

Global Takaful & Re-Takaful Forum 2021

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Centre of Islamic Banking & Economics

A study of how the Contractor's All Risks (C.A.R) Takaful cover is promoted and applied in the African market

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Pooba Mahalingam



- **professional engineer with over 30 years of experience in engineering, construction, insurance/ Takaful and risk management**
- **handled construction, engineering, liability and property risks**
- **also includes dilapidation and pre-loss surveys/assignments**
- **six years with Risk Management Co, Singapore and led the Construction, Power and Engineering (CPE) team for the organisation.**
- **Later with Regional insurance Co – Singapore.**

Profile – Con't.



- handled Takaful risks in Brunei, Indonesia, Malaysia and Sri Lanka/ Maldives.
- Past President of the Insurance Law Association, Singapore (ILAS) and Consultant (risk surveys and provides specialist input) – **Talent Asia Training and Consulting.**
- Regular trainer with SCI, AICLA, MII, IEM, IES and has conducted sessions/ seminars/ workshops in Singapore, KL and the region.
- Attended AIO 2019 – J'burg. Now TATC also serves the African market.



Online magazine

Issue



December 2020



December 2020



November 2020



October 2020



September 2020



August 2020



Archives

Kenya Re and Talent Asia Training and Consulting: online training program

In partnership with Talent Asia Training and Consulting, [Kenya Re](#) organized an online training course for its employees in November 2020.

The event was attended by 25 participants from various departments of Kenya Re to discuss topics such as construction risks, professional indemnity insurance and civil engineering risks. The training included case studies with explanation of clauses and coverages.

The online training was facilitated by Pooba Mahalingam, a regional consultant of Talent Asia Training and Consulting based in Singapore.



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CG-Ré

Ambition Africaine.

Risk management needed in construction projects

The Borneo Post (Sabah) 16 Mar 2019



The participants of the workshop on "Construction Projects in Sabah - focus on Risk and Insurance".

KOTA KINABALU: Risk management is an important part of decision making process in a construction company as risk can affect productivity, performance, quality and budget of a construction project.

IEM Sabah Branch chairman Ir James Yong who spoke on the need for risk management in construction projects, said this at the two-day workshop on "Con-

struction Projects in Sabah - focus on Risk and Insurance" jointly organized by Institution of Engineers Malaysia (IEM Sabah Branch) and The Malaysian Insurance Institute of Insurance which is a provider/training center for the insurance industry on February 27-28 at Hotel Horizon, Kota Kinabalu.

This course was put together by the two learned bodies to share

and enhance the knowledge on construction insurance aspects as construction contractors are required to procure a standard construction industry contract namely Contractors All Risks (C.A.R) insurance against third party claims (such as neighboring building damage) before commencing their work.

The workshop was led by Ir Doeba Mahalingam (Director -



Talent Asia Training and Consulting) who is an experienced risk engineer, based in Singapore, who shared his knowledge and expertise in this project risk and insurance field.

Yong who is also one of the lead consultants (for the Pan Borneo Highway project) spoke on the need for risk management in construction projects.

The event also showcased two guest speakers - Ir Felix Ku (Senior Engineer, DHI Water & Environment (M) Sdn Bhd) and Arthur Wong (Operations Manager/Senior Forensic Consultant, Approved Forensic Sdn Bhd) sharing knowledge on their respective specialist areas.

Risk management is one of the nine knowledge areas propagated by the Project Management Institute. Furthermore, risk management in the construction project management context is a comprehensive and systematic way of identifying, analyzing and responding to risks to achieve the

CONSTRUCTION ACTIVITIES IN AFRICA



“African construction projects were worth \$325 billion last year, citing a 2014 Deloitte as power, transport, oil and gas and construction sectors report, up nearly 50 percent from the previous year expanded.” - REUTERS

Background information:

- 40 plus Takaful operators in Africa
- 400 plus in the world
- General Takaful + Family operators
- Some full fledged companies; other “Takaful windows” within their business
- Kenya, Algeria, Tunisia, Nigeria, Tanzania, South Africa, Egypt
- Projects worth more than USD 350b annually in the continent

Engineering related TAKAFUL Certificates

- **C.A.R**
- **E.A.R**
- **P.I**
- **W.C**
- **C.P.M**
- **C.E.C.R**
- **I.A.R + M.B**
- **E.E.I**
- **Boiler**

**Why the need for C.A.R
certificate?**

Larger projects and risks

- Buildings
- Infrastructure
- Schools, hospital
- Residential – landed and high rise.



