

# PORTFOLIO ADMINISTRATION FUNCTION INSURANCE AUDIT SERVICES FOR FINANCIERS



To assist our banking clients in the efficient and professional administration of large shipping and/or offshore energy portfolios, Marsh Maritime Advisory (MMA) can offer an insurance advisory service function. This service has been provided by MMA staff for many years to supplement, in whole or in part, any existing in house expertise of a banking client.

The scope of the service function is outlined below and can be provided, in whole or in part, depending on the specific needs of the client. The support function is adapted so as to meet the exact needs of each bank.

## PORTFOLIO HEALTH CHECK (PHC) – INITIAL REVIEW AT COMMENCEMENT OF THE SERVICE AGREEMENT

This is a best practice recommendation at the outset of any service agreement and will consist of a snapshot review of all relevant insurances in place at that time. The focus of the PHC review is to identify any existing issues in the coverages already in place as at the commencement of the service appointment. This initial review will help to ensure compliance with the insurance aspects of loan agreements at the commencement of the service agreement. It identifies any shortcomings or issues in the existing insurances that would have been identified had an MMA review previously taken place.

This snapshot review will typically be substantiated by way of a shortform due diligence report identifying any shortcomings and making recommendations regarding the appropriate remedial action (example reports can be provided upon request). One insurance report will typically be issued for each loan.

Any issues, shortfalls, or omissions discovered during this initial snapshot review can be addressed directly with the counterparty of the bank or its agent. This is done with prior knowledge and consent of our banking client who is typically copied in on all correspondence.

## ONGOING MONITORING PROCESS (OMP)

The OMP will be provided for each loan and will follow the natural renewal cycle of existing loans following on from the issuance of the initial health check as described above.

At the option of our banking client the OMP can encompass the following:

- To issue renewal progress requests to borrowers and/or their agents prior to the 30 day deadline contractually imposed by way of the letters of undertaking issued.
- To monitor the renewal progress leading up to each renewal date.
- To procure renewal evidences of insurance.
- To procure updated letters of undertaking and fleet lien waivers if appropriate.

- To review renewal documentation, instigating remedial action as necessary.
- To issue an annual short form health check. These are typically issued annually following hull and machinery renewal as the hull and machinery insurances are recognised as the insurances upon which the financier is most reliant. Other insurances are specified as being required to be in place by way of the loan documentation. They will be reviewed at the appropriate time and will be acted upon should any problems be identified.

Any issues, shortfalls, or omissions discovered during these annual reviews will typically be addressed directly with the counterparty of the bank or their agent. This is done with the prior knowledge and consent of our client who will always receive a copy of outgoing exchanges.

## DRAWDOWN SERVICE FOR NEW LOANS

- To assist in the preparation of the insurance provisions of proposed term sheets.
- To assist in the preparation of the insurance provisions of proposed loan agreements.
- To review insurances proposed by potential borrowers to ensure:
  - Insurances are correctly in place with no onerous conditions, warranties, or subjectivities.
  - Acceptable insurers and intermediaries will be used.
  - Insurances will not imminently expire (or to procure acceptable details of the renewal policies).
  - Letters of undertaking are issued in an acceptable manner (including fleet lien waiver if appropriate).
  - Sums insured are fully compliant with minimum amounts required by loan agreements.
  - Insurances are correctly assigned to mortgagee banks.

Any issues, shortfalls, or omissions discovered during this process will typically be addressed directly with the counterparty of the bank or its agent, again with prior consent of our client.

## ADDITIONAL SERVICES (AS REQUIRED)

- To provide periodic insurance workshops (subject matter to be mutually agreed).
- To invite banking personnel to the centrally run Marsh marine seminars.
- To provide the client with periodic market news and insurer rating changes as may be pertinent.
- To provide an annual spreadsheet showing current rating agency ratings for each insurer utilised by borrowers.
- To provide ad hoc insurance advice to banking personnel.
- To provide ad hoc insurance advice to banking or legal partners of our client.
- To participate in meetings or calls with counterparties of our client and/or its agents.

## DOCUMENTATION REPOSITORY

The borrower's documentation will be retained on secure MMA systems accessible only to MMA personnel, so as to ensure documents are carefully separated from other parts of the Marsh group who may act for counterparties of the bank. Any possible conflicts are carefully managed in conjunction with the Marsh legal and compliance team.

## DOCUMENTATION STORAGE OPTIONS:

There are two primary options available to the bank:

- Original documents can be retained by MMA and forwarded to our client upon request.
- Original documentation can be retained by our client with copies retained by MMA.

Note: for internal compliance reasons banks usually prefer the second option. A spreadsheet will be maintained by MMA showing the status of work and documentation on each loan; this can be provided at pre-agreed dates to our client or forwarded at any time upon request.

*MMA recognises we are in a global market place and business may be subject to local pressures and complexities.*

#### INTERNATIONAL EXPERTISE, LOCAL DISTRIBUTION

MMA recognises we are in a global market place and business may be subject to local pressures and complexities. As part of a global brand MMA delivers the service agreement function centrally, but can call upon the local knowledge and support of one or more individual offices if necessary. The delivery of services in conjunction with the local Marsh network ensures our banking clients enjoy the comfort of international expertise and local knowledge/delivery. Again, the exact business model can be agreed upon at the outset of the service agreement, or during the lifetime of the service. This allows our clients to have access to and support from both the MMA team and a local Marsh office provided, of course, the local office is not also working for the bank's counterparty in the deal.

#### SERVICE FEE

A typical fee for service agreements such as this will initially be based on GBP1000 per loan per annum (single asset or multi asset loan). This fee will be adjusted as mutually agreed in consideration of the exact scope of services required. In the event MMA also arranges the corresponding transactional mortgagees interest insurance (MII)/mortgagees additional perils (pollution) (MAPP) insurances for the whole, or a reasonable share of the loan portfolio, a further revision of the service fee will be available.

#### SERVICE AGREEMENT CONTRACT

A service contract will be provided for mutual agreement which will contain an each way cancellation clause allowing 30 days' notice to the anniversary date of the agreement. The service agreement will be worded to terminate automatically in the event of material breach by either party, with any advanced fee returned at pro rata of the annual fee.

#### REQUIRED DOCUMENTATION/INFORMATION (AS FAR AS AVAILABLE) – EXISTING LOAN PORTFOLIO MANAGEMENT

- Owner's evidences of insurances.
- Insurance provisions of loan agreements.
- Independent valuations.
- A letter confirming MMA appointment (to substantiate requests for documentation made direct to borrower's insurance brokers).
- Contact details of borrowers and/or their agents.





For further information on this matter, please email Marsh Maritime Advisory on: [MMA@Marsh.com](mailto:MMA@Marsh.com)

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