



Transnet Procedure Manual
Contract Works / Contractors Public Liability
Principal Controlled Insurance 2014

**Procedure Manual
Principal Controlled Insurance 2014**

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Introduction

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Introduction

TRANSNET LIMITED insure all Projects / Contracts on a Principal Controlled Insurance Programme basis (including the Assembly and/or Erection of Plant and Machinery) in respect of Contract Works and Contractors Public Liability.

The programme is designed to effectively manage Construction Risk, in particular Insurable Risks

Philosophy of the programme

- Transnet Limited and its Operating Divisions and Specialist Units wish to control the risk exposures in this regard.
- Transnet Limited, as a large organization, bulk-buys - resulting in preferential rates and cover.
- Simplified administration.
- Eliminates potential problems which usually occur when individual Contractors are responsible to arrange separate insurance.
- Includes the Contractor and/or Subcontractors as an insured party.

- It is therefore important that Tender and eventual Contract documents reflect the fact that Transnet as the Principal (i.e. the Employer) arranges certain covers which incorporates cover on behalf of Contractor's and / or Subcontractor's.
- The concept does not relieve the contracting parties of their responsibilities for, amongst others, care of the works and liabilities to third parties.

Insurance Responsibilities

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Insurance Responsibilities

1. Cover arranged by Transnet as the Principal (Employer)

1.1 Insurance Cover Applicable To All Contracts

1.1.1 Contract Works Cover

Covering fortuitous physical loss or damage to the works, temporary works and materials for incorporation into the works whilst in transit and whilst at the contract site.

1.1.2 Contractors Public Liability Cover

Covering legal liability arising out of or connection with the performance of the works on the contract site or sites designated by the Principal for purposes of the performance of the contract.

1.1.3 Riot / Strike Cover (Contract Works)

Provided by:

SASRIA (*South African Special Risks Insurance Association*) in respect of risks with RSA.

NASRIA (*Namibian Special Risks Insurance Association*) in respect of risks within Namibia.

1.2 Additional Insurances (Optional)

1.2.1 Marine Transit Cover

Covering imports until delivered and checked on site.

1.2.2 Removal of Lateral Support

Covering legal liability incurred in respect removal of or weakening of or interference with support to land or property or buildings adjacent to, on or in the vicinity of the Contract site.

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- The above information (including limits of insurance purchased) should be clearly spelt out in Tender and eventual Contract documentation including the deductible (excess) which are applicable and the fact that Contractor's and/or Subcontractor's are responsible for the deductible.

2. Cover to be arranged by Contractor's/Subcontractor's

All Contractor's/Subcontractor's still remain fully responsible to arrange insurance in respect of the following:

- As prescribed by the Compensation for Occupational Injuries and Diseases Act No. 130 of 1993 as amended.
- Employers Common Law Liability.
- Own plant, machinery, equipment and tools.
- Motor Vehicles Liability.
- Professional Indemnity (Defective Design).

- This should also be clearly spelt out in Tender and eventual Contract documentation.

3. Cover to be arranged by Consulting Engineers, Architects & Other Professionals

Professional Indemnity (defects in Design, Plan or Specification).

Please ensure that Professional Service Providers do not contract out of their liability in this regard. (Please refer to Transnet Group Insurance for recommendation and approved limits).

4. Types of Work covered by Transnet's programme and maximum contract values

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Referral of Contracts:

For the purposes of determining a project's qualification as a Referral Contract or an Excluded Contract, the application of any Deductibles or agreed premium rates (if applicable), the Contract Type shall be a Contract and/or Works which methods of construction and/or description falls under the following definitions:-

1. **"Civil Contracts"**, which means any Contract and/or Works where the great proportion of the works involves earthworks, the construction of bridges, and the like but excluding works involving building, electrical and mechanical/plant projects;
2. **"Building Contracts"**, which term shall include warehouses, offices and other structures, including alterations and additions thereto to house people property or other goods;
3. **"Rail Projects"** which term refer to Greenfield new rail lines, including associated mechanical, electrical and signaling works;
4. **"Electrical and Mechanical Contracts"** which means rail engineering, signaling, maintenance, upkeep, repairs, alterations, additions, retrofitting, erection and other associated works including locomotives and other rolling stock;
5. **"Dam Contracts"**, which term shall include weirs and hydroelectric projects involving the construction of dams or weirs;
6. **"Horizontal Directional Drilling Contracts"**, means micro-tunneling work for the construction of tunnels utilising surface based horizontal directional drilling equipment.
7. **"Off-Shore Contracts"**, means all works and installations in the sea or on the seabed including dredging which are accessible only by ship boat barge or helicopter and do not constitute normal wet works like harbours moles bridges wharves or sewage or cooling water intake or outlet facilities. "Off-Shore Contracts" shall include oilrigs and oil platforms (but not including oil platforms when connected to the land on completion). The term shall not apply to pre-fabrication works on land associated with an Off-Shore Contract.
8. **"Pipelines"**, which term shall exclude Off-Shore Contracts.
9. **"Tunnels"** means Tunnels (including declines) involving all of the following:
 - a. Works below ground level; and
 - b. tunneling machinery below ground level; and
 - c. a tunneling crew operating the machinery below ground level;
 - d. but shall not include Horizontal Directional Drilling Contracts.
10. **"Underground Mining Contracts"**, which shall mean any contract involving underground mining;
11. **"Wet Risk Contracts"** shall mean any Contract and/or Works where more than thirty-five (35) percentile of its value is in a permanent body of water or is below the high water mark of any tidal body of water. The term shall include contracts for the construction of wharves, piers, marinas, causeways, breakwaters, jetties, dry docks and offshore pipelines when connected directly to on-shore facilities and canal developments. Wet Risks shall exclude Off-Shore Contracts;
12. **"All Other Contracts"**, shall mean any other Contract and/or Works not referred to above.

It is understood and agreed that in the event of a Contract and/or Works comprising more than one Contract Type, the Contract Type shall be deemed that which reflects the greatest overall cost percentage (as described above).