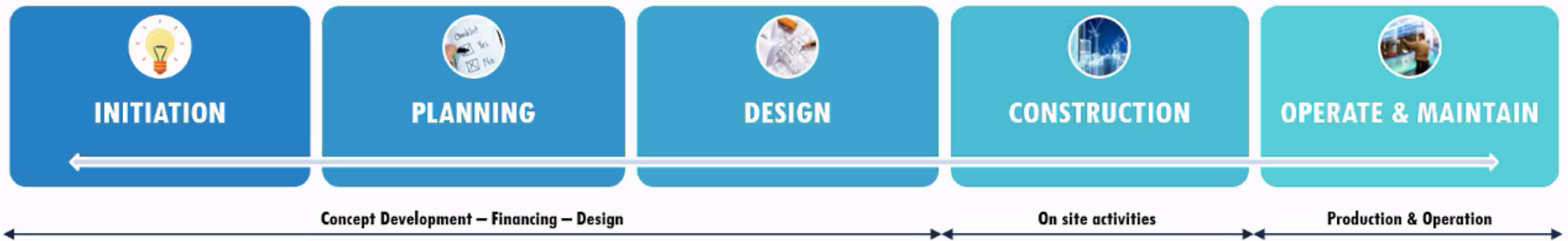
Smaller projects

- **Drainage – road side drain**
- ***Road widening projects***
- **Water-works and pipeline**
- **Bus-stop construction**

Kenya bridge (under construction)
Collapse - \$12 million Chinese-built Sigiri bridge
June 2017



STAGES IN PROJECT DEVELOPMENT



Takaful Certificate terminology



- ❖ **Participant** - Insured
- ❖ **Operator** – Insurance Company
- ❖ **Sum Covered** – Sum Insured
- ❖ **Contribution** – Premium
- ❖ **Period of cover** – period of insurance

