insurers. The criteria will include a minimum of either 85% cut-off mark in the technical evaluation for the SPDC Exclusive Operational Insurance tender in 2019; and/ or a rating of at least B- by international rating organization .

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| The following list of technically qualified insurers meet the above criteria: | |  | |
| **COMPANY NAME** | **RESULT** | | **International**  **Rating** | |
| CUSTODIAN AND ALLIED INSURANCE LTD | TBD | | N/A | |
| SOVEREIGN TRUST INSURANCE PLC | TBD | | N/A | |
| MUTUAL BENEFITS ASSURANCE PLC | TBD | | N/A | |
| LEADWAY ASSURANCE PLC | TBD | | N/A | |
| ROYAL EXCHANGE GENERAL INSURANCE CO. LTD | TBD | | N/A | |
| AXA MANSARD INSURANCE PLC | TBD | | N/A | |
| LINKAGE ASSURANCE PLC | TBD | | N/A | |
| WAPIC INSURANCE PLC | TBD | | N/A | |
| ZENITH GENERAL INSURANCE CO. LTD | TBD | | N/A | |
| CORNERSTONE INSURANCE PLC | TBD | | N/A | |
| LASACO ASSURANCE PLC | TBD | | N/A | |

N/A is Not Available

TBD is To Be Determined

* Development of Model Insurance Policies in the following categories of Insurances; Motor Vehicle Insurance, Group Life Assurance, Marine Hull Insurance, Marine Cargo, General Third Party Liability, Protection and Indemnity, Professional Indemnity, Aviation Hull and Liability, Property etc.
* Review of draft policies with the Global R and I team
* Presentation of the agreed policy terms and conditions to the Project Sponsors for adoption and inclusion in the contracting process (ITT / Contract Document)

## **Timescale Targets**

The following schedule is planned as follows:

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| **Activities** | **Timeline** | **Who Is Responsible** |
| Risk Presentation to the market | 03 May 2019 | Insurance Team |
| Detailed Review of Model Policies with the qualified Insurance companies | 27 – 31 May 2019 | Insurance Team |
| Model Policy Specification | 3-7 June 2019 | Insurance Team |
| Stakeholders Consultation | 2 weeks | CP / Insurance Team |
| Engagement with Contractors | 1 week | CP Teams |
| Model Policy Roll Out | 01 July 2019 | CP/Insurance Teams |
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| Check of insurance issuance with Insurance Companies | Weekly | Insurance Team |
| Loading of Contractors with Valid Insurance Certificate on Sharepoint or ARIBA | Weekly | Insurance Team |

The estimated close out is Q1 2017.

Definition of Terms

DMIP – Development of Model Insurance Policies

Shell – Shell Companies in Nigeria (SCiN)

NAICOM-National Insurance Commission

## **Key Stakeholders**

* Legal/Anti-Trust/ABC SME
* Project Steering Committee
* Contracting Team
* Nigerian Insurance Companies
* Insurance Team
* Global Risk Management Specialist
* Shell Contractors
* Insurance Companies

### Steering Committee

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| LOLOMARI George | Owner |
| ELLIS Anthony | Project Sponsor |
| ANOLU Jonathan | Project Co-Sponsor |

### Project Team Members

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| ESOMONYE Henry | Project Manager |
| OJO Samson | Project Co-Manager |
| MADUFORO Obiageli | Member |
| OKUNGBOWA Azibaolanari | Member |
| AYOZIEUWA Onyedika | Member |