

MINUTES OF THE 3rd MEETING OF PROCUREMENT COMMITTEE OF IRDA HELD ON

7th April, 2011 IN IRDA, HYDERABAD

Present :

1. Shri. A.Krishna Rao (Chairman)
2. Shri N. Srinivasa Rao (FA & CAO) - Convener
3. Shri. Randip Singh Jagpal (JD - Non-Life) -Member
4. Ms. Mamta Suri (JD - F& A) - Member
5. Shri. Mahesh Agarwal (Sr. AD) - Secretary

User Dept Invited

1. Shri. R.K. Sharma (F &A)
2. Mrs. Yagna Priya Bharat (Consumer Affairs Dept)
3. Shri. Mukesh Sharma (Admin)

It is noted that all the members of the Committee are present. Minutes of last meeting were read and approved with consensus. The items on the agenda are taken up for consideration.

Item 1 - MMIS Project

The Committee did not consider this item as the monetary value of the proposal is less than Rs.10 lakhs.

Item No.2 -Complete renovation of TAC Flats in Mumbai

The proposal is to entrust the work of renovation of Mumbai Flats purchased from TAC to LIC on the basis of a single quotation. The Procurement Committee was informed that IRDA wishes to engage the services of LIC in connection with the renovation. The Committee was informed that LIC had successfully completed the work of renovation of 5th floor premises of

IRDA and United India building. Also, procurement committee in its first meeting had approved the allotment of work regarding renovation of Delhi Guest House to LIC on single Tender basis. Though the present proposal was for a single source allotment of work, it was noted that LIC is a government organisation having a specialised Engineering Dept and a well established estate management department. Civil works is not the main business of LIC but LIC agreed to do this work for IRDA as a special case. This work includes renovation of seven flats owned by IRDA in various housing societies in Wadala (W), Powai and Malad (E) in Mumbai. Flat no. 11, Bldg no. 10, GIC Qtrs, Bandra Reclamation, Bandra(W), Mumbai was not considered for renovation at this stage as it had some legal issues pending. It was further informed that once the contract is given to LIC, it shall be their responsibility to undertake tendering for Civil and Interiors work for each flat and this project shall be undertaken by LIC on turnkey basis. The execution period as per user dept is 90 days from the date of award of contract to LIC. The provisional quotation of Rs.63.19 lacs submitted by LIC includes contingency charges @ 7% of the total charges amounting to Rs. 4.13 Lacs. Further, it was informed that LIC shall charge @ 7% of the total cost as their consultancy fees for the above assignment which is yet to be confirmed by the user dept. All the flats are of 2 bhk and it is expected that they shall be occupied throughout the year. Regarding maintenance of the flats, user department informed that they are in talks with LIC to appoint a caretaker for maintenance and catering in the flats the details of which shall be worked out separately. The present assignment includes only civil & Electrical works including Air-conditioning but excluding furnishings. It was unanimously agreed to allot the work to LIC for a total consideration of Rs. 63.19 Lacs as quoted by the LIC excluding consultancy and services charges which shall be submitted by LIC separately in the revised proposal as per user dept.

Item No. 3 - Allotment of work regarding performance analysis of insurance companies to Brickwork Credit Rating Agency

Procurement Committee in the last meeting held on 24th March, 2011 held that BWR proposal should be reviewed on following parameters:

1. As it is single source tender it should satisfy clause 6.8 of IRDA Procurement Manual viz. proprietary nature of the product and emergency aspect.
2. Whether incurring cost of Rs. 220.80 lacs on BWR project is worth wherein it would be needed only till BAP project is implemented within about a year. Whether incurring cost of Rs.73.60lakhs per year on BWR project is worth wherein it would be needed only till BAP project is implemented within about a year.
3. The condition of barring BWR from taking any assignment with any insurance company may be relaxed in order to bring down the project cost.
4. BWR to be awarded contract for a period of 2 quarters from 1st April, 2011 with a provision to review the contract on its expiry.

As discussed in the last meeting single source tender should satisfy clause 6.8 of IRDA Procurement Manual viz. proprietary nature of the product and emergency aspect. User dept informed the committee that they have been associated with BWR regarding the said project since last 8 to 10 months and both BWR and IRDA had devoted considerable efforts in reaching out a common understanding. Further, as analysis of all insurance companies has not been undertaken by IRDA in the past years, there is an emergency to appoint an agency to do analysis of the data submitted by insurance companies.

