Insurance Guidelines for Global Fund Grants

9 May 2018

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I. Introduction

The Global Fund supports and finances grants for programs implemented by countries in more than one hundred countries and territories across the globe with different levels of development and political stability. A very significant proportion of Global Fund grant funds are used to finance Program Assets (including in particular Health Products), which are essential for addressing health problems and improving quality of lives.

Storage and distribution of Program Assets across various countries and regions under Global Fund grants entail associated supply chain risks, which the Global Fund works with Grant Implementers and other stakeholders to manage, control and transfer. One important risk transfer mechanism is insurance.

Adequate insurance protection of Program Assets is a mean to transfer risks of their potential loss and damage, and to mitigate supply chain and other risks which can impede programmatic performance. In addition, the Global Fund recognizes that adequate liability insurance must also be part of the risk transfer mechanisms needed to mitigate risks that may affect Global Fund funded activities undertaken by Grant Implementers.

As part of a risk mitigation and transfer strategy, appropriate insurance will help to protect Program Assets and allow Grant Implementers to continue their implementation efforts towards programmatic goals.

This document is intended to help Grant Implementers to comply with the requirements of the Global Fund Grant Regulations related to the insurance of the Program Assets.

Lastly, it should be emphasized that while insurance acts to transfer some of the *financial* risk associated with covered risks from the insured to the insurer, it in no way affects the primary *legal* responsibility of Grant Implementers under their respective grant agreements described elsewhere in these Guidelines.

1 Scope and Objective of Insurance Guidelines for Grant Implementers

1. The objective of these Insurance Guidelines is to help Grant Implementers (i) have an enhanced ability and understanding to appropriately take insurance, manage their risks as well as record and monitor their losses, and (ii) achieve adequate insurance coverage for a suitable insurance premium and an adequate coverage based on insurance market practices, with respect to Program Assets and activities of Grant Implementers which are funded by Global Fund grants.

2. These Insurance Guidelines provide a structured navigational process, and general principles to support Grant Implementers in insuring Program Assets; they may not be relevant or appropriate to all risks and circumstances of Grant Implementers.

3. Notwithstanding anything to the contrary herein, these Insurance Guidelines:

(i) only provide non-binding recommendations.
These recommendations are in addition to, but do not amend or waive any of, the provisions of the Global Fund Grant Regulations (2014) (as amended from time to time) (the "Grant Regulations")[1], including in particular:
(1) the obligation for Grant Implementers to maintain all risk property insurance on Program Assets and comprehensive general liability insurance (as compliance with these Insurance Guidelines may not be sufficient to comply with such obligation), and
(2) the liability of Grant Implementers for any loss, theft or damage to Program Assets and Grant Funds held in cash by Grant Implementers (as Grant Implementers may be required to assume such liability under their respective grant agreement regardless of the availability or existence of applicable insurance, the acceptance or rejection of a claim by the applicable insurer or the existence of deductibles or limits on amounts paid in respect of such claim).

(ii) may be followed by Grant Implementers only to the extent the application of these Insurance Guidelines does not result in a breach of mandatory laws applicable to the relevant Grant Implementers, and Grant Implementers shall be expected to comply with such laws at all times; and

(iii) shall not be construed as providing any sort of legal or other advice on matters pertaining to insurance, and Grant Implementers are advised to seek, as the case may be, appropriate advice from independent professional advisors authorized to provide advisory and other insurance-related services in the relevant country.

[1] Or equivalent provisions incorporated into each Grant Implementer's respective grant agreement (e.g. in sub-recipient agreements).

II. Recommendations to Grant Implementers

2 Two way approach: standard and non-standard

4. As Grant Implementers operate in countries with different income levels and stability, Grant Implementers should be aware of their country's insurance market strength and limitations. Depending on the insurance market maturity and local context, Grant Implementers may choose to use either a **standard** or a **non-standard** approach:

    a) **The Standard approach** may be appropriate in markets with a large number of insurance actors present including rated insurance companies and insurance companies that are either owned or affiliated with internationally recognized insurance groups. In this type of markets, insurance brokers are also active, a full range of insurance products and services are on offer, and there is typically the presence of international reinsurance companies. Furthermore, in such markets, local insurance regulation is rather procompetitive and insurance friendly.

    b) **The Non-standard approach** may be appropriate in markets with a limited number of actors in the insurance industry which negatively impacts underwriting capacity. In this type of markets, the range of insurance products is limited with an observable lack or absence of competition in the segment and limited or no broker involvement, international reinsurance company presence is not recognizable, and there is usually a general macro-economic and political instability. Furthermore, the local insurance regulation is rather protective.

