

TERMS OF REFERENCE (TOR)

FOR

**HIRING OF SERVICES FOR
INSURANCE CONSULTANCY AND
RISK SURVEY**



**TENDER ENQUIRY # PROC-
SERVICES/CB/FIN-4805-A/2020**

TERMS OF REFERENCE (TOR) FOR HIRING OF SERVICES FOR INSURANCE CONSULTANCY AND RISK SURVEY

1. INTRODUCTION

Oil & Gas Development Company Limited (OGDCL) is the largest exploration and production Company of Pakistan, which was established in 1961 as a Public Sector Corporation and later converted to a Public Limited Company in October 1997. Through an Initial Public Offering in October 2003, the Company was listed on all three stock exchanges of the Country, subsequently merged into Pakistan Stock Exchange. Its Global Depository Shares started trading on the London Stock Exchange (LSE) in December 2006, thereby making OGDCL the first E&P Company in Pakistan to be listed on LSE. The Government of Pakistan is the majority shareholder and owns 74.97% shares of the Company as at 30 June 2016. The company is having operations in all the four provinces of the country.

OGDCL is engaged in the exploration and development of oil and gas resources. OGDCL being Exploration and Production (E&P) company performs many functions including Geological & Geophysical Services, Seismic Data Processing, Drilling and Work-overs jobs, Oil and Gas Production and Processing, Well Services, Well Completion services, etc. Due to its very nature OGDCL has to maintain a huge quantum of assets in the shape of Plants, Rigs, and Seismic Equipments, Rolling Stock & other machinery and equipment to carry out its operations.

2. PURPOSE

OGDCL would like to hire insurance consultancy services for the following;

- a) Risk assessment of OGDCL's assets
- b) Adequacy of existing Insurance Coverage of assets of the Company
- c) Adequacy of Self Insurance Funds maintained to retain risk of uninsured assets
- d) Feasibility for outsourcing insurance of Head Office Building.

3. SCOPE

A. RISK ASSESSMENT OF OGDCL'S ASSETS

The scope of assignment shall include;

- i. Description of OGDCL's business with reference to risk profile, update and collate full and accurate information regarding risk identification, analysis and evaluation.

- ii. Classify and categorize OGDCL's assets including wells, plants gathering facilities, buildings, equipment and stores into high, medium and low risk category and provide basis for such classification.
- iii. Develop the framework for risk appetite/acceptability, risk mitigation, and risk treatment.
- iv. The consultant will perform following risk surveys to develop a comprehensive approach to risk assessment and insurance for OGDCL;
 - a) Physical Risk Surveys for critical/strategic assets including Rigs, Plants, Fields, Production and other Facilities.
 - b) Desktop Risk Survey for other assets like vehicles, inventory etc.

B. ADEQUACY OF EXISTING INSURANCE COVERAGE

- i. Review and analyze the adequacy of existing insurance policies, including assessment of the insurance coverage held and evaluate the risk exposure/factors attached to the existing insurance coverage.
- ii. The review will also include assessment of the deductible levels and their appropriateness and industry practice both local as well as international regarding insurance coverage of similar assets in E&P Companies.
- iii. Provide findings on the coverage and risk exposure/factors and if required re-fix the necessary threshold(s). Review and also explain matters regarding consequential losses and period(s) of indemnity covered under the policies along with any policy exclusions and warranties.
- iv. Analyze and present the consequential impact of the Estimated Maximum Loss (EML) assessment on the following:
 - a. Assessment of the adequacy of risks/perils covered in the existing insurance policies.
 - b. Adequacy of deductibles.
 - c. Review of terms and condition of existing insurance policies and consultant's suggestions on their appropriateness.
 - d. Reassessments, where necessary of sum insured for the properties insured.

C. ADEQUACY OF SELF-INSURANCE FUNDS

- i. Provide expert consultancy to assist OGDCL with retained risk management and review adequacy of internally created Self Insurance Funds.

- ii. The review will include assessment of the industry practice both local as well as international regarding viability as well as maintenance of Self Insurance Funds in E&P Companies.

D. OUTSOURCING OF BUILDINGS INSURANCE

- i. Study for risk assessment including EML calculations and replacement values for Head Office Building along with feasibility for outsourcing its insurance.

