

BANGLADESH RURAL ELECTRIFICATION BOARD
DHAKA, BANGLADESH
BREB INSTRUCTION 600-19
PBS INSTRUCTION 300-48

**SUBJECT: SUB-STATION POWER TRANSFORMER INSURANCE PROGRAMME
FOR PALLI BIDYUT SAMITIES (PBSs) .**

This policy Instruction came into force with effect from July, 01, 1985.

PURPOSE:


To establish and set forth a policy guideline in establishing a "Shared Risk Pool Insurance Fund" through contributions to be made by each participating Palli Bidyut Samity (PBS) for the purpose of providing Group Insurance coverage to the Sub-Station Power Transformers of all the participating Palli Bidyut Samities (PBSs) upon uniform terms & conditions as specified in the attached contract agreement.


POLICY:

Each Palli Bidyut Samity, for the purpose of insuring its Sub-Station Power Transformers, shall sign a contract agreement with the custodian of this "Shared Risk Pool Insurance Fund" in the attached contract agreement and shall be liable to comply with all the terms & conditions as stipulated thereto, with the purpose and intent that in the event of repair/replacement of its substation Power-Transformer due to loss/damage/failure, a major portion of such cost may be obtained from this fund.

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PBSs' contribution to this "Shared Risk Pool Insurance Fund" together with its management and utilization for repair/replacement of the Substation Power Transformers of the participating Palli Bidyut Samities (PBSs) shall be governed as per provisions as stated in the contract agreement as attached hereto.

The amount paid by each participating Palli Bidyut Samity (PBS) as installments to the "Shared Risk Pool Insurance Fund" shall be treated as operating expenses and the same is to be charged under the "Property Insurance" Accounts head.

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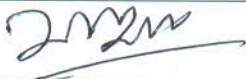
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**Substation Power Transformer Insurance Program
Shared Risk Pool Insurance Fund
"Contractual Agreement"**

Agreement made _____, 20____ between _____ Palli Bidyut Samity _____ (hereinafter called the "Participant") and the **Bangladesh Rural Electrification Board** (hereinafter called the "Custodian").

Recognizing the need to jointly share the expense of substation power transformer failures and thereby reducing the extreme financial burden which can affect on the operations of the individual Samity for such failure, each Participant becoming a signatory to this agreement is providing insured protection which can safeguard its role in accomplishing the electrification program in rural Bangladesh. Therefore, the undersigned agrees and acknowledges the mutual benefits which can be gained by joining together with other Palli Bidyut Samities (PBSs) in the accumulation of a shared risk of funds to provide group insurance coverage in case of substation power transformer failure, upon the following terms and conditions:

1. Contribution of Funds:

- A. The undersigned agrees to participate in establishing the shared risk pool of insurance fund through contributions paid by each participating Palli Bidyut Samity (PBSs) initially based on a formula of Taka 10.00 (Ten) per installed substation power transformer KVA per year (Tk.10/KVA/Yr.) As a signatory to this agreement, we pledge to contribute **quarterly, one fourth (1/4th)** of the annual Shared Risk Pool Insurance Fund assessment as based on the hereinabove formula, proportional to the installed substation power transformer KVA capacity of the Samity,

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- and to continue contributions until such time that a power transformer replacement stock has been assembled sufficient to meet the national power transformer loss experience average.
- B. Any year in which the initial substation power transformer replacement stock has been fully assembled and no damage, destruction or failure occurs during that year, said shared Risk Pool Insurance Fund assessment shall be waived and each year thereafter until such time as a loss is sustained by this participant or a co-participant in the shared risk pool.
- C. The concerned SE (Zone), BREB will provide updated status of Sub-Station Power Transformer KVA (Capacity) to Director, Accounts, BREB on half- yearly basis, with a copy to the concerned Director, PBS Monitoring & Management Operation, BREB. The concerned Monitoring & Management Operation Directorate will make revised contract with the PBS as per updated Sub-Station Power Transformer KVA (Capacity).

2. Custodian of Funds:

The participant further agrees to appoint the Bangladesh Rural Electrification Board as Custodian and administrator of the Shared Risk Pool Insurance Fund. The Custodian is hereby authorized and empowered to utilize the insurance fund contributions for the mutual benefit of all participants who become a contributor to the Shared Risk Pool Insurance Fund scheme. The Custodian agrees that no administrative cost shall be charged against the Taka amounts deposited in the insurance fund. Management accounting, billing and collection of the funds by the Custodian shall be undertaken as a service responsibility and at no cost to the fund. Only those charges and expenses directly associated with replacement or repair of damaged, destroyed or failed substation transformer experienced by the individual Participants shall be charged against the Shared Risk Pool Insurance fund.

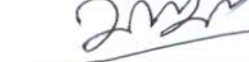
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All amounts deposited in the Insurance Funds as contributions by the participating Palli Bidyut Samities (PBSs) shall be invested by the Custodian in an interest bearing account and any interest accruing would also be applied to the principal for replacement of the Sub-station Power Transformers when necessary.