    Grant Implementers may contact the Global Fund in order to know whether the Global Fund considers their insurance market to be developed (the standard approach) or underdeveloped (the non-standard approach).

    Grant Implementers may choose to transition from one approach to the other depending on underlying changes in the aforementioned criteria, or to adopt other approaches consistent with regulations and requirements applicable to them.

5. Under the standard approach:
   the Grant Implementer may be able to purchase insurance in the local market without any assistance or restrictions. The amount and characteristics of protection may vary depending on the risk exposure but Grant Implementers in a given country belonging to this category could be expected to have similar insurance coverage.

6. Under the non-standard approach:
   purchasing insurance in the local market could be disadvantageous and the international market (although with potentially higher premiums) could be a safer option. Grant Implementers may contact the Global Fund for general information; they are advised to seek the advice of independent professional advisors authorized in their jurisdiction for questions on the costs, appropriateness, terms and conditions of insurance products available to them.

3 Warehouse and storage facility risk assessment

7. To guide consideration of an all risk property insurance policy, Grant Implementers are advised to proceed with a warehouse and storage facility risk assessment at least prior to policy purchase.

Depending on the specific situation, a warehouse and storage facility risk assessment might also happen at other stages during grant lifecycle.

8. This will allow Grant Implementers to:

    a) Understand what risks the subject warehouse is currently exposed to;
    b) Understand the maximum probable loss, i.e. the maximum loss that might be expected, at a cautious estimate, to occur as a result of a single loss event, taking into consideration all the circumstances of the risk;
    c) Understand what improvements can be done to mitigate the risks before any potential risks can be transferred to the insurance company so that the potential claim is not void; and,
    d) Understand how some basic improvements and risk mitigation measures may affect insurance policy premium level and list of exclusions.

    Certain budgetary provisions in the grant might be envisaged to finance the assessment and subsequent improvement needs e.g. under HSS, capacity building, supply chain risk mitigation budgeting category. Depending on criticality of the improvements and the level of financing required, certain provisions may be recommended for the next grant cycle. Other funding structure may be in place e.g. coordinated effort with other donors and implementing partners that needs to be pre-agreed with the Global Fund.

9. **Warehouse assessments**: It is highly recommended to have an independent warehouse assessment performed at least once a year, which may also be a part of a routine inspection before renewal of the insurance contract. Depending on the specific situation, Grant Implementers may need to prioritize on which warehouse(s) to perform an assessment and to what extent. In most cases, priority should be given to the Central warehouse and to those where the volume of health products and risks are critical to the program. Typically, an insurer would request to undertake their own assessment each year, but if this is not the case, the Grant Implementer should obtain an independent property risk expert to make an assessment that shall be shared with the Global Fund.

10. Warehouse and storage facility risk assessment can be conducted by risk engineers/property risk experts of the current or potential insurance provider or an independent party and should include (but are not limited to) the following areas:

    a) **General Protection & Utilities**
    - Buildings and Structures
    - Storage Practice and Conditions
    - Water Supplies
    - General Fire Protection
    - Flammable Liquids / Gases & Fire Protection
    - Security
    - Electrical Equipment & Fire Protection
    - Drainage

    b) **Peril Exposures & Maintenance Aspects**
    - Natural Perils Exposures
    - Internal Exposures
    - Maintenance / Testing / Inspection
    - Machinery

    c) **Risk Control**
    - Safety Procedures & Practices

- Personnel
- Risk Control

d) **Infra-red Scanning of Electrical Equipment**

e) **Maximum Probable Loss Scenario (MPL)** expressed in monetary terms, i.e. the maximum loss that would be expected to occur based on probabilities though not possibilities.