4. PRESENTATION AND REPORTS

- i. The consultant will furnish detailed presentations and reports including the following;
 - a. **The Survey & Evaluation Report:** This report will include, in detail, all aspects of the study. The consulting firm will submit a draft report for OGDCL review, allowing sufficient time for OGDCL to complete the review. The final report should incorporate the changes requested by OGDCL and agreed to by the consultants.
 - b. **An Executive Summary Report:** This report will contain salient features of the evaluation report should also be provided to OGDCL.
- ii. The general format of report should include the following subjects:
 - a. Description and Operations of assets.
 - b. Description of protections, both passive and active.
 - c. Management structure and safety management systems.
 - d. Recent loss history
 - e. Exposure to insured perils.
 - f. Insured and replacement values of asset.
 - g. Scenarios and calculations of EML.
 - h. Classification of OGDCL's various assets into high, medium and low risk category.
 - i. Assessment of industry practice for addressing such risks
 - j. Recommendations for risk improvement.
- iii. The consultants will supply a copy of their final input file containing data for each type of assets and fields. The consultants will also provide to OGDCL a copy of all output files preferably in a format that can be directly input into the OGDCL evaluation system.
- iv. A copy of evaluation report will also be provided to OGDCL in hard as well as soft form. The format and contents of the report should reflect the experience gained by consulting firm's staff of engineers in the field of operations, safety by surveying in variety of industrial situations around the world.

- v. The emphasis of the report should be tailored to the specific insured perils e.g. physical damage, machinery breakdown, business interruption, cost of well control/relief /replacement well, third party liability, etc. and provide an accurate and concise statement of OGDCL's operations.
- vi. Upon completion of the study, the consultant will send six (6) copies of draft reports to OGDCL. The consultant will submit ten (10) copies of final report, along with five (5) executive summary reports.
- vii. The final report constitutes a private and confidential document and is therefore restricted for distribution only to those with a direct need and duly approved by OGDCL.

5. RECOMMENDATIONS FOR RISK IMPROVEMENT

- i. OGDCL seeks to improve the risk by adopting the best possible loss prevention systems and practices. However, OGDCL is interested in receiving an independent external opinion which will provide additional support for the Safety and Loss Prevention.
- ii. The recommendations put forward by the reviewer however must be based on;
 - a) Best industry practice as observed during visits to many different facilities and companies world-wide, and
 - b) The insurance industry's experience of claims for property losses from the international oil, gas and petrochemical industry.
- iii. The recommendations should be self-explanatory and comprise of:
 - a) A description of the problem
 - b) Detail of possible accidents with respect to previous losses
 - c) Full details and justification of the recommendation.

6. DISCLOSURE

The consultant shall not, during its engagement hereunder (save in the proper course of its duties) or at any time after the expiry or termination of this engagement, for any reason disclose to any person or otherwise make use of any confidential information (including, but without limitation, documents prepared by or on behalf of OGDCL) which it has possessed or may possess in the course of its engagement relating to OGDCL, not shall it disclose to any person anything contained in the this document, without the prior written authority of OGDCL.

7. DELIVERABLES

- i. Deliverables required from the consultant are:
 - a) Risk assessment report of OGDCL's assets
 - b) Detailed guidelines and recommendations on preventive and damage control measures for OGDCL.
 - c) A report with recommendations about the adequacy of the existing policies including risk covered, amount covered, deductibles etc.
 - d) Detailed guidelines and recommendations on insurance of the OGDCL assets and the related issues.
 - e) Report on adequacy of self-insurance funds.
 - f) Report on risk assessment including EML calculations and replacement values for Head Office Building along with feasibility for outsourcing its insurance.
 - g) Replacement values for OGDCL's assets at its Head Office and various fields/plants/locations.
 - h) Comprehensive assessment of Estimated Maximum Loss (EML) for OGDCL's assets at its Head Office and various fields/plants/locations.
 - i) Risk management policy manual.
 - j) In case of local Risk Engineering Survey/Valuation firms, the Risk engineering survey/valuation report(s) must be endorsed and duly signed & stamped by the International Affiliate.
- ii. The draft report to be submitted by the Consultant within four (4) months from the date of award of the Contract. The final report to be submitted by the Consultant within two (2) month from the date of feedback/review on draft report provided to the Consultant by OGDCL.

8. TECHNICAL EVALUATION CRITERIA

The technical evaluation will be carried out based on following criteria:

| S. No. | Item | Max. Marks | Criteria |
|--------|--|------------|--|
| 1. | Year of establishment. Total experience of firm in years | 15 | 20 years and above 15 marks 10-20 years' will get marks on pro-rata basis. Less than 10 years will carry no marks. |
| 2. | No. of offices/Representative offices in Pakistan | 5 | 1 mark for each office up to the maximum of 4 marks. Additional 1 mark will be given for office in Islamabad/Rawalpindi with full time service |

