PPOA

PUBLIC PROCUREMENT OVERSIGHT AUTHORITY

Transforming Procurement

PUBLIC

PROCUREMENT MANUAL

FOR

INSURANCE SERVICES

FIRST EDITION

May 2009

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FOREWORD

The public procurement reforms in Kenya have culminated in promulgation of the Public Procurement and Disposal Act 2005 and the Public Procurement and Disposal Regulations 2006 that provide a legal framework for regulating public procurement, with oversight functions carried out by the Public Procurement Oversight Authority (PPOA). The Public Procurement and Disposal General Manual provides detailed guidance on general issues in procurement that are not adequately covered by the Act and Regulations. Other manuals have been prepared to address sector specific procurement requirements.

This Manual is prepared to address the specific procurement requirements for insurance services. The procurement processes set out in this Manual have reference to the salient provisions of the Act, Regulations and the Public Procurement and Disposal General Manual which should be read together with this Manual. Some of the important general steps leading to effective procurements for insurance services have been captured through interviews and consultations with the Insurance Regulatory Authority (IRA), the Association of Kenya Insurers (AKI), Association of Insurance Brokers of Kenya (AIBK) and some of the major insurance companies here in Kenya. Persons responsible for procurement in all entities should familiarize themselves with the guidelines provided in this Manual and adhere to them.

This Manual has been prepared by e-sokoni Consulting on behalf of PPOA as part of the Millennium Challenge Corporation Project for Strengthening the Public Procurement System in Kenya, which is administered by USAID. Oversight of the project was undertaken by ARD Inc. The Manual has been approved by PPOA as a guide to the systems and procedures that should govern the procurement of insurance services.

Signature ______________________________

M.J. Juma
Acting Interim Director General
Public Procurement Oversight Authority
May 2009

ACRONYMS

AKI	Association of Kenya Insurers
AIBK	Association of Insurance Brokers of Kenya
C&F	Cost and Freight
CID	Criminal Investigation Department
CIF	Cost Insurance and Freight
CIP	Carriage Insurance Paid (To destination)
INCOTERM	International Commercial Terms
IRA	Insurance Regulatory Authority
NHIF	National Hospital Insurance Fund
PE	Procuring Entity
PPDA	Public Procurement and Disposal Act
PPDR	Public Procurement and Disposal Regulations
PPOA	Public Procurement Oversight Authority

KEY DEFINITIONS

In this manual, unless the context holds otherwise, the following key terms mean the definitions given hereunder:

Insurance Company: This is the insurance underwriter who is responsible for proper execution of the contract and undertakes to settle claims of the insured. Insurance companies may also issue Insurance Bid Bonds for securing the validity of a bid covering the period from the time of submission to award of contract. They may also issue Insurance Performance Bond to secure performance of a contract that has been awarded to a successful bidder.

Insurance Broker: A Broker is an independent qualified specialist who is registered under the Insurance Act to advise customers (buyers) on insurance matters. The Broker operates as the buyer's agent and not for any insurance company. The Broker is paid a commission by the insurance company that offers the required insurance policy to the Broker's client.

Insurance Agent: An Agent is a person or group of people selling insurance policies on behalf of an insurance company.

Auxiliary Service Provider: These are Assessors for damage after an accident or incident against an insured policy to determine loss on behalf of underwriters who pay them for such services.

An Annuity: This is a form of life insurance that provides for a sum of money to be paid to policyholder at regular intervals after a certain date.

Third Party Cover: This cover protects the interest of any other person who may be affected by the insured's (PE) actions, for example injury arising from a car accident. It may also relate to damage to their car in a collision with the PE's car. In this context, it is well to recognize that the first party in the insurance policy is the PE and the second party is the PE's insurance company.

Comprehensive Cover: This is a policy cover that offers a blanket insurance against an identified comprehensive list of risks which could normally be associated with each other e.g. a comprehensive motor vehicle insurance covers the vehicle against many damage and loss risks, covers the driver and passengers against accidents and also covers third parties in any accident involving the insured vehicle.

Premium: This is the amount of money paid by the insured (the PE) to an insurance company for the insurance policy. This money may sometimes be paid in regular installments.

Liability: This refers to the insured's responsibilities for adverse effects of the insured action or lack of actions, on others.

Operative Clauses: This refers to the conditions of the contracts that include definitions, insured events, and general conditions (period of insurance, payment of premium, duty of care' cancellation, basis of indemnity, claims insurers' rights after occurrence that may lead to claim, fraudulent or willful acts).

Exclusions: These are terms which are not covered or excluded from the policy that is offered by the Insurance Company. This is what the insurer shall not be liable to pay for in the event of loss or damage.

Conditions of the Insurance Policy Contract: These constitute what the parties are expected to observe and has been agreed upon and is covered by the insurance contract.

1.0 INTRODUCTION

1.1 This Manual serves as a guide for implementation of the Public Procurement and Disposal Act and the Regulations with special reference to the procurement of insurance services. It is designed to promote effective and efficient procurement of insurance services in all public sector institutions.

1.2 The Manual sets out functional relationships and internal controls that promote transparency and accountability.

2.0 THE SCOPE OF THE MANUAL

2.1 The procedures in this Manual should be applied in acquisition of insurance services by procuring entities as defined in section 3(1) of the Public Procurement and Disposal Act 2005.

2.2 These procedures shall remain effective until announced otherwise by the Public Procurement Oversight Authority.

2.3 This Manual applies to:

2.3.1 The generic and specific steps in insurance services procurement;

2.3.2 Institutional arrangements for provision of oversight functions within the procuring entities;

2.3.3 Procurement planning and its linkage to the budgeting process;

2.3.4 Administration of the complete procurement cycle up to and after formation of an insurance contract; and

2.3.5 Insurance service provider's performance measurement.

2.4 This Manual does not cover the medical insurance services offered by Medical Insurance Service Providers which are not regulated by the IRA. These providers are not Insurance Companies but offer insurance only to the extent of the medical cover they offer.

3.0 PROCUREMENT STRATEGIES

3.1 The public procuring entities shall acquire insurance services at optimum rates.

3.2 The eligible and qualified insurance service providers shall be given equal opportunity to bid.

3.3 The highest ethical and professional standards shall always be observed in establishing a mutually beneficial relationship with insurance service providers and customers (internal and external).

3.4 All procurement of insurance requirements should be done through competitive public bidding unless an alternative procurement method is justified in accordance with the relevant provisions in the Public Procurement and Disposal Act 2005, Public Procurement and Disposal Regulations 2006, the Public Procurement and Disposal General Manual or this Manual.

3.5 There should be a continuous improvement of procurement processes by procurement entities to ensure that the processes are simple, efficient and cost-effective.

3.6 Procurement shall be planned to enable prudent management of budgets and value optimization.

3.7 Procuring entities should endeavour to realize benefits form insurance services through framework contracts to enhance continuity of the services for a reasonable duration consistent with the procurement plan and the budget.

3.8 Procurement entities are to keep abreast with best practice for procurement of insurance services through benchmarking with similar entities to facilitate continuous improvement of the procedures.

4.0 PROCUREMENT OBJECTIVES

4.1 **Realization of the lowest possible total cost while meeting requisite quality**

The procurement must be carried out in a manner to realize the lowest possible total cost by avoiding hidden costs due to ambiguity in specification of the scope of services to be provided.

4.2 **Ensuring timely settlement of insurance claims as stipulated in the contract**

The procuring entities must ensure that claims are made in a timely manner and are honoured by the insurance service providers as set out in the contract. Procuring entities must pay insurance premiums at the due date so that they will have valid insurance cover for the whole period.

4.3 **Separation of procurement functions and authorizations to enable checks and balances in the procurement process**

Procurement functions and responsibilities such as specification of the scopes of services, selection and adjudication of tenders should be divided among different offices, committees and individuals, each with appropriate expertise and resources in line with Section 26(3) (c) of the PPD Act.

4.4 **Insurance service providers' performance to be evaluated and measured and feedback given to the service providers**

Systematic evaluation and measurement of insurance service providers' performance should be undertaken to ensure compliance with the terms and conditions of contract and to enhance remedial measures as set out in section 12.0 of this Manual on Supplier Performance Evaluation and Measurement.