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Referral Contracts: In accordance with Contract Type:

Contract Type to be referred to Insurers Refer where the original estimated contract value exceeds

Contract Type to be referred to Insurers	Refer where the original estimated contract value exceeds
1. Contracts exceeding a Contract Value of: Civil Contracts; Building Contracts; Rail Projects; Electrical and Mechanical Contracts; Pipelines	R 1,000,000,000
2. Wet Risk Contracts:	R 500,000,000
3. Dam Contracts:	Excluded Contract
4. Tunnels:	
(a) involving the use of a Tunnel Boring Machine as defined:	Excluded Contract
(b) all other Contracts:	R 50,000,000
5. Offshore Contracts:	Excluded Contract
6. Underground Mining Contracts:	Excluded Contract
7. Horizontal Directional Drilling Contracts:	
(a) where the Contract Value exceeds:	R 50,000,000
(b) where total drilling exceeds 1 km (any pipe diameter):	Referral
(c) for pipe diameters greater than 76 cm:	Referral
10. All Other Contracts	Referral

In respect of the Referral Contracts, the Insured shall provide to the Insurers, prior to commencement of any work, full particulars of the project, including the value, nature and methods of construction, contract drawings and other contract documents. The Insurers shall be entitled to make adjustments to the Policy Deductibles, Premium and Conditions. Referral Contracts shall be quoted by the Lead Insurer. In the event of the quote being accepted by the Insured and the referral contract being attached under this policy co-insurers shall be provided with the full particulars of the project as described above and shall automatically attach to the Policy.

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Summary of Cover

General

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Summary of Cover

The Insured Parties

- Transnet Limited and / or its Affiliated / Subsidiary / Associated Companies as Principal or Employer.
- All Contractor's undertaking work for or on behalf of the Principal in execution of the Contract.
- All Subcontractor's employed by the Contractor and all other Subcontractor's (whether nominated or otherwise) engaged in the fulfillment of the Contractor.
- To the extent required by any Contract or Agreement suppliers manufacturers vendors or other persons engaged on the contract sites but only to the extent of loss damage or liability originating at the Contract Site (other than while the Property Insured is in transit) arising out of the performance of their Contract Site obligations.

Cover

- Contract Works – as detailed herein.
- Contractors Public Liability – as detailed herein.

Insured Contracts

- All contracts up to a maximum value of R1,000,000,000 (**Inclusive of VAT**)any one contract.
- Limited to a maximum contract period of 36 months followed by a maximum Defects Liability / Maintenance period of 24 months.

Excluded Contracts

- a) which at award stage have a value in excess of R 1,000,000,000.
- b) with an estimated period exceeding 36 months but increasing to 60 months in respect of rail maintenance projects (excluding Defects Liability/Maintenance period);
- c) with a Contractual Defects Liability / Maintenance Period exceeding 24 months;
- d) involving construction or erection of petrochemical manufacturing plant(s) but this exclusion shall not apply to pipelines and other associated works undertaken by or on behalf of the Insured;
- e) in or on any aircraft;
- f) off-shore risks

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Contract Site

Any location upon which the Insured Contract(s) is to be executed or carried out as more fully defined in the Insured Contract(s) documents together with so much of the surrounding area as may be designated for the performance of the Insured Contract(s).

Territorial Limits

The Republic of South Africa and to the extent permitted by the applicable Insurance Acts the territories of Lesotho, Namibia, Swaziland, Botswana, Zimbabwe and Mozambique.

N.B.

In terms of local legislation enacted in some of the above territories it is required that insurance cover be placed within their local markets. It is therefore important that the Broker be advised timeously (prior to Tender documents being issued) should any contracts, whether as Principal or Contractor, take place in any of the above territories.

If Contracts are to take place in any territories not listed above, the Broker also needs to be advised of same at feasibility stage.

Cover Limitations / Warranties

Unsealed / Unprimed Base Course

- Unsealed / unprimed base course – cover limited to a maximum of 5,000 metres.

Open Trench

- Open trench – cover limited to a maximum indemnity of 5,000 metres.

- It is essential that the above limitations are brought to the attention of Contractor's. Where this restriction is not practical, specific arrangements for cover can be made with Underwriters. They will, however, require detailed underwriting information and an additional premium may be charged.

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Laid Pipes

- Pipes with a diameter not exceeding 500mm are to be end capped on the termination of each days work to avoid ingress of mud silt water debris detritus and the like.
- Pipes with a diameter exceeding 500mm are to be capped on the termination of each days work with steel mesh to allow ingress of water to avoid floatation but avoiding ingress of large debris or detritus.

NB If above not conformed with cover is forfeited.

Rail Track Re-Profiling

- The maximum speed of any grinding unit shall not exceed 11.00km per hour.
- All Guards, Curtains, Spark Deflectors are to be in place and correctly positioned prior to the commencement of each grind.
- Maximum grinding distance in any one execution shall not exceed 10,000 metres.
- Any changes in prevailing weather conditions must be recorded and appropriate remedial action taken.
- The Insured Parties are to comply with all Fire Fighting requirements as set out in the Project Specification For Track Maintenance With An On Track Grinding / Profiling Machine and any amendments / deviations to this Project Specification are to be advised to the Insurer prior to work being undertaken.

NB If above not conformed with cover is forfeited.

- It is essential that the above Warranties are brought to the attention of Contractor's.

Used Plant – Basis of Loss Settlement

Insured property which has operated under service conditions prior to attachment of cover:-

- Up to 5 years – cost of repair / reinstatement / replacement.
- In excess of 5 years - agreed value (calculated on basis of each life year (or part thereof) on present day New Replacement Value reduced proportionally over 20 years subject to residual of 20%).