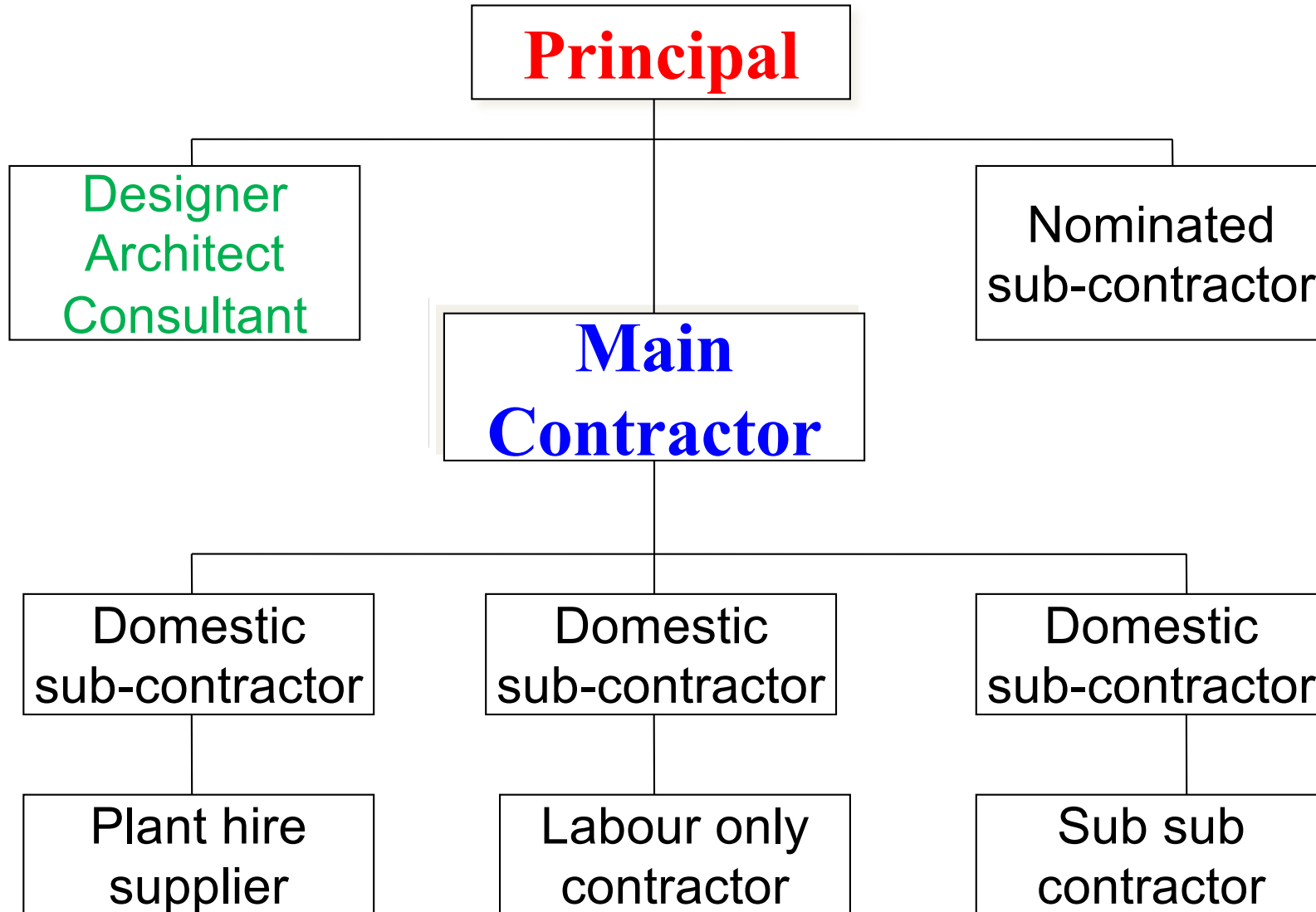
C.A.R certificate format

- **Jacket**
- **Schedule**

Who is the “Participant” in the C.A.R certificate?

- **Project Owner/ Client**
- **Main Contractor**
- **Sub Contractor(s)**
- **Supplier**

The Contracting Parties.



Why buy C.A.R certificate?

Contract documents

- **Letter of Award****
- **Conditions of Contract (C.O.C.)****
- **Bills of Quantities (BQ)**
- **Specification**
- **Drawings**
- **Method of Measurement (M.O.M.)**

Stages in a project

(Simplified)

1. Planning stage
2. Design (conceptual, preliminary, final)
3. Tender
4. Award
5. Mobilization
6. Site work
7. Completion and hand over
8. Defects Liability Period
9. In Operation

Types of contracts

- **Conventional**
- **Turnkey**
- **Design and Build**
- **Lump Sum contracts**
- **B.O.T.**
- **B.O.O.**
- **“modified”**

Basic principles of Takaful *(basis of coverage provided)*

- **Utmost good faith**
- **Insurable interest**
- **Proximate cause**
- **Subrogation**
- **Indemnity**
- **Contribution**

The differences....

- **C.A.R** – more towards civil works (road works, buildings)
- **E.A.R** – M&E type e.g. power plant, lift installation
- **Testing and Commissioning period**
- **Not to be confused with “Equipment All Risks” Policy or C.E.C.R**

Structure of CAR certificate jacket

- **General Exclusions**
- **Period of cover**
- **General Conditions**
- **Section I**
- **Section II**