4.5 **Automation of the Procurement Process**

Procurement processes are to be computerized to the extent possible to integrate the operations between the Procurement Unit and the beneficiaries of the services in order to speed up routine transactions and communication within and outside the PE.

4.6 **Observing ethical practices in procurement**

Procurement should be carried out ethically and efficiently in accordance with the provisions of this manual.

5.0 INSTITUTIONAL ARRANGEMENTS FOR OVERSIGHT AND REGULATORY FUNCTIONS

5.1 Introduction

The oversight and regulatory functions are the prerogatives of the PPOA on matters of public sector procurement. However since insurance is a 'common user' service in all organizations, compliance with legal provisions of the Act and the Regulations will be enforced by the heads of procuring entries through the internal organization in line with Part III (***Internal Organization of Public Procurement Entities Relating to Procurement***) in the Public Procurement and Disposal Act 2005.

5.2 The bodies that regulate the insurance sector

Procuring entities should keep abreast of developments in the insurance sector by gathering information from major players in the insurance industry in general with special reference to the Insurance Regulatory Authority. For the different categories of procuring entities that buy insurance services, there are bodies responsible for ensuring the Procurement Act and Regulations are properly implemented. These include:

5.2.1 The Public Procurement Oversight Authority

a) The Public Procurement Oversight Authority (PPOA) established by the Public Procurement and Disposal Act 2005 ensures that the procurement procedures established under the PPD Act 2005, the PPD Regulations 2006, the Public Procurement and Disposal General Manual and this Manual are complied with.

b) Pursuant to sub-section 5.2.1(a) above, the PPOA monitors the procurement systems, assists and advises procuring entities on implementation and operation of the public procurement system.

5.2.2 Procuring Entities

a) **Procuring Entities**

PEs of various classes as stipulated in the Legal Notice No 719 of January 2007 should keep abreast of developments in the insurance industry by gathering information from major players and insurance brokers. The procuring entities should undertake procurement of insurance in structured and corporate manner as set out in the PPD Regulations, in accordance with the Threshold Matrix in the First Schedule of the PPD Regulations.

b) **The Accounting Officer**

The responsibilities of the Accounting Officer of any procuring entity are set out in the Public Procurement and Disposal Act 2005 and the First Schedule (Threshold Matrix) and Second Schedule (the Composition of Tender Committee) of the Public Procurement and Disposal Regulations.

c) **Heads of Procuring Entities**

The responsibilities of the Heads of Procuring Entities are the same as those of the Accounting Officer set out in the Act and Regulations.

d) **The Head of Procurement Unit**

The Head of Procurement Unit in a Procuring Entity is responsible to the Head of Procuring Entity in performing the functions stipulated in Regulation 8 of the PPD Regulations 2006. In particular, they will advise the Head of Procuring Entity on how to undertake procurement of insurance services.

5.2.3 Insurance Regulatory Authority

The Insurance Regulatory Authority has the mandate to regulate, supervise and develop the insurance industry in Kenya. The Authority is charged with administration of the Insurance Act and advises the government on:

a) policy matters concerning insurance;
b) protecting the interests of policyholders;
c) formulating general insurance policies and guidelines;
d) licensing of insurers and intermediaries;
e) formulation and enforcement of insurance standards especially in regard to the compulsory insurance covers like third party motor vehicle insurance;
f) approving tariffs and rates of insurance;
g) handling complaints from policyholders and the general public;
h) monitoring the performance and financial viability of insurance companies;
i) collecting insurance license fees and other related taxes; and
j) preparing annual performance reports of members of the industry and monitoring and enforcement of claims settlement.

6.0 CATEGORIES OF INSURANCE POLICIES

6.1 There are many different categories of insurance policies and services which are offered by local insurance companies in the local and international markets to provide cover for different types of risks. One type of insurance policy may have more than one unique insurance cover with specific benefits to the person or organization insured.

The tables below illustrate some of the different categories of insurance policies available in the local market and the benefits they offer. They should serve as a guide to PEs which may be looking for a cover from risk for their business in the local market.

Table 6.1: General Insurance

Insurance Category	**Benefits Offered**
Motor Private	Insurance against damage, theft, third party liability. Financial loss in event of accident, fire or theft of the vehicle.
Motor Commercial	Insurance against damage, theft, third party liability. Financial loss in event of accident, burning or theft of the vehicle.
Fire (Domestic /Industrial)	Insurance against fire damage, floods, and storms impacting on the business.
Domestic Package	Provides cover for the building structure, personal belongings and liability.
All Risks (Computer/all electronic equipments etc as per policy)	Insurance against theft and damage.
Marine /Air Cargo which includes goods- in- transit	Cover goods being transported.
Political Violence	This is a new policy in Kenya offered by a limited number of insurance firms to cover for business loss or damage to premises arising from political violence.
Professional Indemnity	Provides cover against loss occasioned by poor or negligent professional advice or services to client; usually taken out for provision of consultancy services.
Work Injuries Benefits Act	Insurance against injury at a work place in line with the Workmen Compensation Act.
Personal Accident	Provides benefits in the event of death or disablement resulting from an accident which must have an external violent and visible cause.

Consequential Loss	Insurance against loss of profits, wages & recurring expenses.
Theft/Burglary	Insurance against theft, damage during theft.
Fidelity Guarantee	Compensation upon fraud by own employee.
Travel Insurance	Insurance against illness, loss of property, extra expenses from delay/cancellation.
Mortgage Protection Insurance	Retaining property even after death/ disability.
Cash In Transit	Payment upon theft of cash in transit or in premises.
Bonds (Security, Bid, Performance, etc)	Guaranteeing such bonds.
Public Liabilities	Legal liability in respect of accidental death, injury /illness or loss or damage to property of third parties including legal expenses and product liability.
Stocks Insurance	The insurance of stocks against deterioration occurring through handling, power failure or abnormal fluctuation, losses in transportation, changes of demand and the Consequential losses; theft and burglary.

Table 6.2: Life Insurance

Life Individual	Payment upon death of insured principal or permanent disability.
Life Group (They are over 100 packages)	Payment upon death of insured principal or permanent disability under the Group Policy terms.
Pension- Individual	Endowment policy that matures at a retirement age for an individual.
Pension - Group	Endowment group policy that matures at a retirement ages of individuals with the group.
Group Personal Accident - GPA	Money upon death and disability.

Table 6.3: Medical Insurance

In Patient only: 1. Individual 2. Corporate	Reimbursing or payments of medical bills for in patient, last expenses, incurred by the insured or an individual employee(s) of an insured.
Out Patient: 1. Individual 2. Corporate	Reimbursing or payments of medical bills for in & outpatient, last expenses, incurred by the insured or an individual employee(s) of an insured.

***Note**: Medical cover can also include in and out patients with various extensions such as dental, optical, e.t.c.*

6.2 Use of Brokers

Brokers have good knowledge of the insurance industry practices and customs as per the Insurance Act and may be approached by PEs to obtain advice and guidance. The Brokers should advise on the most appropriate insurance covers that are available in the market for the types of business risks that PEs are exposed to and also explain the benefits, claims filing procedures, payment modes and administration of covers.

7.0 PROCUREMENT PLANNING

7.1 Introduction

7.1.1 The procurement plan is an instrument for implementation of the budget and should be prepared by the user departments to avoid or minimize excess votes in the entities' budgets and to ensure that procurements do not proceed unless there are funds to pay for them. The plans also ensure orderly procurement by giving visibility to future activities and hence provide for sufficient lead time for effective and efficient procurement.

7.1.2 The procurement plan must be integrated into the budgetary processes based on the indicative or approved budget as stipulated in Regulation 20 (2) of the Public Procurement and Disposal Regulations 2006.

7.1.3 Budgets and the procurement plans are to be based on realistic cost estimates derived from the latest market research database compiled and updated regularly by the procurement unit in line with Regulation 8 (3) (z) of the PP&D Regulations.

7.1.4 The departmental /sectional procurement plans shall be consolidated by the Head of Procurement Unit to come up with an institution's corporate procurement plan.