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Special Conditions Concerning the Construction of “Wet Risks”:

It is agreed and understood that otherwise subject to the Terms, Exclusions, Provisions and Conditions contained in the policy, Insurers shall not indemnify the Insured in respect of the expenses incurred for:

- a) loss or damage to berths, wharves, jetties and the like caused by their subsidence or sinking. However this exclusion shall apply only to those works which have been incorrectly executed. The burden of proof to show that said works have been correctly executed shall be on the Insured;
- b) normal action of the river / sea,
- c) loss of or damage to more than 400m of uncompleted or unprotected seawall, quay or other marine structure,
- d) loss damage or liability due to soil erosion, dredging or re-dredging unless necessary to reinstate indemnifiable loss or damage,
- e) lost or damaged fill material,
- f) replacing or rectifying piles or retaining wall elements,
 - i. which have become misplaced or misaligned or jammed during their construction;
 - ii. which are lost or abandoned or damaged during driving or extraction;
 - iii. which have become obstructed by jammed or damaged piling equipment or casings.
- g) rectifying disconnected or de-clutched sheet piles,
- h) any leakage or infiltration of material of any kind,
- i) as a result of piles or foundation elements having failed to pass a load bearing test or otherwise not having reached their designed load bearing capacity,
- j) for reinstating profiles or dimensions unless necessary to reinstate indemnifiable loss or damage,
- k) loss or damage to any floating and other equipment such as caissons, barges and the like and liabilities therefrom,
- l) any mobilisation / demobilisation and / or other costs which arise for standby / waiting on weather of offshore construction equipment, except costs exceeding R2,500,000 which arise following physical loss or damage to insured works,
- m) loss or damage to pulling wires, anchors, chains and buoys,
- n) loss or damage due to impact of shipping unless the Insured cannot obtain an admission of liability from the insurer of the ship owners or identify the responsible vessel, in which case this policy will be obligated to indemnify the Insured,
- o) marine liability.

Definitions:

Normal action of the sea means the state of the sea, which manifests itself up to No. 8 on the Beaufort scale, or the state of the tides, current and wave action of the sea, which must be statistically expected to occur once during a 10 year period, whichever is the more onerous.

Warranties:

It is agreed and understood that subject or otherwise to the terms, exclusions and provisions contained in the policy or endorsed thereon, the insured shall where practical:-

- a) receive daily weather updates from the local meteorological office during the period of insurance and make continuous contact to the local meteorological office within 12 hours' notice of an imminent storm; and
- b) make navigation distance for public traffic to work site minimum 200m.

In all other respects, this policy remains unaltered.

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Special conditions concerning piling works:

It is agreed and understood that otherwise subject to the terms, exclusions, provisions and conditions contained in the Policy or endorsed thereon, the Insurers shall not indemnify the Insured in respect of expenses incurred:

- a) for replacing or rectifying piles or retaining wall elements
 - i. which have become misplaced or misaligned or jammed during their construction,
 - ii. which are lost or abandoned or damaged during driving or extraction, or
 - iii. which have become obstructed by jammed or damaged piling equipment or casings,
- b) for rectifying disconnected or declutched sheet piles,
- c) for rectifying any leakage or infiltration of material of any kind,
- d) for filling voids or for replacing lost bentonite,
- e) as a result of any piles or foundation elements having failed to pass a load bearing test or otherwise not having reached their designed load bearing capacity,
- f) for reinstating profiles or dimensions unless necessary to reinstate indemnifiable loss or damage

This endorsement shall not apply to loss or damage caused by natural hazards.

Serial Losses in respect of Locomotives and Rolling Stock:

If the development of a defect in any electrical or mechanical plant manufactured by or for the Insured for Locomotives or Rolling Stock shall indicate or suggest that a similar defect exists in any other item of such plant insured under this policy the Insurers reserve the right to suspend the insurance in respect of loss or Damage due to or arising out of the said defect unless the Insured shall forthwith investigate and if necessary rectify as soon as is reasonably practical the defect in such property at his own expense.

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Claims Reporting

- All incidents that could give rise to claim under the Principal Controlled Insurances, **HAVE TO BE** reported to the Broker / Insurer within a **90 (Ninety)** day period.
Failing this, claims will not be entertained.

- It is essential that the above Condition is brought to the attention of Contractors in Tender / Contract Documents.

Engagement of Loss Adjusters

Aon is authorised to appoint a loss adjuster from the panel of Nominated Loss Adjusters to investigate and quantify losses that are potentially indemnifiable under this Policy. Loss adjuster fees and expenses shall be payable by the Insurers.

Nominated Loss Adjusters:

Specialist Adjusters cc
Cunningham & Lindsey
Crawford International
R.W. McDowell & Associates

The Insurers agree that the Nominated Loss Adjuster's documents, transcripts and reports shall be made available to the Insurers and the Named Insured. However, where indemnity under this Policy has not been admitted by the Insurer, the Insurer shall be entitled to direct the Nominated Loss Adjuster to:

1. remove any information from such documents that pertains to whether or not the Insurer should admit liability to indemnify the Named Insured; or to the quantum of the Insurers liability to the Named Insured; and
2. provide a separate confidential report to the Insurer in respect to the matters outlined in 1. above;

unless such matters are discoverable at law.

If at any time there shall be any dispute or difference between the Insurers and the Insured in respect of the adjustment of a loss, then the Insurers or the Named Insured shall be entitled to appoint an independent loss adjuster at their own cost.