| | | | |
|-------------------------|---|--|--|
| 3. | Affiliation with International Risk Survey/Valuation firms | 15 | International Affiliation will carry 15 marks. International firm participating in the tender will also get 15 marks. |
| 4. | Team Composition | 30 | Each member to be engaged in the assignment must have a Master's Degree in Risk Management/ Degree in Mechanical/Electrical /Mechatronics/Civil/Petrochemical/Petroleum Engineering with at least 10 years of relevant experience. 5 marks will be given for each of such members. No marks will be given for members having either lower qualifications or less than 10 years' of relevant experience. Maximum marks will be 30. |
| 5. | Experience of insurance and risk management consultancy services: i) Oil & Gas Sector Companies ii) Companies other than Oil & Gas Sector | 25 10 | Marks for each successful assignment as per following threshold; i) 5 marks for assets worth more than Rs. 30 billion. ii) 3 marks for assets worth more than Rs. 20 billion up to Rs. 30 billion iii) 1 mark for assets worth up to Rs. 20 billion. Maximum 25 marks will be given. Marks for each successful assignment as per following threshold; i) 2 marks for assets worth more than Rs. 15 billion. ii) 1 marks for assets worth more than Rs. 10 billion up to Rs. 15 billion iii) 0.5 mark for assets worth up to Rs. 10 billion. Maximum 10 marks will be given. |
| Total | | 100 | |
| Qualifying Marks | | 70 | |

NOTE:

- i. The bidder/consultant should submit documentary evidences for all above requirements along with their Technical Bid.
- ii. The bidder/consultant shall be ready to work/visit different fields/offices of the company in different parts of Pakistan.
- iii. The bidder/consultant with less than 10 years of experience of insurance consultancy will not considered for technical evaluation.

9. FINANCIAL EVALUATION CRITERIA

- i. The technically qualified bidder with the lowest "total lump sum cost" will be selected for the award of the Contract. Discount(s) if any, must be clearly mentioned in the Financial Bid, otherwise will not be considered.

- ii. The bidders obtaining less than 70% marks in technical evaluation shall not be considered for the financial evaluation.

10. DURATION OF CONTRACT:

- i. The consultant will start the work immediately after signing of contract with OGDCL and complete the assignment within a period of six (6) months from the date of signing of contract. The period may be extended by OGDCL in writing if the information/record/documents required is not provided within the time frame agreed with the consultant for that purpose. However the time period spent for review/feedback of draft report by OGDCL will not be included in the total six (6) months period of assignment.
- ii. The Bid proposal/rates should remain valid unconditionally during the period of contract.

11. STAFFING

The assignment will be conducted under the overall supervision of consulting firm. Suitable trained and experienced staff will be deputed on the assignment. The Consultant and his staff will co-ordinate with the focal person of OGDCL for this assignment on a weekly basis. Consultant is to provide list of staff separately mentioning qualifications and experience in relevant field/assignment.

12. RESPONSIBILITIES OF OGDCL

- i. OGDCL will provide location wise lists of assets appearing in the books of accounts.
- ii. A certificate duly verified by the location in-charge, Regional Coordinators and Heads of departments will be provided to the consultants that the assets held in their charge have been physically surveyed by the consultant.
- iii. At field locations, OGDCL will provide Camp Accommodation to consultant staff. All other costs/expenses relating to consultants staff will be on account of consultant. No accommodation will be provided by OGDCL in the cities.
- iv. OGDCL will provide security cover where it is required.

13. PAYMENT TERMS

- i. The quoted price/fee should be fixed/firm and are inclusive of all applicable taxes, duties and Levies etc. except Provincial Sales Tax/ICT Tax on Services.
- ii. Payment to all Pakistan based foreign/ multinational/local companies will be made through cross cheque in 100% equivalent Pak Rupees, at actual,

against verified invoices at official exchange rate prevalent on the date of payment.

- iii. To Foreign based Companies, the payment will be made in US\$ or in quoted currency, at actual against verified invoices through Irrevocable Letter of Credit (LC) after completion of the project or otherwise mentioned in TOR.
- iv. The payments to the Consultant will be made as per following schedule;
 - a) 15% of the fee will be paid at the time of commencement of assignment.
 - b) 35% of the fee will be paid upon submission of Draft Report and Draft Deliverables.
 - c) 50% of the fee will be paid upon approval of Final Report from Board of Directors.

14. GENERAL CONDITIONS

- i. The bidder(s)/consultant(s) are hereby bound to ensure confidentiality of the data they receive, and will have to provide undertaking in this regard.
- ii. The bidder(s)/consultant(s) may request, data/information related to their bid preparation, through written request on official letterhead or through their official email address at the mailing address or email address mentioned in the bidding document.

15. BID BOND:

Bid Bond/Bid Security amounting to **USD 4,000/-** (US Dollars Four Thousand Only) is to be attached/provided **with Technical bid**. Please see Master Set of Tender Document for further details.

16. MODE OF PROCUREMENT:

Bids against this tender are invited on “**Two Stage Two Envelope Bidding Procedure**” through press tendering therefore, the bidders shall submit original and copy of their technical and one original financial bid. Soft copy of technical bids also to be submitted.

Note: The Master Set of Tender Documents for Services uploaded on OGDCL’s website (www.ogdcl.com) is the integral part of this TOR.