A. The Custodian shall utilize the funds to procure a replacement stock of substation power transformers of standard size, type and voltage, spare high and low voltage bushings, core and coil units compatible with existing substation power transformers in service. These spares shall be maintained on a divisional basis in a strategic location which will ensure minimum outage time when power transformer failure occurs.

B. Statistical evidence will be compiled by the Custodian to determine the loss experience ratio and establish the annual contribution to be paid by the individual Participant necessary to maintain the Shared Risk Pool Insurance Fund on a sound financial basis.

3. Claim against Fund:

A. Each Participant shall, in addition to payment of the annual assessment, bear the twenty five percent (25%) of the total cost of replacement and/or repair of any given substation power transformer failure occurring within the Participant's own substation. The balance of seventy five percent (75%) shall be paid from the Shared Risk Pool Insurance Fund. Cost shall include repair or purchase price, removal and installation labor expense, transportation, shipping and handling cost applicable at time of occurrence.

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B. In the event of damage to or the destruction of substation power transformer or any portion thereof covered by the Shared Risk Pool Insurance Fund, the Custodian or its agent or representative, assisted by the Participants personnel upon request, shall repair or replace such destroyed, damaged or lost portion so that the substation power transformer shall be in substantially the same or better condition than it was prior to such destruction, damage, or loss and shall apply the proceeds of insurance contributions for that purpose.

C. If a dispute arises as to cost associated with repair or replacement of a substation power transformer unit, the invoices, accounts and records as maintained by the Custodian of the Shared Risk Pool Insurance Fund shall be conclusive evidence in establishment of actual cost.

4. Safeguarding Insured Property:

A. The Participant agrees to be diligent in its maintenance and operation of the substation power transformer as per PBS Instruction 100-29; at all times operating the transformer within the limits of the manufactures' name plate rating; protecting against moisture contamination; testing and filtering oil on a timely schedule; maintaining substation lightning arresters with adequate flashover capability; ensuring primary fuse has been sized to afford maximum protection against lightning, voltage surges and other over currents; and the proper installation, rating, coordination and maintenance of protective devices on each outgoing distribution feeder circuit.

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B. Responsibility for safeguarding, proper maintenance and operating the substation power transformer within manufactures' recommended limits shall be delegated to the individual participant who is a signatory to this agreement.

Proven negligence in providing proper safeguard for the protection of insured property covered under this agreement shall be cause for denial of payments hereunder.

5. **Notification and Reporting of Claims:**

A. The participant shall, upon discovery of damaged, destroyed or failure of any item of equipment insured under this agreement, report immediately such condition to the Custodian. The notification shall convey, to the maximum extent possible, all relevant information and data as to probable cause. Notification shall be through the most direct communication means available.

B. Upon receipt of information regarding the damage, destruction or failure of a substation power transformer, the Custodian shall dispatch an investigation team comprised of the following members:

- | | |
|--|----------|
| 1. Director, System Operation, BREB | Convener |
| 2. Concerned Executive Engineer, BREB | Member |
| 3. Deputy Director, Concerned Zone,
PBS Monitoring & Management Operation, BREB | Member |

The team shall collect all available data including conditions prevailing at the time of loss occurrence, helpful in determining the cause, and shall recommend course of action to be taken for replacement and restoration of electric service in shortest possible time.

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The investigative team shall prepare a written report detailing conditions as found and its view as to probable cause of transformer failure. Copies of the report shall be issued to each Participant of the Shared Risk Pool Insurance Fund. The report shall, if possible, list corrective measures to be undertaken by all Participants that will help minimize reoccurrence of the same type damage, destruction or failure to other insured substation power transformers.


6. Term:

- A. This Contractual Agreement shall become effective on the date first above written and shall remain in effect for an initial period of five (5) years, and thereafter from year to year until terminated by either party giving to the other thirty (30) days notice in writing.
- B. Upon expiration or termination of this agreement and/or dissolution of the Shared Risk Pool Insurance Fund scheme, all unutilized funds remaining shall be used to reduce the long term debt of the Participant.
- C. The Custodian shall, upon dissolution of the Shared Risk Pool Insurance Fund scheme, dispose of any and all equipment items remaining in the replacement stock reserves. Funds received from disposal of said equipment shall be added to the Shared Risk Pool Insurance Fund account and distributed to the Participants as enumerated under paragraph B. above.

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7. **Succession And Approval:**

- A. This Contractual Agreement shall be binding upon and inure to the benefit of the successors, legal representatives and assigns of the respective parties hereto;
- B. Validity of this Contractual Agreement shall become effective only upon the affirmative vote of the Participant's Board of Directors.

IN WITNESS WHEREOF, the parties hereto have executed the Contractual Agreement as of the day and year first above written.

President

Executive Director

-----Palli Bidyut Samity

Bangladesh Rural Electrification Board

By:-----

By:-----

Title:-----

Title:-----

Ratified by affirmative vote of the Palli Bidyut Samity Board of Directors at the-----monthly meeting held on-----20-----

Attest:-----
(Secretary, ----- Palli Bidyut Samity)

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