Summary of Cover

Contract Works Insurance

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1. Contract Works Insurance

Synopsis of Cover

The insurers will indemnify the Insured against **physical loss of or damage** to any part of the Property Insured:

- a) during dismantling of property in connection with The Insured Contract ;
- b) whilst in transit, including loading and unloading, or whilst temporarily stored at any premises en route to or from the Contract Site within the Territorial Limits;
- c) during the preparation of the Contract Site and thereafter until the Property Insured has been officially accepted by the Employer and becomes his responsibility by means of a notice of completion certificate or similar evidence of legal transfer of risk in the whole of the permanent Works under The Insured Contract to the Employer;
- d) where Performance Testing and Commissioning of Property Insured is conducted by the Insured "completion" for purposes of this insurance shall be deemed to occur only after successful completion of all Performance Testing and Commissioning of the whole of the permanent Works under The Insured Contract ;
- e) where the permanent property insurance arranged by the Insured indemnifies the Insured for completed portions of the Property Insured prior to completion of the whole of the permanent Works under The Insured Contract , this insurance in respect of such completed portions of the Property Insured shall cease except as provided in (g) below;
- f) work uncompleted or outstanding in terms of any certificate of completion, certificate of handover or similar document shall continue to be insured until its completion and the inception of The Insured Contract documents' defects liability or maintenance period (as may be described in The Insured Contract documents) for such uncompleted or outstanding work whereafter the provisions of (g) below shall apply in respect of such completed work;
- g) during The Insured Contract documents' defects liability or maintenance period (as may be described in The Insured Contract documents) but not exceeding 24(twenty four) months (except as provided for under Memoranda Applicable to Section I - Contract Works, Memo 25 - Employers Maintenance), pertaining to any part of the permanent Works but only in respect of loss or damage:
 - i. arising from a cause occurring prior to commencement of such period of defects liability or maintenance period
 - ii. arising from any act or omission of the Insured their Servants, Agents, Suppliers or Sub-contractors in pursuance of the Insured's obligations
for which the Insured is responsible under The Insured Contract documents.

Where The Insured Contract documents does not set out specific defects liability or maintenance provisions the above shall apply in like manner provided that such deemed period does not exceed a maximum of 24(twenty four) months deemed defects liability or maintenance period.

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Contract Period Limitation

Maximum Contract period	36 months
Maximum Defects Liability / Maintenance Period	24 Months

Limits of indemnity

The sum insured for the Indemnity in respect of any one occurrence or series of occurrences attributable to one original cause shall not exceed the estimated project value for which the Insured is responsible. It is however agreed that the Sum Insured shall be increased in respect of:

- a) contract escalation in the event of an increase in The Insured Contract value or value of work during the period of The Insured Contract , by an amount equal to 30%(thirty percentile) of the Sum Insured;
- b) post loss escalation in the event of the indemnity to be provided hereunder exceeding the estimated project value plus contract escalation, by an amount equal to 30%(thirty percentile) of the Sum Insured;
- c) devaluation in the event of devaluation of the Policy currency exchange against the country of origin occurring after commencement of The Insured Contract , by an amount equal to 30%(thirty percentile) of the estimated project value;
- d) costs charges expenses and fees as provided by the Basis of Loss Settlement Clause under the provisions of Sub-clauses (b), (c), (d), (e), (f) and (g); plus
- e) any other separate limits and additional cover by way of extensions as provided for by the Clauses, Memoranda and Extensions of the Policy.

Memoranda Applicable to Section I - Contract Works

1. Removal of Debris	R	10,000,000
2. Removal of Debris (no damage)	R	10,000,000
3. Surrounding Property Extension	R	50,000,000
4. Surrounding Property – Worked Upon	R	50,000,000
5. Surrounding Property – Watercraft	R	50,000,000
6. Work Away	Included	
7. Offsite Storage Limit	Included	
8. Beneficial Occupation	Included	
9. Fire Brigade / Public Authorities	R	5,000,000
10. Apportionment of damage clause	50 / 50 (Marine Cargo)	
11. Automatic Reinstatement	Included	
12. Property Taken Over	Included	
13. Temporary Repairs	Included	
14. Manufacturers Guarantees	Included	
15. Removal to Gain Access	R	5,000,000
16. Removal to Place of Safety	Included	
17. Public Authorities Reinstatement	R	5,000,000

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18. Road Reserve and Servitude Indemnity	R 5,000,000
19. Search and Locate Costs	R 5,000,000
20. Documentation	R 1,000,000
21. Used Plant – Basis Of Loss Settlement	Included
22. Open Trench Works	2500m
23. Unsealed / Unprimed Base Course	2500m
24. Borrowing of Plant for Commissioning Purposes	R 5,000,000
25. Employers Maintenance	24 months
26. Primary Insurance – Transnet Form E7/2	Included
27. Special Conditions Concerning the Construction of “Wet Risks”	Included
28. Special Conditions Concerning Piling Works	Included
29. Serial Losses in respect of Locomotives and Rolling Stock	Included
30. Mitigation Expenses	Included
31. Cessation of Works	Included

General Memorandum Applicable to the Policy

1. Claims Preparation Costs	R 2,000,000
2. The Insured	Included
3. South African Jurisdiction and Governing Law	Included
4. Payments on Account	Included
5. Primary Insurance	Included
6. Premium Adjustment	Included
7. Waiver of Subrogation	Included
8. Separate Application of each Contract	Included
9. Financial Interests	Included
10. Multiple Insured Clause	Included
11. Referral Contracts	Included
12. Excluded Contracts	Included
13. Run Off	Included
14. Contingency Cover	60 Days
15. Low Claims Discount	Included
16. Public Relations Expenses	R 500,000
17. Interpretation	Included

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Deductibles

The deductible (excess) is the amount which the Contractor and/or Sub-Contractor is responsible for and this obligation must be reflected in the Tender and/or Contract Documents and the responsibility for same made clear.

The deductibles apply to each and every occurrence and in respect of all Contracts.

In respect of indemnifiable loss of or damage to the Works it is agreed that:

- a. in the event of an occurrence or series of occurrences giving rise to loss or damage in circumstances where more than one of the deductibles could reasonably be applied to a claim in terms of the Policy then only the largest deductible shall be applied;
- b. any loss or damage caused by storm (which terms shall include rain, wind, tempest or flood), shock, vibration, subsidence, collapse or earthquake
 - i. during any one period of 72 consecutive hours, or
 - ii. notwithstanding (i) above arising as a result of one continuous uninterrupted occurrence shall be deemed as a single event and therefore constitute one occurrence for the application of the Deductibles.

In respect of loss or damage:

Major Perils shall mean damage caused by storm, rain, tempest, wind, flood, theft, malicious damage, subsidence, collapse, earthquake, testing or commissioning and the consequences of defective design, specification, materials or workmanship (DE4).