11. Once the warehouse assessment report is issued, the Grant Implementer should provide a copy of the warehouse assessment report to the Global Fund and inform the Global Fund (relevant Country Team) on the action plan, timing and exceptions.

12. Typically, risk engineers provide a set of recommendations as part of the warehouse assessment report. These recommendations are presented with a priority list of remedial actions and it is a Grant Implementer's responsibility to address weaknesses raised by such assessments, especially high priority ones.

13. Grant Implementers should be aware that property risk standards will vary from warehouse to warehouse depending on stock and sensitivity of products in the warehouse. For warehouses containing very sensitive goods, it may be advisable to ensure a high level of standards. The insurer's standards should be negotiated and agreed with Grant Implementers. This will be reflected in the premium, deductible and sum insured. The lower the sensitivity of the product, the more flexible the property risk standards. For the standards applicable to sensitive goods and health products please refer to the WHO Guidelines for the Good Storage, Transport and Distribution practices mentioned in the Glossary of terms and definitions (Annex 4).

4 General Insurance Coverage Recommendations for Grant Implementers

14. The following recommendations are intended as general guidance only and may not be suitable to all Grant Implementers. Grant Implementers should make an assessment of their specific risks and consider, together with their own independent professional advisors, the costs, appropriateness, terms and conditions of insurance products available to them.

15. Given that the specific details of insurance coverage may largely depend on a particular country, market, type of Grant Implementer and other factors, the below criteria are highly recommended but not mandatory. In case of local market or regulatory restrictions, Grant Implementers should consult with independent professional advisors authorized in their jurisdictions. For questions relating to Global Fund grant programs and risk management of program assets generally, Grant Implementers should inform and consult with the Global Fund. If applicable regulations and requirements are more stringent than the recommendations set out in these Insurance Guidelines, Grant Implementers should follow those regulations and requirements.

    It has to be noted that depending on the context, in cases where these Insurance Guidelines do not directly address any specific situations or risk needs, Grant Implementers should consult with the Global Fund on the rationale and cost analysis and the Global Fund may indicate further recommendations on the basis of general principles. Such recommendations may not address, and are subject in all cases to, Grant Implementers' compliance with applicable regulations and requirements and consultation with independent professional advisors authorized in their jurisdictions.

16. The principal types of insurance coverage that may be used by Grant Implementers in order to address the main risks inherent to the downstream supply chain[2] and, consequently, mitigate these risks during the life of a grant program, are listed below:

17. **All Risk Property Insurance**

- All Risk Property insurance is usually comprised of two main sections: property damage and business interruption. While property damage insurance is strongly recommended as a minimum, insurance for business interruption may also be considered by Grant Implementers.
- Property insurance provides compensation in the event the property insured is lost or damaged as a direct result of a peril not excluded within the policy (e.g. fire, etc.) during the policy period. The policy should include coverage for fire and natural catastrophe (with a minimum threshold).
- Property insurance should cover the building and its contents. Depending on the policy parameters, property insurance may also include coverage for fire debris removal, other destructive events, some types of water damage and other losses.
- All Risk Property Insurance provides comprehensive protection against all natural disasters and accidents other than the exclusions under the policy. Grant Implementers should be mindful of the natural disasters they are exposed to and should ensure that the corresponding risks are not excluded in their policies.
- As the Grant Regulations require that all Program Assets are insured, clauses which limit the coverage to high value assets exceeding a certain threshold should be rejected by Grant Implementers to the extent possible.
- Stock and inventory volume used for the calculation of the premium should be determined on a declaration basis (where available), i.e. the volume of products (in particular Health Products) is declared monthly, and not on the total or average annual warehouse volume. This is recommended to avoid issues with under- or over- insurance when the value of stock changes significantly throughout the year during the policy period and to optimize the premium amount.
- If the Grant Implementer is renting the warehouse, the Grant Implementer could explore shifting the onus of insurance to the landlord, however the Grant Implementer must be confident and verify that the landlord would actually take an acceptable insurance cover or be able to pay for the replacement of goods if the Grant Implementer did not proceed to purchasing itself the relevant insurance.
- It shall be the responsibility of Grant Implementers to request confirmation that landlord or other service provider holds adequate insurance for the stored goods and to ensure that such service providers are obliged to transfer insurance proceeds to the Grant Implementer or the Global Fund in case of loss (as a loss payee documented in the insurance policy or otherwise).
- In cases where an insurance policy is already in place (whether taken by the Grant Implementer itself or any third party, e.g. the owner of the warehouse or a service provider), the Grant Implementer should consider purchasing supplemental insurance if there is a need, e.g. if existing policies provide insufficient coverage.
- For the purposes of these Insurance Guidelines, all risk property insurance covering Program Assets should be purchased by all Grant Implementers.

