c.c. Axl.

[illegible] Insurance Co. Ltd.,
Nairobi Branch I
NAIROBI

14.12.1994
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Dear Sirs,

08/3420/438 - CAR - Athi River Steel Plant
Policy No. 104/020/140305/94/8
31/0910/438 - CAR - Athi River Steel Plant

We enclose herewith our Plant Visit Memo No. 21/94 dated 03.12.1994 for your perusal and comments. Please study the recommendations and revert with your views.

Yours faithfully,

A. M. Manjohi
Engineer

Encls.

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PLANT VISIT MEMO NO. 21/94

Insured	:	Athi River Steel Plant
Insurer	:	Kenindia Assurance Co. Ltd., Branch I, Nairobi
Policy No.	:	104/020/140305/94/8
Reference	:	1. 88/3420/438
		2. 81/0910/438
Date of Visit	:	30.11.94
Contact	:	Foreman - Civil Works - Mr. Nguta
Accompanied by	:	Mr. Momanyi - Kenindia Assurance Co. Ltd.
Prepared by	:	A. M. Wanjohi - Technical Office, Munich Re

Purpose of Visit

To inspect risk character and suggest loss prevention measures in view of a recent burglary loss (Shs. 700,000, approximately).

In addition, to discuss scope and adequacy of existing coverage.

Insured's Representative

The inspection visit under consideration had been arranged and re-confirmed in consultation with Mr. Vreka, the insured's representative, and the brokers, Unicorn Insurance Brokers Ltd. However, on arrival at the site, we did not find Mr. Vreka who is responsible for insurance and who knows all aspects of this project. Mr. Nguta, the insured's civil works foreman did not seem to know much and this Memo is thus largely derived from our visual observations in addition to what was advised to us by the insurer, Kenindia Assurance Company Ltd. (Mr. Momanyi).

General Details

The Proposer, Athi River Steel Plant, is constructing a cold steel rolling mill, approximately four km past Athi River town on Mombasa Road. The site is on an isolated area adjoining the road to Mombasa and is considerably exposed to burglary hazard.

The project cost is said to be approximately Shs. 30 mio with the civil works component being Shs. 7.5 mio. The balance, Shs. 22.5 mio, is the erection works component.

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Civil Works

These are the subject of CAR insurance (policy no. 104/020/140305/94/8) and the construction period spans 12 months with the expected date of completion being 5.8.95. During our visit, the impression regarding level of completion obtained is approximately 40 pct.

As concerns execution of these works, no contractor has been appointed and the supervision is being carried out by the insured.

Erection Works

These have not commenced. No Erection All Risks (EAR) insurance coverage has been requested by the insured. However, we noticed that already some machinery is at the site including:

- Electricity substation for the furnace
- Electricity generator (15KVA)
- Electrical transformer

We also understand that a moulding machine and an air compressor are also at the site although we did not see these.

We recommend that an erection policy be concluded immediately in view of the pre-storage risks associated with these machines. With reference to earlier sections of this Memo, the erection works are to cost approximately Shs. 22,500,000.-.

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Security and Burglary Hazard

In view of the isolated location of the site, a substantial burglary hazard exists. Already we understand a burglary loss has recently been suffered by the insured.

In an effort to control this hazard, the following measures are in force:

- Electrical perimeter fence during the night.
- One day guard and four night guards from Red Eagle Security Company.
- Storage of equipment in secure buildings with burglar proof doors, (gauge 12?).

In view of the recent burglary, these measures appear insufficient and for these reason, further measures have been suggested in the recommendation section of this Memo.

Burglary Loss

We did not obtain comprehensive details of this loss during our site visit (due to reasons explained above) but we understand that a loss assessor has already been commissioned.

It was understood that the burglary was perpetrated during the night with the more than ten burglars gaining site access though a service trench that had been dug past and under the electrified perimeter fence. The trench was (and still is) yet to be back-filled as a PVC pipe for waste water disposal was (and is) still being laid.

The burglars broke into the store after overpowering the night guards. We noticed what appeared to be huge scissor cuts on the gauge 12(?) metal door securing hasps which have subsequently been replaced.

RECOMMENDATIONS

1. Burglary Hazard

To further minimize the burglary hazard the following additional measures are suggested:

i) In view of the magnitude of the investment and the isolation of the site, a large fully established security firm should be appointed. Such security firm should equip both the night and day guards with panic buttons capable of alerting their patrol teams in an emergency situation.

ii) The possibility of electrifying the two stores' metal doors during the night should be considered.

2. Erection Works

We understand that an EAR proposal form has been provided to the insured. With reference to earlier sections of this Memo, this proposal form should be completed and delivered to the insurers. Full details should be indicated on the proposal form including the scope of works, the time schedule and advices of the erection works contractor and past experience. We note that the erection works and machines to be erected are not covered currently.

3. List of Equipment

Under CAR policy No. 104/020/140305/94/8, tools and equipment are insured for Shs. 150,000 - but there is no breakdown of this sum insured as should be the case in all CAR covers. This breakdown should be obtained and tools removed to an "All Risks" cover (same not normally insured under a CAR policy).

4. Burglary Loss

The assessor's report (copy) of the above loss should be provided to us once at hand.

5. Cement

This should be stored in the secure burglar proof stores as opposed to the present situation where same is stored in wooden structures where some employees sleep at night.