Contracts up to	Major perils	Minor perils
0 to R100,000,000	R 25,000	R 15,000
R100 000 001 to R250 000 000	R 50,000	R 15,000
R250 000 001 to R500 000 000	R 100,000	R 25,000
R500 000 001 to R1 000 000 000	R 150,000	R 25,000

Minimum wet risk deductible of R100,000 per occurrence to apply

LEG 3 Deductible (Only in respect of Mechanical and Electrical contracts)

Contracts up to	Deductible
0 to R500 000 000	R 1,000,000 per occurrence
R500 000 001 to R1 000 000 000	R 1,500,000 per occurrence

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All Contracts Entailing Trenching and / or Layer Works

Following additional Deductibles apply over and above the aforesated deductibles: - i.e. in excess of 1,000 metres

Up to a maximum of 3,000metres

20% of loss / minimum R50,000

Up to a maximum of 5,000metres

20% of loss / minimum R100,000

- It is essential that this is brought to the attention of Contractor's. Where this restriction is not practical, specific arrangements for cover can be made with underwriters. They will, however, require detailed underwriting information and an additional premium may be charged.

Property Insured

The actual Contract Works and all material intended for incorporation into the Works (*including Free Issue Material the value of which has to be included in the Contract Value declared*) and Temporary Works.

N.B.

Temporary works does not include mobile plant, or works intended to be removed from the Contract Site on completion of the Contract (other than scaffolding shuttering and formwork or construction equipment specifically designed and / or constructed from the Insured Contract and which is not intended for immediate re-use on another contract) or have no residual value at completion of the Contract (other than scrap value).

Main Exceptions

- The amount of the policy deductible.
- Loss or damage of money or the like.
- Aircraft, waterborne vessels or craft.
- Construction plant, tools or equipment.
- Losses by disappearance / shortage discovered by taking of routine inventory.
- Cost of re-design, improvement, betterment or alteration.
- Consequential loss.
- Liquidated damages or penalties for delay in connection with guarantee or performance or efficiency.

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- Air transit (unless in territorial limits).
- Ocean transit or whilst in storage thereafter (unless immediately inspected by an independent party after offloading from vessel).
- During the Contractual Defects Liability or Maintenance Period (as may be described in the Insured Contract) pertaining to any part of the permanent works but only in respect of loss or damage:
 - i) arising from a cause occurring prior to commencement of such period of maintenance or defects liability period
 - ii) arising from any act or omission of the Insured his Servants or Agents, in the course of the work carried out in pursuance of the Insured's obligations with regard to maintenance under the Contract.
- Wear, tear, gradual deterioration rust, corrosion or oxidation and normal up-keep.
- Electrical or mechanical breakdown or explosion to machinery or plant which has operated under load conditions prior to commencement of the Insured Contract or which has occurred after the Testing / Commissioning Period specified in the Policy.
- Damage to any property insured due to ingress of mud, silt, water, debris unless pipe ends have been sealed on termination of each days work by means of end caps as prescribed in the policy.
- Damage to any unsealed / unprimed or base course in excess of limitations as stated in the policy.
- Damage to any open trench in excess of the limitations as stated in the policy.
- War, asbestos and nuclear risks.
- Sinking (whether partial or in whole) of any watercraft arising out of or in consequence of any work undertaken below the load line (international load line / plimsoll line).
- DE4 (All types of Works)
 - a) loss or damage due to defective material workmanship design plan or specification. This exception shall be limited to that part which is the immediate cause of such loss or damage and shall not extend to any other Property Insured;
 - b) the costs of re-design, improvement or alteration on the occasion of repair, replacement or reinstatement of the loss or damage; or
- LEG 3 (Mechanical or Electrical Engineering Works only)

all costs rendered necessary by defects of material workmanship, design, plan, or specification and should damage (which for the purposes of this exclusion shall include any patent detrimental change in the physical condition of the Insured Property) occur to any portion of the Insured Property containing any of the said defects the cost of replacement or rectification which is hereby excluded is that cost incurred to improve the original material workmanship design plan or specification; provided that:

 - (a) the liability of the Insurer shall not exceed 15% of the total estimated contract value each and every occurrence and in the aggregate;
 - (b) in respect of each and every occurrence or series of occurrences arising from one original cause, claims under this Exception shall be subject to a deductible as stated in The Schedule.

The Insured at their own option may elect to submit a claim applying the DE4 Defects Exclusion for Mechanical or Electrical Engineering Works only rather than the LEG3 Defects Exclusion;

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Summary of Cover

Contractors Public Liability Insurance

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2. Contractors Public Liability Insurance

Synopsis of Cover

Legal Liability to pay as compensation for and in consequence of:

- Accidental death of or injury to or illness or disease contracted by any person.
- Accidental loss of / or physical damage to tangible property.

Occurring during the period of insurance and arising out of or in connection with the performance of the Insured Contract(s).

Type Of Contract

All Contracts undertaken including:-

- Chemical Vegetation Control
- Vegetation Rehabilitation
- Ballast Tamping
- Rail Track Re-profiling including the contract works
- Burning of Fire Breaks
- Geotechnical and Exploratory Works

N.B.

The above noted contract types attract specific differentiated rates and are insured by way of a separate policy.

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Limits Of Indemnity

Contractors Public Liability	R25,000,000 any one occurrence / unlimited for the Period of Insurance
Removal of Lateral Support	R25,000,000 unlimited for the Period of Insurance (provided on request only)
Statutory Legal Defence Costs	R5,000,000 any one occurrence
Arrest / Assault / Defamation	R5,000,000 any one occurrence
Emergency Medical Expenses	R5,000,000 any one occurrence
Prevention of Access	R5,000,000 any one occurrence
Trespass / Nuisance	R5,000,000 any one occurrence
Claims Preparation Costs	R5,000,000 any one occurrence

Deductibles

The deductible (excess) is the amount which the Contractor and/or Sub-Contractor is responsible for and this obligation must be reflected in the Tender and/or Contract Documents and the responsibility for same made clear.

