



PetroSA

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LOCAL INSURANCE BROKING AND CONSULTANCY SERVICES

SCOPE OF WORK

1. INTRODUCTION

PetroSA uses the services of insurance brokers to cover its onshore and offshore assets, aviation, local policies, liabilities, crime classes, construction risks, marine cargo, BI and P&I for the company, its subsidiaries and its holding company (CEF).

2. BACKGROUND

PetroSA requires a South African Based insurance broker (the “Consultant”) which shall provide services that include but are not necessarily limited to insurance risk management advice, risk financing advice, captive insurance management and claims services in relation to PetroSA, its subsidiaries and its holding company’s business portfolio. The Consultant should also be able to market the risks to underwriters locally and internationally.

3. SCOPE OF SERVICES

The scope of work to be provided by the Consultant shall be, but not limited to the following:

- Obtaining relevant renewal information from PetroSA as is necessary for the various insurance policies being renewed,
- Source and secure insurance placement for various insurance programs,
- Obtain the necessary authority’s approvals before placing insurance on international markets,
- Review of exposures and risks/legislations,
- Review of policy limits and sums insured,
- Review of uninsured risks,
- Review of business interruption limits,
- Facilitate engineering surveys,
- Facilitate asset valuation,
- Prepare underwriting report,
- Claims management,
- Review of claims experience – ensuring claims statistics and outstanding estimates are accurate,

- Annual review of risk bearing,
- Review insurance, liability and risk and title clauses on all contracts,
- Continuously monitor the financial health of all insurers participating on our risk and inform PetroSA of any changes.

4. PetroSA PRE-RENEWAL STRATEGY MEETING

- Review of the Risk Management Philosophy,
- Analysis of the state of the market and its effect on renewal,
- Review of optimal levels of current and future self-insurance arrangements,
- Analyse claims experience/loss ratios/trends,
- Analyse current and future proposed structure of cover placement
- Debate major uninsured risks,
- Review of sums insured/limits of indemnity/catastrophe exposures.

All members of the team will be involved including appropriate specialists who will be able to “add value” by providing innovative ideas to assist in improving the scope and structure of its Risk Management insurance programme.

In preparation for this meeting, a renewal strategy booklet shall be produced by the Consultant detailing existing cover structures, current and past claims experience, loss ratio statistics, site surveys and the current panel of insurers and most importantly PetroSA’s business activities. Several follow-up meetings will take place to discuss and agree on actions.

5. MARKET NEGOTIATIONS

- All relevant information from the above is collated into “Broking Notes” which are presented to insurers by Consultant.
- The Consultant shall negotiate terms with insurers.
- Renewal terms and alternatives shall be formalised with the market and collated in a Renewal Report.

6. CLIENT RENEWAL MEETING

Throughout the renewal process PetroSA must be kept informed of progress and market reaction. On finalisation of the terms, formal renewal meetings will be held with PetroSA, where the following main agenda items will be discussed:

- State of the market and its effect on terms.
- Comparison of existing and renewal terms.
- New and existing major uninsured risks and cover exclusions debated.
- Claims experience report.

7. OTHER TECHNICAL FUNCTIONS

Technical tasks to be performed post renewal shall include:

- Policy renewal confirmation to insurers

- Policy endorsement issuing
- Annual review of policy wordings and terms
- Day to day liaison and communications with local/overseas markets
- Renewal premium allocations calculated and invoiced.
- Declaration adjustments if any
- Claims assistance where required.
- Negotiation of Claims Handling Agreement
- The Consultant must inform PetroSA at all times of any changes in the financial status of the insurer.
- Conduct benchmarking exercise when required.

8. FORMAL SERVICE MEETINGS

Apart from the renewal programme, the Consultant shall hold formal meetings to be scheduled on a regular basis. Agenda items for the above shall be as follows:

- Confirmation of previous meeting.
- Insurance market trends.
- Claims status.
- New claims reported.
- Claims trends and risk reduction techniques.
- Changes in business activities / mergers / divestitures / joint ventures.
- Brief review of activities.
- Status of self-insurance arrangements.
- Risk engineering/risk control.
- Servicing performance.
- General.

9. INSURANCE MANUAL

After renewal, a brief summary of insurance covers shall be issued to all relevant parties. After which an insurance manual shall be produced and distributed.

10. DECLARATIONS

Where applicable, the estimated figures are provided to the Consultant by the Company during the policy renewal process. At the end of each insurance period, actual figures shall be submitted to the Consultant who will in turn determine whether an adjustment premium is payable by the Company or whether premium is refundable to the Company.

11. UNINSURED/UNINSURABLE RISKS

As part of the annual renewal process, the Consultant shall present a list of uninsured/insurable risks for information and review.

12. TECHNICAL FUNCTIONS

The key imperative requirement for this contract is that the Consultant must have an experience in placing the risk on Energy Sectors.

The Consultant must provide the following:

- Collating of technical underwriting information to ensure disclosure' compliance to underwriters.
- Draft 'bespoke' policy wordings on a 'client-for-client' basis.
- Negotiate 'bespoke' policy wordings with underwriters.
- Ensure all markets, including new and emerging, are identified.
- Ascertain underwriting philosophy.
- Ensure compliance with legislative issues.
- Ensure correct technical applications in respect of industry documentation – 'placing slips' etc.
- Ensure timorous and correct policy issue, 'sign off' and delivery.
- Monitor Consultant insurer income for 'leverage' considerations (allow bulk-buy leverage negotiations).
- Monitor market movements, changes, underwriting approaches etc.
- Regularly undertake market liaison meetings with underwriters to discuss matters of common interest, including problem resolution.
- Undertake regular in-house portfolio audits.
- Insurer solvency committee.
- Lead in-house training programmes.
- Chair monthly meetings and discussion with regard to legislative issues, trends, market developments to ensure cross-pollination.
- Library on insurance and risk publications also gateway to international risk and insurance information.
- Undertake research, development, and innovation.

In summary it cannot be over-emphasized that policy documents are issued correctly in order to cover all aspects of risks. A major proportion of problems from insurance placements relate to incorrect policy documents, often issued as a standard/generic wording.

13. INTERGRATED RISK MANAGEMENT CLAIMS – CLAIMS SERVICES

The Consultant must provide loss solutions. This is a specialist function to assist in the analysis of business interruption risks through the examination of sectoral profitability, process profitability, the interface between plants and processes in different geographic locations and the impact of business interruption cover for your specific business needs. This is of great relevance

before assessing the Advance Profits risk for new projects and line extensions.

The Consultant's loss solutions must offer a claim formulation service, specifically for interruption losses. This service is becoming increasingly appropriate as insurers reinforce the fact that loss adjusters are appointed and remunerated by them. The widely held view that the loss adjuster is an independent arbiter is no longer always valid. This service must also allow site management to concentrate on recovery plan implementation without being burdened by the problems of managing a complex claim settlement process. This service is also invaluable for Fidelity Guarantee claims.

The Consultant shall be responsible for managing all insurance claims and provide solutions to ensure that open assessed, settled and closed promptly.

14. INTERGRATED RISK MANAGEMENT – RISK FINANCE

Risk Retention Capacity

The Consultant's approach must be to reduce the overall cost of risk for PetroSA.

15. CHANGES TO THE SCOPE OF SERVICES

The scope of the Services shall be subject to changes by additions, deletions or revisions thereto by PetroSA. The Consultant shall be advised of any such changes by written notification from PetroSA describing the change.

The Consultant shall promptly perform and strictly comply with each such change when so instructed by PetroSA. Any extra services resulting from such changes will be charged at the Consultant's normal or agreed rates.