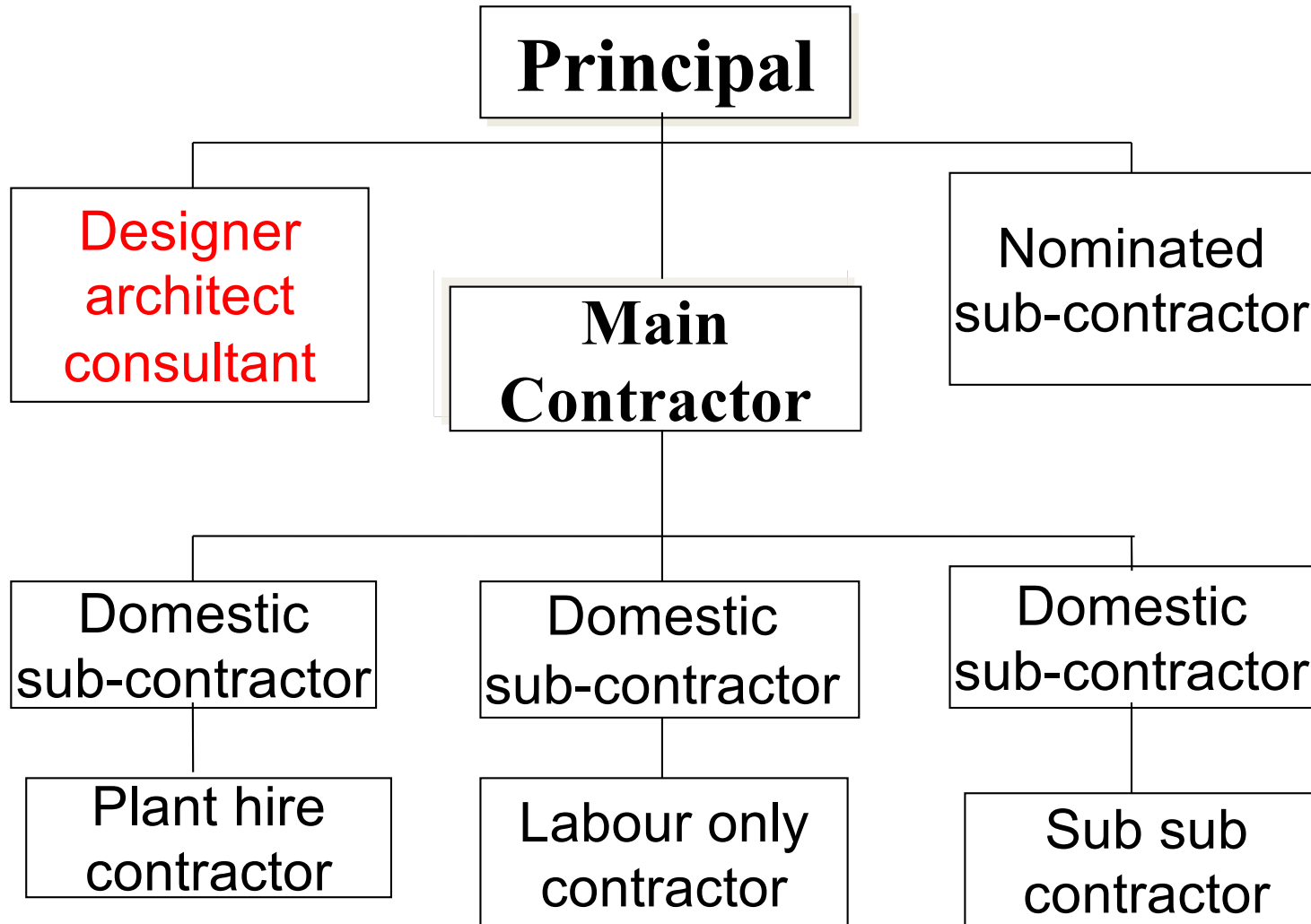
C.A.R. - Section I

- **Works**
- **P & M**
- **Principal's Existing Property**
- **R.O.D.**
- **Professional fees**

C.A.R. - Section II

Provides an indemnity to the Contracting Parties for any legal liability which they might incur for loss, damage or injury sustained by any Third Party occurring in direct connection with the construction or erection of the items insured under Section I and happening on or in the immediate vicinity of the site during the period of cover.

The Contracting Parties - conventional



Certificate Wording

Section I

- Preamble is generally along the following lines :

"The Operators hereby agree with the Participants that if at any time during the period of cover the items or any part thereof entered in the Schedule shall suffer any unforeseen and sudden physical loss or damage from any cause..."

General Conditions

- **Reasonable precautions**
- **Immediate notification**
- **Minimise extent of loss**
- **Furnish documents**
- **Other policies**

Interesting Clauses

- **Underground cable – Section II**
- **V.R.W.S - Section II**
- **Maintenance Visits**
- **Extended Maintenance**
- **Cover for Designers' Risk (with limit)**
- **Plans and documents (with limit)**
- **Progress payment clause**
- **Professional fee (with limit)**

COLOUR PLATES

Examples for discussion

(Section I or II ?)

**Which clauses/
endorsements?**

Moving forward – Promoting C.A.R Takaful business in Africa?

- 1. More promotion and awareness of
Takaful business***
- 2. Re-Takaful capacity***
- 3. Product(s) training for the industry***
- 4. Welcome ideas from the audience?***



Thank you !!

- For specific queries, please call

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