The deductibles apply to each and every occurrence and in respect of all Contracts.

The deductibles are:

Insuring Clauses/Extensions	Each & Every Claim	
General & tenants liability	R	25,000
Contractors liability	R	25,000
Contractual liability	R	25,000
Lateral support (property developers)	R	50,000
Spread of fire (including fire brakes and vegetation control)	R	250,000
Sudden & accidental pollution (including vegetation control)	R	250,000
Carriers liability	R	250,000
Goods on the hook	R	250,000
Marine Works Liability(Difference in Conditions)	R	250,000
Contingent Plant Hired In liability	R	50,000
Extensions		
Emergency Medical Expenses	R	25,000
Arrest / Assault / Defamation	R	25,000
Statutory Legal Defence Costs	R	25,000
Prevention of access	R	25,000
Claims Preparation Costs	Included	

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Main Exceptions

- The amount of the policy deductible.
- Death or injury to own employees.
- Motor vehicle liabilities under legislation or as defined in Multi-lateral Motor Vehicles Accident Fund No. 93 of 1989 as amended.
- Claims in connection with ownership or use of aircraft or watercraft.
- Property belonging to the Insured or in his care custody and control (as defined in the Policy).
- Property forming part of Contract Works.
- Liquidated damages or penalties for delays or in respect of performance or efficiency guarantees.
- Liability arising out of defects in workmanship materials design plan or specification in any part of the Property insured.
- Arising from or in connection with design plan or specification.
- Gradual pollution and contamination.
- Sudden unintended and unforeseen seepage, pollution or contamination including the cost of removing, nullifying or cleaning up in respect of both ocean and harbour going watercraft outside of dry dock.
- After completion and handover (inclusive of the contractual Defects / Maintenance period).
- Punitive damages.
- Ownership hiring or leasing of any airport or airstrip.
- War, asbestos and nuclear risks.

Cover Limitations / Warranties

Rail Track Re-Profiling

- The maximum speed of any grinding unit shall not exceed 11.00km per hour.
- All Guards, Curtains, Spark Deflectors are to be in place and correctly positioned prior to the commencement of each grind.
- Maximum grinding distance in any one execution shall not exceed 10,000 metres.
- Any changes in prevailing weather conditions must be recorded and appropriate remedial action taken.
- The Insured Parties are to comply with all Fire Fighting requirements as set out in the Project Specification For Track Maintenance With An On Track Grinding / Profiling Machine and any amendments / deviations to this Project Specification are to be advised to the Insurer prior to work being undertaken.

NB If above not conformed with cover is forfeited.



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- It is essential that this requirement is brought to the attention of Contractor's. Where this restriction is not practical, specific arrangements for cover can be made with underwriters. They will, however, require detailed underwriting information and an additional premium may be charged.

Other Limitations

- Indemnity for removal of lateral support is limited to R50,000,000.

If a higher limit of indemnity is required, the Employers Insurance Broker's personnel needs to be advised and underwriting information will need to be provided in advance (i.e prior to Tender stage) and this will entail an additional premium.

Administrative Procedures

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Administrative Procedures

Arranging Insurance cover

What is covered under the PCI programme?

Capital expenditures (or CAPEX) are used to acquire assets or improve the useful life of existing assets; an example of a capital expenditure is the funding to construct a factory.

PCI in particular cover the construction of structures and erection and assembly of plant and equipment, including alterations, additions, expansions, refurbishment, retrofitting, dismantling but does **not include acquiring of assets on purchase orders or similar transactions.**

Arranging Insurance Cover

Construction accounting is the method to financially track the progress of each project. The insurance programme is structured on Project Based Accounting basis which tracks the financial progress of each project over the long term. This involves monitoring of work in progress from inception to completion of each project. This can be done on a percentage of completion basis, i.e. the process of percent completion for the portions of the project that are completed.

Premium Calculation

Prior to the commencement of each insurance period (01st April renewal date) the operating divisions and specialist units must declare all projects forming part of the CAPEX, with inceptions dates and completion dates, estimated project value; and:-

1. The actual value of completed portions; and
2. The estimated value of forecast work to be completed for the ensuing year, not beyond.

Premiums are then calculated on the difference between the actual value of completed portions and the estimated value of forecast work to be completed for the ensuing year.

Declaration Spread sheet

Declarations are required to be completed by the middle of February of each year in order allow your insurance broker to consolidate, approach the market for renewal terms and adjusting the premiums from the previous year's estimate to the actual value declared. This means the previous year's declaration are recorded and used to set off against the ensuing year's declaration.

Recording of Information

The following information has been recorded on the spread sheet for renewal:-

01/04/2014		to		31/03/2015		Project Duration	
Project Tender Date	Project Award Date	Project Type - See Definition if more than 1 construction disciplines are employed	Original Estimated TOTAL Project Value	Start Inception Date	Est Completion Date		
Actual Completed Project Turnover up to 31/03/2014	Forecast Project Turnover up to 31/03/2015	Value of Work remaining					

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The 2015 renewal would contain the same information but for the period of accounting:-

01/04/2015		to	31/03/2016	
Project Tender Date	Project Award Date	Project Type - See Definition if more than 1 construction disciplines are employed	Original Estimated TOTAL Project Value	

Project Duration			
Start Inception Date	Est Completion Date	Actual Completed Project Turnover up to 31/03/2015	Forecast Project Turnover up to 31/03/2016

and adding all projects forming part of the ensuing CAPEX period.

If a project which was budgeted for in the previous year did not materialise for any reason, the project detail must remain, but the Actual Completed Project Turnover is declared as **NIL**. This will then allow for the accounting process to set off any return premiums on any one project not realised.

During this process the entire PCI programme insurances are calculated, i.e.

- Contract Works Insurance
- SASRIA
- Contractors Public Liability

What happens if a Project falls outside of the annual programme?