After the last meeting of the Procurement Committee, User department have interacted with BWR and have received a revised proposal which is based on time frame of three quarters instead of two quarters as discussed in the last meeting. Committee considered the revised proposal submitted by BWR. It was observed that BWR had now revised its earlier quote of onetime payment and fee for carrying out the performance analysis on quarterly basis. The one time reimbursement of the cost has been revised to Rs. 21,47,310/- for the work done by BWR and they have reduced the charges for Analysis report for each insurance company on quarterly basis to Rs. 25000/- and charges for Peer Group Analysis of each life insurance and non-life insurance industry based on the mutually agreed parameters to Rs. 1.50 Lacs per quarter for each industry.

The details are given below:

| | | |
|--|--------------------------------|----------------------|
| Total cost for 3 years as per original estimate | | Rs. 220.80 Lacs |
| Total cost as per revised estimates for 3 quarters | One time cost - | Rs. 21,47,310 |
| | Quarterly analysis cost | |
| | 48 Companies x 25000 x 3 = | Rs. 36,00,000 |
| | Peer Group Analysis | |
| | Life 1.50 lacs x 3 = | Rs. 4,50,000 |
| | Non Life 1.50 Lacs x 3 = | Rs. 4,50,000 |
| Total Cost | | Rs. 66,47,310 |

Thus, the total financial implication for carrying out the performance analysis for three quarters will be Rs.66,47,310/-. This includes

- Onetime payment of a sum of Rs.21,47,310/- towards development of the templates and designing of the rating sheet etc.
- Performance analysis for financial years 2008-09, 2009-10 for life and non-life insurance companies.
- Research Report for three companies
- Analysis for 20010-11 of life and non-life insurance companies. However, the reports of the analysis would be provided within 60days of start of engagement.
- BWR would also make a presentation to IRDA after each quarterly analysis, indicating key highlights of the quarter and the result of the quarterly analysis.

Committee deliberated on one-time payment of Rs. 21.47lakhs now demanded by BWR on the pretext of reimbursement of the cost for the work already undertaken by BWR for this project.

The Committee recommended that the product together with the associated software, templates, etc. shall become the absolute property of IRDA and handed over to IRDA. Also, User department should negotiate with BWR to get the IRDA's employees associated with the project be trained in such a manner that after the assignment of BWR is completed, the work can be independently handled by IRDA employees. Also, there should be provision wherein apart from operational training to the associated staff of IRDA, IT Dept of IRDA should also be associated for updation of the softwares and templates.

Committee raised concern on the duration of the time taken for quarterly analysis. Insurance companies are required to file data to IRDA within 45 days after the close of the quarter and BWR takes another 30 days for analysis. As a result, the performance analysis of the insurance companies for a quarter will be available just a fortnight before the end of the next quarter. Any further delay in the analysis is not a desirable proposition. In view of the same, Committee suggested incorporation of appropriate penalty clauses in the contract for delay in submission of analysis by BWR. Further, payments to BWR should be disbursed in installments in accordance with the timelines for submission of analysis report.

Another issue discussed related to out of pocket expenses. As the proposal mentions that commercials quoted are exclusive of out of pocket expenses, the committee was of the view that there should be a limit on out of pocket expenses.

Committee further considered the condition of confidentiality and was of the opinion that as there is no much reduction in the cost by BWR in the revised proposal, the condition of barring BWR from taking any assignment with any insurance company should not be relaxed.

Lastly, Committee recommended the acceptance of BWR's offer subject to the following conditions

a. One-time payment

- Onetime payment of Rs.21,47,310/- should be subject to the following conditions
- Amount of Rs.15.75lakhs representing the financial analysis of 08-09,09-10 and 10-11 should be released on receipt of the analysis report.
- Development frame fee of Rs.4lakhs should be released on receipt of the copy of the templates and software along with necessary codes so that the software can be installed in-housed and shall remain the property of the Authority.

- Out of Pocket expense should be reasonable and to the extent possible should be released against submission of the bills.

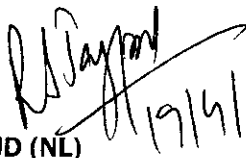
a. Quarterly payment charges

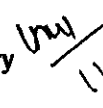

- Liquidation charges as under may be imposed in case BWR fails to submit the deliverables within a period of 30days
 - i. 5% of the total amount payable in case the deliverables are delayed for 5days in addition to time allowed of thirty.
 - ii. Then 2.5% for each day beyond 35days.
- Out of pocket should be reimbursed on submission of the documentary proof and should not be unreasonable.

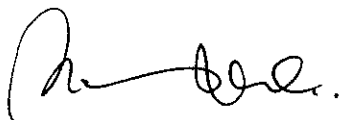
Vote of thanks

The meeting was concluded with a vote of thanks to the Chairman.


11/04/11
FA & CAO
Convener


19/4/11
JD (NL)
Member

Secretary 
11/4/11
JD (F & A) 
20/4/2011
Member


Chairman