7.1.5 The Procurement Unit should verify the departmental/sectional procurement plans to ensure that they are representative of the operational requirements of the institution and subsequently forward the same to the Head of the Procuring Entity for approval.

7.1.4 The plan must not be implemented before approval by the Head of Procurement Entity.

7.1.5 The contents of a procurement plan should be in line with the format provided in the Appendix (A) of this manual.

7.2 Procurement Planning Procedures

7.2.1 The Heads of Department should identify, justify the insurable risks and then choose an appropriate insurance cover from the categories of insurance policies offered in the insurance industry. (Refer to Tables 6.1, 6.2 and 6.3 above or from the market research information and advice from the brokers).

7.2.2 The departments are to prepare their respective procurement plans that show their annual and/ or multi-year requirements for goods, works and services.

7.2.3 Multi-year procurement plans may be prepared and shall be integrated into the Medium Term Expenditure (budgetary) Framework (MTEF).

7.2.4 The procurement plan should make provision for all insurance covers required. These may include insurance for all new equipment to be procured, general insurance, life insurance and medical cover where necessary. Such provision should be factored into the procuring entities' budget.

7.2.5 The departmental procurement plans are to be consolidated and forwarded to the Head of the Procuring Entity at least 30 days before the end of a financial year.

7.2.6 The section that plans for insurance covers should take into account all the insurable risks as classified by the procuring entity and shall include:

a) An indication of which categories of insurance services will be needed;

b) An estimate of insurance premium of each category of service;

c) The budgets available for insurance and sources of funds;

d) Procurement method for each procurement; and

e) Any other milestones for each category of risks.

7.2.7 The past procurement profile validated by the latest market research from the Head of Procurement Unit should be used to enhance preparation of a realistic procurement plan.

7.2.8 The procurement profile should provide the following information:

a) The types of insurance services procured in the past and their premiums;
b) The procurement methods applied;
c) Current sources and their geographical location;
d) Criticality of the risks and their potential impact to the procuring entity; and
e) The feasibility of the insurance cover.

7.2.9 Market research information should cover but not be limited to the following information:

a) Insurance service providers and their financial strength;

b) Available insurance products in the insurance industry;

c) Degree and type of competition between insurance service providers;

d) Technology trends;

e) Premium rates indices; and

f) Foreseeable external environmental factors that would negatively impact on insurance services.

7.2.10 Procuring entity may procure the services of an insurance expert such as an insurance broker to carry out a market research for the procuring entity in accordance with the procedures for procurement of consultancy services in Part VI (C) of the PPD Act 2005.

7.2.11 The appropriate procurement method shall be selected in accordance with the information contained in the market research data bank and the Threshold Matrix in the Public Procurement and Disposal Regulations 2006.

7.3 Implementation of procurement Plan

7.3.1 Unplanned requirements that arise out of unforeseen operational needs or changes to the user's annual procurement plans should be communicated to the head of procurement unit immediately as soon as such changes occur.

7.3.2 Regular reports on implementation of the plan should be prepared by the Procurement Unit. The report is to include compliance or variances if any from the plan and the identified causes and recommendation for remedial action.

7.3.3 The report referred to under section 7.3.2 should be prepared by the Head of Procuring Unit and copied to the Heads of Departments including the Heads of Finance or Accounts Department where budgetary variances if any will be analysed for prompt remedial action.

8.0 SPECIFICATION AND SCHEDULE OF REQUIREMENTS OF INSURANCE SERVICES

8.1 **Introduction**

8.1.1 Specifying insurance services should be based on the approved and classified insurable risks and the current insurance policies in the sector.

8.1.2 The specification of the insurance services should cover the insured value which is based on credible risk survey and valuation done by an authorized valuation expert.

8.1.3 The offers made by the bidders who may be agents, brokers or the underwriters, depending on the eligibility criteria stated in the bid document, should include an annual premium based on the assessed insured value of the risks.

8.1.4 The standing policies used by insurance service providers may not give sufficient indemnity to a procuring entity. They can however be used as a basis for harmonizing the specifications of the policies the PE intends to procure from the market.

8.2 **General guideline on preparation of specifications**

8.2.1 **Co-functional approach and/or engaging an insurance specialist**

Specification of insurance services should preferably be a cross-functional task that involves users' representative(s), an insurance expert (e.g. broker) and a representative of the Procurement Unit who is to provide commercial information and advice on the requirements of the PPD Act and PP& D Regulations.

8.2.2 Where a procuring entity does not have the expertise for preparing an insurance specification, the services of a qualified insurance broker may be sought. The broker will advise on the preferable risk cover options available and the appropriate specifications of the selected insurance policy or cover to be purchased.

8.2.3 The insurance broker who is contracted in accordance with Sub-Section 8.2.2 above is not eligible to participate in the subsequent procurement of the same insurance services.

8.2.4 **Generic specifications**

The specifications are to be as generic as possible to encourage adequate responses from potential insurance service providers. The greater the number of respondents, the more likely it is to have competitive bids.

8.2.5 **Scope of specifications**

The specifications should be initiated by users and be prepared in a clear and unambiguous manner covering service descriptions and the duration for which the service will be provided. The specifications should be analyzed by the Procurement Unit to ensure clarity and adequacy in the coverage of the scope of the services.

8.2.6 **The Specification coverage**

The specification of insurance services should cover the following and any other details deemed necessary depending on the potential impact of the risks:

a) Category of insurance and risks to be covered;
b) Period of the intended insurance policy;
c) Description of the insurance cover;
d) Interest and sum insured;
e) Limits of liability;
f) Basis of evaluation;
g) Total premium; and
h) How the excess costs are to be managed.

8.2.7 **Examples of specifications of some of the categories of insurance**

a) **Motor Vehicles**

i) Motor vehicles(including Motor Cycles) would be in various categories such as Private Comprehensive, Public Comprehensive and Commercial Comprehensive for third party policy;
ii) The insurance cover would be comprehensive and/or third party, fire, theft, and /or party only cover(s); and
iii) The registration numbers, make, year of manufacture and the current value would form part of the specifications.

b) **Goods in Transit**

i) For goods in transit, the insurance cover generally termed as Cargo Insurance protects goods from a wide range of hazards they are potentially subjected during transport especially in international trade.

ii) In general terms, the risks to which goods in transit are exposed should be covered in accordance with the applicable INCOTERM as contained in the latest edition of the INCOTERMS.

iii) In particular, under the term “Delivered Duty Paid” (DDP) the seller meets all the costs of delivering the goods to the buyer’s warehouse. Under other INCOTERMS, part of or all the freight and insurance costs will be borne by the buyer.

c) **Fire (Domestic /Industrial)**

Fire and special perils may include but not be limited to fire, lightening bush fire, explosion, earthquake (fire shock or volcanic eruption), riots, strike, malicious damage and special perils.

d) **Burglary**

Burglary policy should cover but not be limited to loss or damage to property resulting from forceful or violent entry or exit from premises. In case of burglary the equipment in the specified premises such as stock in trade, furniture, fittings, machinery and plant, tenants appurtenance and any other contents should be included in the specifications.

e) **Cash-in-Transit**

i) Specification of insurance for money should generally cover loss of money and damages to safes as declared. Money is deemed to include cash, currency notes, postage revenue and the NHIF stamps and money orders, uncrossed and bearer cheques, loss damage to safe/strong room, contents of franking machines, and estimated annual carry.

ii) In particular cash includes cash in transit until paid out, cash in locked safe, strong rooms, cash in premises during and out of business hours, and cash in the hands of salesman (where applicable).

f) **All Risks**

i) All risks policy would include all risks and loss or damage to property. This policy generally covers loss or damage to equipment, machinery, cargo (goods in transit) etc with their values included in the specifications.

ii) Although this category does provide the widest range of cover, as the wording “all risks” implies, there are some exceptions and exclusions. It may not include loss of trade, losses due to inherent faults or vices in the goods in particular, delays or loss of market. So no cargo policy is intended to cover these areas. War risks, strikes, riots and civil commotions are other risks not included in “all risks” policies and must be covered separately if available.