As a reminder, projects which fall outside of the following parameters must be referred to your insurance broker:

All Contracts (including any undertaking awarded or commenced prior to inception of the Period of Insurance) involving design, construction, Performance Testing and Commissioning in respect of the Works and shall include capital expenditure, upgrade, modification, maintenance or overhaul, refurbishment, renovation, retrofitting or alterations and additions to existing facilities undertaken by the Insured or other Insured Parties acting on their behalf but excluding;

- which at award stage have a value in excess of R 1,000,000,000;
- with an estimated period exceeding 36 months but increasing to 60 months in respect of rail maintenance projects (excluding Defects Liability/Maintenance period);
- with a Contractual Defects Liability / Maintenance Period exceeding 24 months;
- involving construction or erection of petrochemical manufacturing plant(s) but this exclusion shall not apply to pipelines and other associated works undertaken by or on behalf of the Insured;
- in or on any aircraft;
- off-shore risks;
- wet risk contracts which at award stage have a value in excess of R500,000,000;
- tunnelling contracts which at award stage have a value in excess of R50,000,000
- shaft sinking, underground mining, dams, coffer dams or reservoirs.

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The Operating Divisions and Specialist Units must Prior to the commencement of each Contract:-

- Complete the Declaration Form per Part A as per Annexure 1 herein.
- Date and sign the Declaration Form.
- Submit the Declaration Form to the Broker.
- **In addition, if the Declaration is being submitted after the commencement date, a separate letter is required stating that, after specific enquiry, The Insured is not aware of any incidents which may give rise to claim/s under this policy. (No Known Incidents declaration).**
- Record the Declaration on the Contract Monthly Register and submit this Register at the end of each month to Transnet Group Insurance and the Broker.

The Operating Divisions and Specialist Units must Prior to the commencement of each Contract:-

- Complete the Declaration Form per Part A as per Annexure 1 herein.
- Date and sign the Declaration Form.
- Submit the Declaration Form to the Broker.
- **In addition, if the Declaration is being submitted after the commencement date, a separate letter is required stating that, after specific enquiry, The Insured is not aware of any incidents which may give rise to claim/s under this policy. (No Known Incidents declaration).**
- Record the Declaration on the Contract Monthly Register and submit this Register at the end of each month to Transnet Group Insurance and the Broker.

On receipt of the Declaration Form the Broker will submit it to the Insurer and the following documents will be issued and provided to the Operating Divisions and Specialist Units:-

- An Insurance Certificate and a SASRIA Coupon evidencing cover.
- A Debit Note in respect of the premiums due (based on agreed rates).

NB In terms of SASRIA Regulations, where the Contract Value exceeds R2 million, the physical address of the contract is mandatory. If no physical address i.e. where Track is being worked upon, the start and end points are required.

Prior to the expiry of each Declarations estimated completion date:-

- Confirm to the Broker that the contract will be completed on time.
- On completion submit to the Broker a Declaration of the final contract value per Part B as per Annexure 1 herein.

NB If the original completion date is not going to be achieved, the period of insurance on the Declaration document will need to be extended and the Broker needs to be notified prior to original completion date.

The Operating Divisions and Specialist Units (prior to the expiry date of the certificate period) has to advise the Broker in writing to extend the period of insurance and provide the new estimated completion date.

This process needs to be followed by the Operating Divisions and Specialist Units until the time of completion is achieved.

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Once the Contract has been completed:-

- The Operating Divisions and Specialist Units have to declare the final contract value to the Broker per Part B as per Annexure 1 herein.
- The deposit premium will then be adjusted accordingly.

Failure by the Operating Divisions and Specialist Units to conform to the above procedure will result in cover being voided.

In this regard contact the Employers Insurance Broker's personnel as detailed on Page 19 herein.

Contracts where cover limitations will be exceeded or where cover warranties cannot be complied with need to be discussed with the Employers Insurance Broker's personnel prior to contract award date to enable the Broker to make specific arrangements with Underwriters. This will however require detailed Underwriting Information and an additional premium may be charged.

- **In order to ensure that Contractor's and site staff are aware of procedures a copy of this Procedure Manual must be supplied to the contract administrators and each Contractor on award of contract .**

Important Considerations

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Important Considerations

Cognizance must be taken of the following important considerations:-

- For contracts involving assembly or erection of plant and machinery or repairs maintenance or overhaul thereto, **THE FULL NEW REPLACEMENT VALUE OF THE PLANT/MACHINERY** involved must be declared **AND NOT ONLY THE CONTRACT VALUE**, for example.:
 - Cranes (*repairs or final assembly*)
 - Machinery being moved
 - Maintenance or new works on existing Portnet Vessels whilst moored or in dry dock.
- Specific arrangements are in place to cover certain contracts where the exposure to own damage (*damage to the works*) is nil or negligible, but where a high third party liability exposure exists. For example:
 - Chemical control of vegetation
 - Vegetation rehabilitation
 - Ballast tamping
 - Re-profiling of Track
 - Burning of Fire Breaks
 - Geotechnical and Exploratory Works

Contracts of this nature must be clearly identified on the Declaration Form.

- Contract value must include the replacement value of any Free Issue Material provided.
- VAT must be added to all contract value declarations in order to comply with local legislation.
- All policy limits and deductibles are Vat inclusive.

**Procedure Manual
Principal Controlled Insurance 2014**

Claims Procedure

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Claims Procedure

In the event of any incident or occurrence, which is likely, to give rise to a claim under the Insurance arranged by the Principal the following procedures shall be adhered to in addition to any statutory or other requirements contained in the Contract.

All incidents that could give rise to claim under the Principal Controlled Insurances, **HAVE TO BE** reported to the Broker / Insurer within a **90 (Ninety)** day period.

IMMEDIATELY advise **Aon Construction & Engineering Risks (Attention Matthew Ngali)**.

At the same time complete the **Incident Advice Form (Annexure 2 herein)** and submit to **Aon Construction & Engineering Risks**.

