

**Document - 1.**

REC intends to engage IRDA licensed Composite Insurance Broker firms by creating a panel of such firms to be assigned from time to time the job of REC's Insurance Advisors (LIA) responsible for assessing the insurance needs of the generation projects being funded by REC in the form of term loans and prescribe necessary insurance plan and verify the adherence of same by such borrowers in order to safeguard the interest of REC with the borrower company.

**Eligibility criteria for short listing of professional firms :**

	<b><i>Benchmarks</i></b>	<b><i>Weight for each extras</i></b>	<b><i>Maxi. weight which can be awarded</i></b>
1.	The firm should be a Composite Insurance Broker licensed by the IRDA.	NA	NA
2.	The firm should have registered office in India and offices in other states shall carry 1 mark for each extra state covered.	1 for each extra state covered	10
3.	The firm should have been in operation for at least 3 immediately preceding financial years.	1 for each extra year	10
4.	Others :		
	a) Must have handled minimum one number of project having minimum value of Rs. 50 crores in the 3 immediately preceding financial years.	1 for each extra project	20
	b) Projects having value exceeding the minimum value of Rs. 50 crores shall be considered for extra weightage as stated in column 3.	1 for each extra 50 Crores	20
	c) the firm should have earned a minimum annual income of Rs.5 Lacs from insurance jobs in any of the 3 immediately preceding financial years.	1 for each extra 5 Lacs	20

**Note :**

- 1) For above referred projects, only infrastructure projects shall be considered.
- 2) Notwithstanding the right of termination as per general terms & conditions of the contract, the empanelment herein shall be for a minimum of 3 years during which the applicant should be available to take-up the assignments unconditionally and without seeking any revision of fee or terms and conditions.
- 3) The review by the LIA shall be annual or as asked by the REC and shall last till the closure of first financial year after the Commercial Operation Date (COD) of the assigned project.
- 4) Separate '*Fee Bid*' should be submitted in a sealed envelop quoting *Lump-sum Fee per assigned project*. Such fee shall be '*all inclusive*' except of taxes and duties and travelling expenses. The Fee shall be firm and final for a period of 3 years or till the assignment of any project lasts and no escalation in the same due to any reason, except of statutory levies, shall be entertained. The incidental of Tours and Travel shall be reimbursed extra as mentioned in the General Terms and Conditions.
- 5) The LIA, in the above review, is expected to adhere to the best practices and standards as applicable in the industry & country.

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**Document - 2.**

**Broad Scope of Work** for Lender's Insurance Advisor (LIA) :

**Part A: Up to finalization of Insurance program for Construction period and Operation period –**

1. (i) Conceptual consideration of all risks associated with the project and its operation in order to establish risk profiles taking into account –
  - review local insurance law and its implication for the Project;
  - review Loan/Finance Agreement and advise on insurance schedules and requirements;
  - collection and review of all relevant information including construction work methods, specifications, work programs, soil conditions etc.;
  - Review of project contracts, indemnities and liabilities.
- (ii) Analysis of delay in completion and business interruption issues.
- (iii) Identify and advice on significant risks that are uninsurable in the Indian Market or have limited insurability in the International Market or are difficult, and expensive to insure.
2. Formulation of the above considerations into a formal insurance program structure for the construction and operation risks including detailed cover requirements.
3. (i) Review and audit the Insurance Policies eventually taken by the project.  
(ii) Certify the insurance program as complying with the loan agreement.

<b>Deliverables :</b>	<b>Time :</b>
Draft Risk Review Report and Suggested Insurance Plan	within 10 Days of this assignment or as may be asked by REC Ltd.
Final Risk Review Report & Suggested Insurance Plan	within 30 Days of this assignment or as may be asked by REC Ltd.
Annual Audit Report on Insurance Plan taken by the project while construction phase.	within 30 Days of end of every fiscal year during the construction phase of the project.