iii) The details for this policy should be carefully prepared by the specification team stated under sub-section 7.2.1 above with view to deriving maximum benefits compared to the individual categories.

g) **Group Personal Accident**

i) The specification for the Group Personal Accidents (GPA Staff) would cover payment of benefits as defined as a result of accidental death or bodily injury to insured persons.

ii) The details of the proposed policy should provide the number of the insured persons and estimated annual earnings for the insured persons as basis for computing benefits.

h) **Group Life (Staff)**

The specification for the Group Life (Staff) would cover defined payments of benefits as defined as a result of loss of life during the term of employment. The sum insured would be based on the specified number of staff and their total monthly salary.

i) **Stocks Insurance**

i) The insurance of stocks should cover bought-in and finished inventory against deterioration occurring through handling, power failure or its abnormal fluctuation, losses in transportation, changes of demand and the consequential losses.

ii) Ownership of goods should be ascertained particularly in case of consignment stocking contractual agreements, force majeure, negligence and extent of liability.

iii) A consignment stock which may be located in the PE’s premises is likely to be owned by the supplier. The PEs insurance policy should hence be examined to determined whether such items are covered and to what extent.

iv) In case of force majeure perils, the insurance policy should state the type of perils that constitute force majeure which generally include earthquake, hurricane and other natural catastrophes. Note that force majeure usually allows the injured party to reject third party claims for damages beyond the value of the lost products.

v) For negligence, foresight and extent of liability there may be evidence of negligence in the case of a claim for damage of a product if the inventory management is not in accordance with the terms of storage and handling for particular products. For example, when phosphorous-based chemicals are stored in damp area and it subsequently explodes, the PE is likely to be held liable for the loss.

j) **Product and Product Liability-For entities that undertake production and/ or sale of products**

i) The insurance cover should include legal liability in respect of accidental death, injury/illness or loss or damage to property of third parties including legal expenses and product liability. As a guide to the potential bidder, the type of business and products should be provided with limits of indemnity for any one claim in any one period as well as an estimated turnover.

ii) Special risks in respect of this class of insurance may include but not be limited to defective sanitation, delivery risks, fire and explosion first aid treatment, foods, fumes and pollution, goods held in trust and national statutory requirements and international conventions where applicable.

iii) A service provider acting as an agent must provide manufacturer's authorization letter (power of attorney) which would empower the purchaser to seek remedies from the manufacturer or the principal for whom the agent is acting in case of injuries arising from hidden defects during use of a product.

k) **Work Injuries Benefits**

i) The work injuries benefits would cover indemnity in respect of death or injury to employees arising out of and in the course of employment in accordance with the Workmen Compensation Act.

ii) The employee being a workman is defined by the Workmen Compensation Act and whose earnings do not exceed Ksh 400,000 per annum. The description of the employees include general workers and casual workers, their numbers and estimated annual salaries and other emoluments.

l) **Marine /Air Cargo**

i) Where a Procuring Entity opts to undertake to insure goods being exported or imported, the insurance cover would include but not be limited to indemnity against loss or damage to property of the insured (including legal liabilities for general average and salvage where applicable) whilst in transit by means of specified conveyances within the geographical limits and conditions specified in the policy.

ii) It would be prudent to specify the nature and description of the property and to provide the insured value.

iii) The conveyance ought to be an approved marine vessel and or airfreight or rail or any other specified conveyances. The voyage is to be specified by stating the ports of despatch, routes and destination in Kenya. The basis of evaluation of the insurance would, in case of import, be Cost and Freight (C&F) INCOTERM and an applicable INCOTERM for export up to the specified destination in the Contract of Insurance or Contract of Sale and Afreightment whichever is applicable.

m) **Any other Risks**

Whenever a procuring entirety intends to secure any other risks not covered in this Manual the entity should seek the expert advice of an insurance broker or the Insurance Regulatory Authority (IRA).

8.2.8. Inclusion of the Insurance Requirements in a tender document

The PEs should obtain the most recent details of the policies that would adequately cover the identified risks through market survey carried out by Procurement Unit in accordance with regulation 8 (3)(z) of the PPD Regulations. The most appropriate coverage should them be selected and comprehensive specifications prepared including salient information derived from section 8 (Specifications and Schedules of Requirements) of this Manual and be incorporated in the tender document.

8.2.9 Reduction of Premiums

a) Procuring entities should reinforce security measures against insurable risks in order to minimize the insurance premiums.

b) Some of the security measures referred to under sub-section 8.2.6 (a) above would be fitting anti-theft car tracking systems on vehicles, secure locks and grills on windows and doors of buildings and 24-hour guarding, observance of Health and Safety regulations at work places, installation of fire fighting equipment and conducting regular fire drills, use of safer modes of cash transfer such as electronic cash transfers or issuance of cheques, and any other measures that may be appropriate according to the to nature of risks identified by the procuring entity. Many insurance companies will advise on the premium discounts or reductions a PE can qualify for after implementing any of the risk mitigating measures outlined above.

8.2.10 Schedule of Requirements

a) The schedule of requirements shall be included in the tender documents by the procuring entity and shall cover as a minimum, the description of the insurance cover to be provided and full particulars of the risk being insured.

b) The objective of the schedule of requirements is to provide sufficient information to enable tenderers to prepare their insurance cover bids comprehensively and accurately. In particular the price schedule for which a form is provided in Section VI of the Standard Tender Document for Insurance Services must be carefully completed.

Example of Schedule of Requirements

No.	Particulars of Insurance	Value to be insured	Risks to be covered
1.			
2.			
3.			

c) In addition, the schedule of requirements together with the price schedule should serve as part of evaluation criteria in the instructions to tenderers in the tender document.

9.0 CHOICE OF PROCUREMENT METHODS

9.1 Open Tender Method

The preferred procurement method is open tender according section 29 of the PP&D Act 2005. The details for how open tender should be conducted are contained in Part V of the PP& D Act 2005. However, where open tendering is not found to be the appropriate method, the Act provides for use of alternative procurement methods subject to fulfilling the conditions provided in Part VI of the PP&D Act 2005.

9.2 Alternative Procurement Methods

Where open tendering is not feasible and the same is justified in line with Part VI of the PP&D Act 2005 and the same is included in the procurement plan, a procuring entity may use the following alternative procurement methods in line with the provision of the PPD Act and the Regulations:

a) Request for quotation
b) Restricted tendering
c) Request for Proposal
d) Specially permitted procurement
e) Low level procurement
f) Direct procurement

Further guidance on the use of open and alternative procurement methods can be found in the Public Procurement and Disposal General Manual.

10.0 SELECTION OF INSURANCE SERVICE PROVIDERS

10.1 Introduction

The Procurement Unit should register insurance service providers through capability appraisal. Their details should be compiled and maintained in a database for award or future award of contracts for supply of specific services. More specific information on any registered provider of services in the insurance sector may be obtained by any PE by writing to the IRA. The above covers two types of selections as stated under sub-section 10.2.1 and 10.2.2 below.

10.2 Categories and Definitions of Insurance Service Providers

10.2.1 Insurance Company

Procurement of the Insurance Company

The procurement of insurance services may be conducted by a procuring entity directly without going through an Agent or a Broker. The normal sourcing and supplier selection procedures are to be followed. Where an entity chooses to deal with the underwriter directly, the solicitation and tender documents should not invite the Underwriters together with Agents and Brokers.

Where a PE contracts directly with an underwriter, the PE may benefit from discounts since no brokerage commission will be included in the contract.

10.2.2 Insurance Broker

a) **Definition**

A Broker is an independent person who is registered under the Insurance Act who advises customers on insurance. The Broker operates as the buyer's agent and not an agent of any insurance company.

b) **Procurement of Brokers Services**

The Brokerage services are professional advisory services regarding the policy best suited to the buyer's specific needs from the many options in the market. The service may include a review of the Insurance Bidding document where the PE lacks such expertise in-house and help in processing claims.

Being intellectual in nature the brokerage services should be procured in accordance with the procedure for Request for Proposal procurement method stipulated in Part VI of the PPD Act 2005.

Since there may be need for the brokerage services on as-and–when-required basis for a period of time, the contract suitable for the services is a framework contract.