- Losses involving **theft or malicious damage** must be reported to the police and a police reference number obtained and recorded.
- The Employer, Contactor(s) or Sub-Contractor(s) shall allow free access to Insurers' Loss Adjuster(s) and / or Employer's Insurance Broker for the purpose of investigation and assessing the loss or damage.
- The Employer, Contractor(s) shall **not** deal direct with the Insurers other than by co-operating with their Loss Adjuster(s) and / or the Employers Insurance Broker.
- No **Admission of Liability** shall be made by the Employer, Contractor(s) or Sub-Contractor(s) in the event of damage, loss or injury to third party property or persons.
- Letters from claimants should be passed to **Aon Construction & Engineering Risks** as soon as possible via the Employer if necessary.
- In the event of immediate repairs being necessary in the interest of safety, the Contractors may with the Employer's permission proceed with such repairs.
- The Employer shall immediately advise Mr Matthew Ngali at **Aon Construction & Engineering Risks**.
- Other than in the circumstances described above the Contractor shall not proceed with the making good of any loss without the prior authorization of the Employer who shall advise the Insurer's appointed Loss Adjuster(s) and Matthew Ngali of **Aon Construction & Engineering Risks**.
- Upon commencement of the making good of any loss, the Contractor shall keep separate records of the costs involved in making good such loss and these records must be authenticated by the Employer for submission to the Insurer's or their Loss Adjuster(s). Such records shall include, inter alia, the entire cost of labour, materials, transport and equipment.
- The basis upon which the Insurers will indemnify loss or damage is the cost of repair or replacement of the loss or damage including, inter alia, transport and overheads.
- On completion of the making good of any loss the records of the costs involved having been authenticated by the Employer shall be sent to the Insurer's via their Loss Adjuster(s) and copied to **Aon Construction & Engineering Risks (Mr. Matthew Ngali)** for processing.

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- Upon the amount of the loss or damage being agreed upon by the Insurer's Loss Adjuster(s) and the Contractor, an "Agreement of Loss" form will be signed by the Contractor and Employer.
- The amount agreed upon by the Insurers, the Contractor and the Employer shall be paid by the Insurers to the Employer net of the deductible, who will arrange for the payment to be made to the Contractor as appropriate after deduction of the first amount payable.

- All incidents which could give rise to a claim under the insurances arranged by the Principal / Employer must be notified to the Broker without delay, per the procedures set out above

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**Aon South Africa Personnel
Construction and Engineering Division**

**Procedure Manual
Principal Controlled Insurance 2014**

Aon South Africa Personnel

Construction and Engineering Division

Aon South Africa personnel are at all times available for advice, please feel free to contact :-

- **George Davis**
Principal Broker
Tel No. (011)944 7103
Cell No. (083)452 8281
E-Mail george.davis@aon.co.za

- **Kim Jones**
Internal Broker
Tel No. (011)944 7930
Cell No. (082)849 3037
E-Mail kim.jones@aon.co.za

- **Raesibi Dlamini**
Internal Broker
Tel No. (011) 944 7984
Cell No. (086)8493037
E-Mail raesibi.dlamini@aon.co.za

- Matthew Ngali**
Claims Negotiator
Tel No. (011) 944 7051
E-Mail matthew.ngali@aon.co.za

**Procedure Manual
Principal Controlled Insurance 2014**

Annexure 1

**Transnet Principal Controlled Construction Insurance
Programme Contract Award Declaration**



Transnet Principal Controlled Insurance Programme
Contract Declaration Form 2014

CONTACT DETAILS

Name _____
Division/Office _____
Telephone Number _____
Fax Number _____
Email Address _____

PROJECT INFORMATION

Project Title _____
Project Location _____
Principal Contractor _____
Role of Transnet _____
Design & Construct
Construct Only
Other? Please advise details _____

PROJECT DETAILS

Scope of Works _____

Project Value (Estimate)

Currency _____

Contract Value R _____

Transnet Supplied Materials R _____

Surrounding Property being worked upon R _____

Total Sum Insured R _____

(When Transnet to Insure)

Annexure 2

Incident Advice Form

ALL INCIDENTS HAVE TO BE REPORTED WITHIN 90 DAYS OF OCCURRENCE



TRANSNET PRINCIPAL CONTROLLED INSURANCE PROGRAMME

INCIDENT ADVICE FORM
TRANSNET UNIQUE CLAIM NUMBER

Send to

Aon South Africa (Pty) Ltd
 Construction and Engineering
 PO Box 1874
 Parklands
 2121
 Attention : Matthew Ngali
 Tel No. (011) 944 7051
 Email: matthew.ngali@aon.co.za

From
 Represented by
 Tel No.
 Fax No.

PRINCIPAL (*PER CONTRACT DOCUMENT*)

CONTRACT NUMBER

ORIGINAL DECLARATON NO.

TITLE OF CONTRACT

ORIGINAL CONTRACT COMMENCEMENT DATE

DATE OF LOSS OR DAMAGE

DATED REPORTED TO SITE AGENT

REPORTED BY

REPORTED TO BY

DATE

LOCALITY OF INCIDENT

DETAILS OF HOW THE LOSS OR DAMAGE OCCURRED

DETAILS AND NATURE OF LOSS OR DAMAGE TO CONTRACT WORKS / TO THIRD PARTY PROPERTY

DETAILS OF OTHER DEATH OR INJURY TO PARTIES

ESTIMATED COST (*SEPARATE RECORDS OF ALL COSTS MUST BE KEPT*)

WHO OR WHAT APPEARS TO BE RESPONSIBLE FOR THE CAUSE OF THE LOSS / DAMAGE

PERSON WHOM ASSESSOR SHOULD CONTACT

DESIGNATION:

TELEPHONE (*LANDLINE*)

CELLPHONE NO.

E-MAIL ADDRESS

ALL INCIDENTS HAVE TO BE REPORTED WITHIN 90 DAYS OF OCCURRENCE

SIGNED BY:

SIGNATURE:

COMPANY:

DATE:





Annexure 3

**Annual Contract Works & Contractors Public Liability
And Lateral Support Policy Wording**