**Part B: Annual Report on Operational Insurance Program –**

1. Certify that the insurance program is complying with the Loan Agreement.
2. Audit whether the borrower company has obtained and kept renewed all the times the insurance covers for the Borrower's all assets duly endorsed in favour of the Lender as required by the Loan Agreement.
3. Report and advice appropriately for major changes in the Insurance Law & environment at any stage which are likely to affect the project insurance plan and projections.
4. Submit final audit report to lenders within 30 days of completion of the first fiscal year after the COD of the project.

**General Conditions :**

1. Review of various documents would be limited to insurable risks and insurance related matters only.
2. The review should be made for the cumulative position of the project till the report date and not limited to only events occurred during the span of review/year.

**Misc. duties:** Apart from above scope, the following may also be required from the LIA –

1. To attend meetings with REC management as and when required.
2. Other responsibilities and any specific review as may be assigned by REC arising out of the loan documentation or as may be deemed necessary by the REC management.

\*\*\*\*\* **END** \*\*\*\*\*

**Terms and Conditions** for REC's Lender's Insurance Advisor (LIA) :

**1) Compensation and Incidental Expenses –**

- a) The lump sum fee for the entire review shall be Rs. \_\_\_\_\_/- (Rs. \_\_\_\_\_) This is all inclusive except of taxes and duties as may be applicable from time to time for the work subjected herein and tour and travel expenses of the audit team which will be either arranged or reimbursed by the borrower company. No escalation, except for statutory levies, shall be allowed in above fee for any reason whatsoever. The above lump sum fee shall be paid in the following stages immediately after the acceptance of the LIA's reports as follows:

<b>Deliverable / Milestones :</b>	<b>Payment</b>
Draft Risk Review Report and Suggested Insurance Program	30%
Final Risk Review Report & Suggested Insurance Program	40%
Annual Audit Report on Insurance Program taken by the project while construction phase paid <i>pro rata</i> based on the number of years of construction phase as per approved project plan.	25%
Audit Report on Insurance Program taken by the project while operational phase i.e. after its commercial operation date (COD)	5%
<b>Total</b>	<b>100%</b>

- b) The travel expenses for the outstation visits e.g. air/train fares, hotel charges local travelling at actual and out of pocket expenses as per the entitlement of GM level officer in REC for the tours undertaken by the directors/partners or equivalent and as per entitlement of Assistant Manager level officers in REC for the tours undertaken by others will be reimbursed by the borrower company. In this regard LIA shall submit to REC the list of persons nominated for such assignment stating name, sex, age, designation, dates of arrival and departure and mode of travel up to the project and a tentative review program/ agenda at least 7 day in advance before taking-up the subject review from time to time with copy to the borrower company whose review is subjected. The above expenses shall be restricted for the distance from your nearest office to the site or place visited.
- c) Generally the arrangement of local travels and stay shall be arranged by the borrower company whose review is subjected. In the absence of same or non-confirmation of same by the borrower company, LIA may arrange the same at its own and seek the reimbursement of the same from the borrower company.
- d) The currency of payment shall be Indian Rupee thru crossed cheque payable at Delhi and TDS shall be deducted there from as may be applicable from time to time.

**2) Period of Engagement –**

The agreement shall remain valid till the closure of first financial year after the Commercial Operation Date (COD) of the project.

**3) Standard of Performance and Secrecy –**

- a) The LIA and their affiliates shall always act, in respect of any matter relating to this contract or to the services, as faithful and prudent advisor to the REC, and shall at all the times support and safeguard the REC's legitimate interests in any dealing with the project owners or third parties and shall ensure abidance of all the applicable standards in the industry.