10.2.3 Insurance Agent

a) **Definition**

An Agent is a person or group of people selling insurance on behalf of an Insurance Company. An Insurance Agent's role is to obtain the terms of a policy that is best suited for the buyers' needs from the Insurance Company's product profile.

b) **Procurement Procedure**

Procurement of Insurance Agent is to be carried out in a similar manner to procurement of the Insurance Company/Underwriter as stated in sub-section 10.2.1 above. The solicitation and tender documents should however specify that Agent must provide letter of authorization to act as Agent for the Company for whom they would be acting. The invitation to bid may for the Underwriter or Agent who would both be eligible to bid.

10.2.4 Auxiliary Service Provider

Auxiliary Service Providers are assessors for risk and damage or accident in order to determine loss on behalf of underwriters who pay them for such services.

10.3 Insurance Service Providers Selection phases

10.3.1 Registration of insurance service providers

Registration of insurance service providers is to be preceded by appraisal of potential suppliers through analysis of responses to questionnaires for registration in accordance with PPDR 2006 Regulation 8 (3) (a).

10.3.2 Pre-qualification of the service providers

The pre-qualification of insurance service providers shall be undertaken in accordance with the Regulation 23 of the PPDR 2006 to enhance short listing of the service providers for specific procurements. The standard document for pre-qualification shall be used but may be modified as appropriate.

10.3.3 Selection of Suppliers through bid evaluation process

Suppliers of specified services are to be selected through bid evaluation procedures set out in Section 11.0 of this Manual.

10.3.4 **Qualification and Conditions to be met by Insurance Company**

For an insurance services provider to qualify for selection to provide specified services or to be registered as a service provider, the following minimum qualifications are mandatory:

a) Evidence in form of recommendation letters from major clients and major underwriters. The value of services (policies) managed in each of the last three years;

b) Experience in provision of services of similar nature and magnitude in each of the last three years. Details of services underway or contractually committed; and names and addresses of clients who may be contacted for further information on those contracts;

c) Evidence of a reasonable Professional Indemnity guarantee;

d) Membership of professional organizations;

e) Reports on financial standing of the bidder such as profit and loss statements and auditor's report for the past three years signed by auditor(s) who are approved by Institute of Chartered Public Accountants of Kenya (ICPAK) for determining solvency and liquidity of the company;

f) Authority to the Procuring Entity to seek references from the bidder's banks and the underwriter (in case of brokers and agent);

g) Information regarding litigation, in which the bidder is involved in, the parties concerned and the disputed amounts;

h) Proposal for sub-contracting of components of the services and the percentage of the value of the contract;

i) Stating the value of other contracts currently being managed to enhance assessment of the ability to honour claims and liabilities;

j) Qualifications and experience in insurance matters of the key members of staff and diversity of their skills to cover relevant risks of interest to the PE;

k) Demonstration of ability to honor claims should they arise by submitting audited financial accounts in order to affirm level of capitalization (Net Assets) and working capital requirements;

l) Submission of a signed declaration to the effect that the directors and key staff members are of good conduct;

m) Certificate of good conduct from IRA and CID;

n) Be registered with the Insurance Regulatory Authority for the current year and a copy of the current license be submitted;

o) Have sold annual gross premiums in previous year of the amount that the PE shall determine based on the value of the risk to be insured;

p) Have paid up capital of at least the amount that the PE shall determine based on the value of the risk to be insured;

q) Must submit copies of the following documents;

    i) PIN Certificate,

    ii) Tax Compliance Certificate,

    iii) Certificate of Registration/Incorporation, and

r) Must be a member of the Association of Kenya Insurance (AKI).

10.3.6 **Qualifications and Conditions to be met by Insurance Broker**

The Insurance Brokers shall comply with the following requirements:

a) Must be registered with Insurance Regulatory Authority for current year and a copy of the current license be submitted;

b) Must have a bank guarantee of amount specified by the PE based on the value of the risks to be insured deposited with the Commissioner of Insurance and a copy be submitted with the bid;

c) Must have a Professional Indemnity Insurance Cover of at least the amount specified by the PE and a copy be submitted with the bid;

d) Must give a list of 5 (five) reputable clients and the total clients premium in the previous year;

e) Must submit a copy of the audited accounts for the previous year;

f) Must have members of staff with relevant qualifications and experience in insurance matters;

g) Must submit copies of the following documents;

    i) PIN Certificate,

    ii) Tax Compliance Certificate,

    iii) Certificate of Registration/Incorporation, and

h) Must be a current member of the Association of Insurance Brokers (AIB).

10.3.7 The IRA subjects all providers of insurance services to stringent vetting before they are registered in Kenya. Such details may be obtained from visiting the IRA website (www.ira.go.ke/downloads)

11.0 BID EVALUATION PROCEDURES

11.1 Opening of Bids

11.1.1 The accounting officer shall appoint a tender opening committee consisting of at least three members, at least one of whom shall not be directly involved in the processing or evaluation of the tenders. The tender opening committee shall open bids including modifications or withdrawals submitted prior to deadline for submission at the time and in the place specified in the tender document and the solicitation notice in the presence of the bidder' representatives who choose to attend.

11.1.2 The bids so opened shall be initialled by the members of the tender opening committee. The names of the bidders, bid security (if so required), withdrawal, and any other information deemed necessary shall be announced aloud and opening minutes prepared accordingly.

11.1.3 In case of submissions of bids in two envelopes (technical and financial in separate envelopes) as specified in the tender document, the technical envelopes shall be opened first and the financial envelopes marked with opening identity number of the technical envelope and set aside for opening in the presence of the bidders whose technical bids qualified in accordance with the stipulated evaluation criteria

11.2 The general qualifications that would form the basic for evaluation

The following factors should be taken into account during bid evaluation:

a) Insurance service providers' or **insurance brokers'** economic standing;

b) Insurance service providers' legal standing – whether qualified to operate as an insurance service providers in terms of registration by the Insurance Regulatory Authority;

c) Insurance service providers' relevant experience in terms of similar services rendered in the past

d) Insurance service providers' responsiveness to the tender's technical requirements;

e) Insurance service providers' premium for particular policy;

f) Reliability, integrity and reputation; and

g) Solvency status and ability to meet required claims within the required timeframe.

11.3 Preliminary Examination of Bids

Prior to detailed evaluation of the bids, the Evaluation Committee shall determine whether each bid is properly signed, accompanied by the required securities and meets the other requirements in Regulation 64 of the PPDR.

11.4 Technical Evaluation

11.4.1 The Technical Evaluation Committee shall evaluate the bids in accordance with the provisions of Regulation 49 sub-sections (1) and (2) of the PPDR to determine bidders' compliance with the technical evaluation criteria.

11.4.2 A substantially responsive bid is the bid which conforms to all terms and condition specified in the bidding document, without material deviation or reservation.

11.4.3 A material deviation or reservation is one which affects in any substantial way the scope, quality or performance of the services required. A deviated response is one that is inconsistent in a substantial way with the bidding documents of the PE. Post submission rectification of this response would affect unfairly the competitive position of other bidders presenting substantially responsive bids.

11.4.4 If a bid is not substantially responsive it will be rejected by the PE and not be subsequently made responsive by correction or withdrawal of the nonconforming deviation or reservation.

11.4.5 To minimize subjectivity in the technical evaluation of the bids the evaluation criteria shall be subjected to points scoring.

11.4.6 The evaluation committee shall carry out the evaluation of technical bids following the criteria set out in the tender document.

a) Example of a Technical Evaluation criteria

CRITERIA	POINTS
Specific experience of the bidder relating to the service	20-30
Qualifications and competence of key staff for the service	10 -20
Adequacy of response to inherent risks in the types and category of Insurance services being procured	30 -50
Total Points	**100**

NB: *At least three sub-criteria for the above main criteria should be applied by the evaluators, one of which must be solvency/liquidity of the bidder.*

b) Applying RFP procedures for technical evaluation in the Standard Tender Document for Insurance Services each technical bid will be given a technical score (ST). Any technical bid which fails to achieve the total minimum score indicated in the bid document shall be rejected at this stage and will not be considered in the next stage of financial evaluation. The respective financial bid will be returned to the bidder unopened.

11.5 Financial Evaluation

11.5.1 The procuring entity shall notify the candidates who have secured the minimum technical score that they have passed the technical qualifications and inform them of the date and time set by the procuring entity for opening their financial quotations. They will also be invited to attend the opening of tenders if they wish to do so.

11.5.2 At the same time the procuring entity shall notify the candidates whose proposal did not meet the minimum technical score or were declared non responsive.

11.5.3 The notification will indicate that their financial bids shall not be opened and will be returned to them unopened pursuant to sub-regulation 45(2) of the PPD Regulation after completion of technical evaluation. This information shall be stated clearly in the bidding documents.

11.5.4 The financial bids shall be opened by the procuring entity in the presence of the candidates who choose to attend the opening. The name of the candidate, the technical score or the technical evaluation result and the proposed premiums shall be read out aloud and recorded. The evaluation committee shall prepare minutes of the opening of the financial quotation.

11.5.5 The Financial Evaluation shall be carried out in accordance with procedures set out in regulation 50 of the PPD Regulations.

11.6 Selecting the Lowest Bidder

As the lowest financial offer is allocated the maximum price score according to the indicated weighting, the highest technical score should also receive the maximum technical weighting. The technical score of each offer should be calculated according to the formula:

$$\frac{TW * \text{marks achieved}}{\text{Highest mark}}$$

Where TW = technical weighting

The price score of each offer should then be calculated according to the formula:

$$\frac{PW * \text{lowest price}}{\text{Tenderer's price}}$$

Where PW = price weighting

If we take an example where it had been indicated in the tender documents that a 70:30 technical to price weighting would be applied:

Company A submits best technical offer, marked at 85% of maximum technical score, would score 70

Company B submits 2nd best technical offer, marked at 80%, would score

$$\frac{70 * 80}{85}$$

= 65.882

Company B submits lowest price of $110m, would score 30

Company A submits 2nd lowest price of $125m, would score

$$\frac{30 * 110}{125}$$

= 26.4

The overall score would thus be:
Company A: 70+26.4 = 96.4
Company B: 65.882+30 = 95.882

Company A wins the contract.

However, if the best technical offer is not given the maximum technical score but the proportion of its actual score to the maximum score multiplied by the weighting, a true 70:30 weighting would not have been applied. This could affect the outcome of contract award:

Company A would score

$$\frac{70 * 85}{100}$$

= 59.5

Company B would score

$\underline{70 * 80}$

100

= 56

The overall score would thus be:

Company A: 59.5 + 26.4 = 85.9
Company B: 56 + 30 = 86

Company B wins the contract.

11.7 Recommendation of the Lowest Evaluated Bidder

The bid offering the lowest premium (inclusive of relevant taxes) shall be accepted, subject to conformance with all mandatory technical requirements. .

11.8 Specimen Tender Evaluation Summary

The specimen of the evaluation summary and recommendation for award is provided under Appendix C of this manual.

11.9 Post Vendor Evaluation

A PE may carry out post evaluation of the recommended vendor to validate the qualification information provided by the vendor prior to signing of a contract pursuant to the provisions of the PPD Regulations.

11.10 Consistent application of evaluation criteria

No evaluation criteria other than those stated in the bid document shall be used in the evaluation.

12.0 CONTRACT ADMINISTRATION

12.1 The Purpose of Contract Administration

Managing a contract after its award is extremely important to ensure that a procuring entity gets value from the money it spends and also to enhance supplier relationship management that guarantees effective and efficient contractual undertakings with minimal or no misunderstanding.

12.2 Contract Administrator

12.2.1 A contract administrator should be appointed to carry out the functions identified in Chapter 9 of the Public Procurement and Disposal General Manual. For significantly large and/or complex insurance service contracts, such as framework contracts that run for more than one year, formal contract management teams may be appointed, under the chair of the contract administrator.

12.2.3 The contract administrator, with help as necessary from relevant departments or sections, should monitor the performance of the insurance contracts. Extended informal teams of individuals with significant inputs in management of such contracts may be co-opted for appointment by the Accounting Officer or the Head of Procuring entity.

12.2.4 The contract administrator should be an officer with knowledge and experience of the subject matter.

12.3 Preparation of Contract Management Plan

A contract management plan should be prepared by the head of the procurement in collaboration with the relevant department or sections as soon the contract is signed. It should provide background information on the contract detailing key points to provide a quick reference guide, a definition of roles and responsibilities in the contract, procedures for managing the contract, time, costs estimates and performance indicators.

12.4 Preparation of Contract Performance Plan

The contract performance plan should include but not be limited to the following**:**

a) Compliance with the performance schedule;

b) Performance Indicators and organization of functions with respective individuals responsible;

c) What control checks are to be carried out; and

d) What performance documentation is to be produced.

12.5 The duties and obligations of Insurance Service Providers

12.5.1 The duties and obligations of Insurance Company or Insurance Agent

The duties and obligations of Insurance Service Provider include but may not be limited to the following:

a) Providing adequate insurance to assume financial responsibility for any damages that may occur while working with the consumer under the terms of the agreement;

b) Providing immediate notification to a Procuring Entity or designated supervisor of any emergency situation that jeopardizes the safety of the procuring entity;

c) Providing the services as specified under the contract and any addendum;

d) Maintaining the confidentiality of all information concerning the Procuring Entity;

e) Maintaining documentation of services and provide written reports of services rendered in accordance with the provisions of the contract;

f) Taking cognizance of the Operative Clauses in the contract and notify the PE promptly of exclusions of what is not covered in the contract to minimize delays in claims settlement and disputes;

g) Attending meetings as requested by the Procuring Entity;

h) Promptly carrying out assessments of reported losses or damages within the timeframe stipulated in the contract; and

i) Any other duties and the obligations arising in course of the contract performance.

12.5.2 **The duties and obligations of Insurance Brokers**

The duties and obligations of Insurance Brokers should explicitly include but may not be limited to the following:

a) Providing timely and frequent expert advice on all insurance matters to the PE which may include:

   i) Compiling the different types of risks which the PE will require to insure against;

   ii) Identifying different insurance firms that specialize in policies for different types of risks;

   iii) Outlining the claims settlement and complaints launching process;

   iv) Availing fundamental information and documentation on insurance policies; and

   v) Carrying out risk improvement surveys.

b) The contractual relationship with the insurance companies should require that the broker makes:

   i) Prompt submissions of premiums to insurance companies or underwriters;

   ii) Prompt submission of claim supporting documents to insurance companies;

   iii) Frequent market surveys on stability of insurance providers and new products in the market. For instance, following the post-election violence in 2008, insurance companies developed a new product to cover risk arising from political violence; and

   iv) Convey all correspondence and feedback between Insurance company and PE.

c) Support the Claims Settlement Process

   i) The claims should be reported immediately upon occurrence to the brokers and/or insurer;

   ii) Support the PE in doing their demonstrable best to reduce the severity of the loss; and

iii) All necessary claims support documents should be availed on time, e.g. police abstract, risk assessor's reports on incidences and doctors'/hospitals' reports on patient and bills charged.

d) Support the PE in Assessing Claims

i) The claims should be assessed by insurance assessors and adjuster who act on the behalf of the insurance company.

ii) The claims should be in line with the conditions for the particular policy as stipulated in the insurance contract.

e) Adjustable Group Life Policy

The broker should support the PE to obtain any refunds for any excess premium paid whenever the number of staff in the group decreases. Such a provision should be included in the contract to avoid disputes.

12.6 Preparation of Contract Budget

The Contract Budget should include but not be limited to:

a) Planned payment to broker/insurer as per payment schedule (or as per terms of Payment) for all identified risks; and

b) Contingency allowance to cater for some unavoidable risks that may have cost implications.

12.7 Risk Management Register

A risk register should be prepared and maintained by the contract management team to reflect any changes in risks as the contract progresses. The register should be annotated with scheduled risks categorised as per time, performance, cost variance, commercial and others as identified in the contract document.