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- b) LIA agrees to maintain a strict secrecy of the facts and figures revealed/ obtained in the course of his subjected review in regard of either the project or their promoters or of REC and shall not share with third party or use elsewhere in any manner except as expected in this contract. He shall furnish an undertaking in this regard in the manner and form satisfactory to the REC.
  - c) The LIA agree to exercise reasonable skill, care and diligence in the performance of this contract and to ensure that no direct or indirect loss/ damage/ injury occur to the property, manpower or business of the project/ company/ subsidiary/ promoters/ REC either by the LIA or their affiliates. If any such loss/ damage/ injury and/or expenses other than contractual one are caused due to the act, negligence, misconduct or omission of the LIA and their affiliates, to either of project, promoters or REC, the same shall be indemnified to all the times.
  - d) In the event if REC is not satisfied with the services from LIA as expected out of this contract, the LIA shall promptly redo the deficiencies pointed out to the satisfaction of REC. No additional fee will be paid by REC for redoing the work. In the event of failure on the part of LIA for redoing the same, LIA agrees to the REC's right to engage any other insurance agent firms for the desired job at the cost and risk of the LIA.
- 4) **Declarations and Conflict of Interest –**
- a) The LIA also agree to declare the facts appropriately, in the present or in the previous three years, in any direct or indirect manner, of being a stake holder in project/ company/ subsidiary/ promoters nor has been in receipt of any commission, fee or payments of any nature collectively exceeding 10% of the aforesaid Fee. If there exist any such reportable case at the time of assigning the review of subjected project, the same shall be brought to the notice of REC before taking-up such assignment and any future developments in this regard shall be brought immediately to the notice of REC and abstain from taking-up further the subjected assignment till further instruction from REC.
  - b) Also agree to bring in to the notice of REC without delay about any changes/ vacation/ disqualification of any of its Directors/Partners.
- 5) **Termination of Contract –**
- a) Either party to this contract may, by giving a written notice at least 15 days in advance, terminate this contract on being satisfied of existence of any material breach by the other party in fulfilling its obligations pursuant to this contract.
  - b) Notwithstanding to such termination/ expiry of contract, no party to this contract shall be absolved of its financial obligations under this contract at any time and same shall be honored within due time.
  - c) Notwithstanding to such termination/ expiry of existing contract, The LIA shall submit its last report and surrender all the documents obtained in the course of their review without any delay.
- 6) **REC's liability Rested –**
- Notwithstanding to above and hereafter, the REC shall not be liable for –
- a) any direct or indirect loss/ damage/ injury to the property, manpower or business of the LIA or their affiliates caused due to the act, negligence, misconduct or omission of the project authorities/ promoters/ REC officials except as defined herein or by virtue of any prevalent law.
  - b) any direct or indirect loss/ damage/ injury to the property, manpower or business of the project/ company/ subsidiary/ promoters/ REC caused due to the act, negligence, misconduct or omission of the LIA and their affiliates except as defined herein or by virtue of any prevalent law.

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- 7) **liability Period of LIA –**  
The liability period of the LIA under this contract shall be of one year after termination/ expiry of this contract.
- 8) **Liquidated Damages –**  
The reports as envisaged at 1(a) above shall be submitted to the satisfaction of REC within the timeframe stipulated in the work scope attached herewith. Any delay in above shall make liable the LIA for a deduction of liquidated damage by the REC @ ½ % of the fee of the stage of payment in question for every week of delay or part thereof subject to a maximum of 5% of total lump sum fee.
- 9) **Sub-contracting & Assignment by LIA –**  
LIA shall not assign/ subcontract, any or whole of any work scope of this contract, to any of third party without obtaining the prior permission of REC.
- 10) **Indemnity –**  
The LIA shall indemnify, defend and hold REC harmless from against any claim, loss, liability, cost and expenses (including attorney fee) for damage to Project Owner's property arising from the loss of equipment/software/data regardless of their accounts.
- 11) **Force Majeure –**  
Neither party shall be held responsible for any loss or damage or delay in failure of performance under the engagement letter to the extent that such loss or damage or delay is or failure of performance is caused by the force majeure.
- 12) **Arbitration –**  
Any dispute or difference arising out of this assignment shall be settled by mutual negotiations. If dispute or difference arising out of this assignment cannot be settled by mutual negotiations then it will be referred to an Arbitrator to be appointed by the CMD of REC.
- 13) **Governing Law and Jurisdiction –**  
This assignment shall be governed by Indian Laws and Courts at New Delhi shall have the exclusive jurisdiction of the subject matter.

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