12.8 Evaluating and Controlling Performance

Evaluating and Controlling Performance of the contract should be carried out by the contract administrator with a view to minimising deviations if any from the contract management plan. The deviation or risk of deviation in the process should be identified by measuring performance against key performance indicators and communicating the findings at the contract- review meetings. It is important to ensure execution of the contract in accordance with the terms and conditions and to enable corrective measures if necessary. The procedure has the following components:

12.8.1 Key Performance evaluation Indicators (KPIs)

Performance evaluation and measurement should focus on understanding the extent to which the insurer fulfils the obligations as stipulated in the contract, understanding different factors that may be causing problems, focusing attention on priority areas when seeking solutions to problems and identifying new approaches to improving performance.

12.8.2 Performance Measures and Targets setting

a) Realistic and measurable targets for key performance indicators are to be developed by the Head of Procurement Unit in consultation with users and the insurance service provider.

b) Frequency and mode of performance measurement against the targets should be agreed upon between the parties.

c) The targets may be reviewed from time to time whenever circumstances warrant such reviews.

12.8.3 Evaluating and Measuring Insurance service providers' Performance

a) Performance measurement should be made on the basis of the KPIs, the frequency and mode agreed upon by both parties.

b) Performance gaps, if identified, should be communicated to the insurance service providers(s) as feedback in order to improve performance by addressing and eliminating weaknesses.

c) Insurance service providers who have not improved on their performance should be removed from the register of the service providers, but this action does not limit any other legal remedy the procuring entity may have.

d) Non-performance against the contract and KPIs which demonstrates serious lack of capacity or negligence on the part of the Insurance service provider should be reported to the PPOA as per the Act.

e) PPOA may, as set out in Part IX of the Act, debar insurance providers from participating in procurement proceedings for a period of time of not less than five years if they commit an offence under the Act, breach a contract of performance or give false information about qualifications. Procuring entities should report such instances of abuse to the PPOA.

12.9 Contract Administration Review

Contract review is a formal review process that takes place after the contract has been completed. It is a source of information and organizational learning which should be used for improving future management of insurance contracts. It should consider:

a) The time, cost and performance in general against pre-agreed targets;

b) Analysis of overall risk management during the period of the contract;

c) Organization and operational effectiveness and appropriateness of the procedures used and controls in place; and

d) Review of supplier's performance.

13.0 INSPECTION AND ACCEPTANCE OF SERVICES

13.1 The Inspection and Acceptance Committee shall carry out its functions in accordance with regulation 17 of the Public Procurement and Disposal Regulations.

13.2 The committee should confirm that the services being delivered by the insurance service providers conform to the specifications requirements and services level requirements in the contract. This work would involve reviewing the performance evaluation reports prepared by the coordinator of the contract to ensure satisfactory performance and that any reported deviations are restored without limiting the insured's benefits from the contract. The committee should then issue certificates which form the basis for payment of the premiums when due.

13.3 The contract should be coordinated by a Contract Administrator appointed in accordance with subsection 12.2 of this Manual who is to supervise the service delivery and prepare regular performance reports (referred in subsection 13.2 above) which the Inspection and Verification Committee is to review prior to clearance of the bills for payment.

13.4 To ascertain the authenticity of the supervisor's progress reports the Inspection and Verification Committee should conduct impromptu sample inspection and verifications of the service delivery.

14.0 REVISION OF THIS MANUAL

14.1 This Manual may be amended from time to time by PPOA to embrace any emerging procurement best practices and major policy changes.

14.2 Any user of this Manual who has suggestions on areas of this Manual which may need to be reviewed should notify the head of the procuring entity.

14.3 The head of the procuring entity should on a regular basis analyze emerging issues in the course of implementation of the guidelines and procedures in this Manual and notify PPOA of any areas which may be considered for review.

14.4 PPOA will approve and control all amendments to this Manual and will notify users of the current version of this Manual on its website (www.ppoa.go.ke).

14.5 The PPOA will from time to time issue the latest revised versions of this Manual for use by PEs.

15.0 APPENDICES

APPENDIX A: Procurement Plan Template

APPENDIX B: Sample Insurance Suppliers' Appraisal Questionnaire

APPENDIX C: Technical Evaluation Form

C.1: Technical Bid-Basic Data

C.2: Technical Envelopes Opening

C.3: Technical Evaluation-Guide to Scoring

C.4: Summary of Technical Scores/Ranking

APPENDIX D: Financial Bid Evaluation

D.1: Financial Envelopes Opening - Basic Data

D.2: Price Adjustments (Examination of Prices for Errors/Discounts)

D.3: Price Comparison Schedule (Adjusted)

APPENDIX E: Thresholds Governing Procurement Methods

APPENDIX A: PROCUREMENT PLANNING TEMPLATE

PART I: PRELIMINARY DOCUMENTATION

Ref No	Insured Items	Priority	No of Units	Unit Cost	Total Cost/ Premium	Procurement Method	Single/ Multi-Year	Aggregation	Budget Availability	Source of Funds
1.1 Planned										
1.1 Actual										
2.1 Planned										
2.1 Actual										

PROCUREMENT PLAN TEMPLATE
PART II: THE PROCUREMENT PROCESS TIMEFRAME

Ref No	Date Procurement Process must Start	Pre-Qualification	Bid documents preparation	Invitation of Bid	Bid Opening	Tender/ Proc Committee/ Award Notification	Contract Signed	Completion
1.1Planned								
1.1 Actual								
2.1Planned								
2.1 Actual								

APPENDIX B: SAMPLE INSURANCE SUPPLIERS APPRAISAL QUESTIONNAIRE

NB: To be reviewed from time to time to address characteristics of various purchases. Appendix B also needs to be customized by PEs to suit small and medium sized companies being evaluated

A	**COMPANY CONTACT DATA**		RATING
1	Company Name		
2	Nature of business		
3	Address		
4	Office telephone No.		
5	Office fax No		
6	Office Location (permanent address)		
7	Bank Reference		
B	**GENERAL INFORMATION AND STRATEGIC CONSIDERATIONS**		
1	Date established		
2	Types of activities		
3	Main Owners		
4	Are there financial/Ownership Link with other companies	☐ Yes ☐ No Name(s)	
5	What is the Company's main line of business		

6	Information on services being audited: **Names of services**	Supplied since	Supplied to:	
	1………………………………………………………………. 2………………………………………………………………..	…………………. …………………..	……………… ………………	
C	**REGISTRATION AS SUPPLIER STATUS AND OTHER STATUTORY REQUIREMENTS**			
	C.1 Registration			
1	Legal Registration No:			
2	Registration with the relevant regulatory authority (*state the authority)*			
3	Membership of relevant Association(*State the Association*)			
	C.2 Other Statutory Requirements			
1	Ta x Compliance Certificate			
2	PIN Certificate			
3	VAT Certificate			
D	**STRATEGIC CONSIDERATION**			
1	Strategic Vision			
2	Business Plan or programme			
3	Service Charter			
4	Short-term objectives			
5	Medium-term objectives			
6	Long-term objectives			
7	Has corporate strategy communicated to staff?	☐ Yes ☐ No Notes:		
E	**FINANCIAL ANALYSIS**			
	E 1. General financial information			
1.	What is the company's financial year?			
2.	What has been the companies turnover during the last 5 financial years			
3.	Are the company's financial statements given and attached to this audit?			
4.	What are the company's financial objectives?			
	E2 Financial Ratio			
	E 2.1 Profitability			
1.	What is gross profit as a percentage of turnover	$\frac{\text{Gross profit}}{\text{Turnover}} \times 100$		
2.	What is the Net profit as a percentage of turnover	$\frac{\text{Net profit}}{\text{Turnover}} \times 100$		
3.	What is turnover as a percentage of capital employed?	$\frac{\text{Turnover}}{\text{Capital employed}} \times 100$		
	D 2.2: Solvency			
1.	What is the current ratio?	$\frac{\text{Current Assets}}{\text{Current liabilities}}$ x100		
2.	What is acid ratio?	$\frac{\text{Current asset – stock}}{\text{Current Liability}}$ x 100		
3.	What it the gearing ratio?	$\frac{\text{Long term loans}}{\text{Capital employed}} \times 100$		

4.	What is stock turnover?	$\frac{\text{Cost of sales}}{\text{Average stocks}} \times 100$	
5.	What is the debtors' collection period?	$\frac{\text{Debtors} \times 335}{\text{Turnover}}$	
F	**EXPERIENCE AND QUALIFICATIONS AS A SUPPLIER**		
	F.1 Types and value of services rendered for each of the last three year and clients		
	Services Value Client		
	a)		
	b)		
	c)		
	d)		
	F.2 Evidence of Qualified Key Staff for performance of the services		
	Name Experience Qualifications		
	a)		
	b)		
	c)		
	d)		
	e)		
G	**SALES SERVICE AND CUSTOMER SUPPORT**		
	G. 1 General sales information		
1	Sales turnover for the services being audited		
2	The Company's main Competitors		
3	Main market segments serviced		
4	Sales infrastructure and arrangements		
5	The maximum contract value the company is willing to undertake	Minimum: Maximum:	
	G.2 After sales services and customer support		
1	What level of technical support is generally offered?		
2	Name and contact details of the technical local point:		
3	Is service level performance measured? If so list the indicators used	☐ Yes ☐ No Indicators	
4	Is there a team of persons that can be contacted outside the working hours?		
5.	Does the company employ temporary or sub-contracted labour If yes. please give details	☐ Yes ☐ No Notes:	
	G.3 Customer Complaints and Rejections		
1	How are customer complaints handled? Give details		
2	Is the route cause for customer rejection investigated and measures taken to eliminate the cause? Give details	☐ Yes ☐ No Notes;	
3	Are these measures monitored to ensure that they are effective? Give details	☐ Yes ☐ No Notes:	
1	**G.4 E-Commerce** Does the company have a website? Which are its main features (e.g. transactional, promotional, corporate, B-2-B, B-2-C etc**)**	☐ Yes ☐ No Notes:	

2	Does it have an online catalogue of products and services? Give details	☐ Yes ☐ No Notes	
H	**QUALITY MANGEMENT SYSTEMS**		
	H.1 General information on Quality Management		
1	Is there a strategy for continuous improvement of quality of services	☐ Yes ☐ No Notes	
2	Does the strategy define the objectives and commitments to quality as well as how these objectives will be met? Give details	☐ Yes ☐ No Notes	
3	Is there a quality manual? If so how often is this Manual maintained, reviewed and updated? Give Details	☐ Yes ☐ No Notes	
4	Is there a person fully responsible for quality management? If so at level is this person within the organization? Give Details	☐ Yes ☐ No Notes	
	H.2 Quality Certification and Accreditation		
1	Does the company hold a national certification accreditation for quality management?	☐ Yes ☐ No Notes	
2	Is the company certified under ISO 9000 or equivalent? If so please attach the ISO Certificate for this audit	☐ Yes ☐ No Notes	
3	If not, what steps are being taken to attain No.2 above? Give details		
4	What internal audits are undertaken to ensure continued adherence to all aspects of company quality systems as well as compliance with the external requirements? Give details		
5	Do qualified independent personnel perform internal audit s ?Give details		
6	Are the audit findings subjected to corrective action plan? And in what form?	☐ Yes ☐ No Notes	
I	**GOVERNANCE ISSUES**		
1	What is social policy practice in force?		
2.	Is there an ethics policy and practices guideline in place?	☐ Yes ☐ No Notes	
3	What action is taken if an employee breaks a company ethics policy? Give details		

Use the following ratings

0 Nothing currently exists
1 A system exists, but not being documented and not followed for desired effect
2 A system exists, but little documentation and little assurance of control
3 Barely satisfactory systems, with documentation and some assurance of control
4 System working and performing well. Procedures documented and good assurance of control
5 Excellent system and procedures that exceed requirements

APPENDIX C: TECHNICAL EVALUATION FORMS

C.1 TECHNICAL BID- BASIC DATA

Bid No.	………………………………………………
Bid Type of Information Communication Technology Cover, and brief description	……………………………………………….
Bid validity expiry date	………………………………………………
Method of selection	QCBS ___ Quality-Based ___ Least-Cost ___ Single-Source _____
Request for expressions of interest:	
❖ Publication in national/international newspaper (s)	Date...
❖ Number of responses	No..
Shortlist:	1.................................... 2.................................... 3.......................................
Pre-Tender conference:	Date.........
Minutes issued	
Tenders submission:	
❖ Two envelopes (technical and financial bids)	Yes............No……………..
❖ One envelope (technical)	Yes............No……………..
❖ Original submission	Date..........Time..........
❖ Extensions	Date..........Time..........

C.2 TECHNICAL ENVELOPES OPENING

TENDER NO…………FOR …………………………………………………

OPENING DATE ……………………………………..TIME…………………………

Bidders identification			Prices as read out		Modification or Comments
Names	Address	Country/ Town	Currency(ies)	Amount	
1					
2					
3					
4					
5					
6					
Total Number of Tenders Opened					

Names of Opening Committee members

Name ……………… Designation …………………… Signature …..…………………

Name ……………… Designation ……………………. Signature …..…………………

Name ……………… Designation ……………………. Signature ….…………………….

C.3 SUMMARY OF TECHNICAL SCORES/RANKING

	Evaluation Criteria	Tenderer No 1	Tenderer No2	Tenderer No3
A	**Understanding of the engagement**			
A1	Identification of key issues			
A2	Management of key issues			
B	**Personnel:** Specific experience and qualifications of key personnel in relation to the tender/quotation			
C	**Firm's experience** The firm's experience in similar engagements			
D	**Method statement** Programming and methodology for undertaking the engagement			
E	**Demonstrated ability to research and incorporate innovative solutions**			

TOTAL SCORES

RANKING

QUALIFIED TENDERERS

MINIMUM QUALIFYING SCORE……..

1
2
3

APPENDIX D: FINANCIAL BID EVALUATION

D.1 PUBLIC OPENING OF FINANCIAL ENVELOPES
(BASIC DATA)

Opening Date…………Time…………………….

Names and Tenderer that attended public opening	**1....................................** **2....................................** **3.....................................** **4.....................................**

Tenderers Names		**Currency**	**Total Premium**	**Comments**
No	**Name**			
1				
2				
3				

Opening committee: members' names and titles	**Names**	**Title**	**Signature**
	…………………..	....	………………………
	…………………..	....	………………………
	…………………..	....	………………………

D.2 PRICE ADJUSTMENTS
(EXAMINATION OF PRICES FOR ERRORS/DISCOUNTS)

TENDER NO……………………FOR …………………………………………………..

DESCRIPTION OF ITEM TO BE INSURED: NO……..

Bidders No	Premium As Read Out	Corrections	Corrected Bid premium	Unconditional Discount		Corrected/ Discounted Bid premium
(a)	b)	Computation Error (Amount) (c)	(d) (d)=(b)+//-c)	% (e)	Amount(s) (f)	(g) (g)=(d)-(e)
1						
2						
3						
4						

Scheduled by……………………Signature………………..Date………………
Checked by…………………….Signature………………...Date…………….

D.3 PRICE COMPARISON SCHEDULE
(ADJUSTED)

TENDER NO……………………FOR SUPPLY OF…………………………………………

Item No	Item Description	Bidder No1		Bidder No2		Bidder No3	
		Unit Price	Amount	Unit Price	Amount	Unit Price	Amount

Scheduled by……………………Signature………………..Date………………
Checked by…………………….Signature………………….Date…………….

***Note**: This form may be modified to cater for Insurance Service Providers and Brokers*

APPENDIX E: THRESHOLDS GOVERNING PROCUREMENT METHODS

(*AS PER SECTIONS THRESHOLD MATRIX IN THE PPD REGULATIONS)*

The Threshold Matrix in First Schedule of the Public Procurement and Disposal Regulations 2006 which spells out the minimum and maximum levels of expenditure for use of particular procurement and segmentation of duties for different officers and committees in the procurement cycle under Section 26(3) (c) of the PPD Act 2005 shall be used as stipulated by different classes of procuring entities.

This document was produced with assistance from the American people