[2] "Downstream supply chain" refers here to the portion of the supply chain which starts from the moment when (i) assets are delivered to Grant Implementers in country or (ii) risks on such assets are transferred to them.

18. **Transportation of Goods Insurance (a.k.a. point-to-point transportation insurance)**

- Point to point transportation is meant to cover goods in transit. For the downstream supply chain (i.e. from the moment when (i) assets are delivered to Grant Implementers in country or (ii) risks on such assets are transferred to them), this would typically cover in-country transportation of goods from one warehouse to another or to a health facility.
- Grant Implementers should prioritize high value goods transportation that typically concerns the transportation from central and large regional warehouses to the point of destination.
- Transportation of goods insurance should be purchased if the Grant Implementer is not using a third party contractor to transport the assets where the relevant contract provides for the relevant third party (e.g. transportation company) to take responsibility for, and insure, the relevant goods against loss, damage, theft, etc.
- When using a transportation company or any other sort of service provider, it shall be the responsibility of Grant Implementers to request confirmation that such service provider holds adequate insurance for the transported goods and to ensure that such service providers are obliged to transfer insurance proceeds to the Grant Implementer or the Global Fund in case of loss (as a loss payee documented it in the insurance policy or otherwise).
- For the purposes of these Insurance Guidelines, this insurance coverage should be purchased by all Grant Implementers (or, as the case may be, Grant Implementers shall verify that their service providers hold adequate insurance) to cover Program Assets as soon as ownership of Program Assets and the related liability is transferred to the Grant Implementers.

19. **Motor and Fleet Insurance**

- Motor insurance is insurance for cars, trucks, motorcycles and other vehicles. Motor insurance can be sold as **single (one vehicle)** policy/policies or, where a number of vehicles have one owner, they can be covered under **one fleet** policy. Motor and fleet insurance typically comes with compulsory coverage for third party liability in many countries. The specific terms of motor insurance will vary from country to country but usually basic cover is mandatory to compensate injured third parties. As local regulations for motor insurance may vary from one country to another, with a varying degree of mandatory insurance requirements depending on local regulations, Grant Implementers should ensure that at least the basic mandatory insurance is purchased.
- For the purposes of these Insurance Guidelines, this type of insurance coverage should be purchased by all Grant Implementers.
- Grant Implementers should purchase one fleet policy where available if the number of vehicles they hold is more than one.
- Comprehensive or Motor Own Damage (as further described in Annex 3) should be the preferred type of insurance coverage where this option is available at a reasonable premium (in case of doubt of whether a proposed a proposed premium may be considered reasonable, it is recommended that Grant Implementers consult with the Global Fund before taking the relevant insurance cover).

20. **Other insurance coverage**

- Depending on the specificity related to a particular country, insurance market, type of Grant Implementer and other factors, other types of insurance may be recommended.
- As a general principle, Grant Implementers should hold Comprehensive General Liability insurance coverage, which is a requirement under Global Fund Regulations and might also be a requirement under local laws.

- It has to be noted that it is the Grant Implementer's responsibility to assess the risk exposure arising from the specific nature of their activities and consider having additional layer of insurance coverage if necessary.
- Grant Implementers should interpret these guidelines as a set of minimum recommendations and take insurance policies in accordance with local laws and regulations and with the specific risks relating to their Program Assets, where additional coverage might be needed. Please refer to the Annex 3 "Overview of the Insurance types" section for other insurance coverage that may be considered.

III. General Insurance related considerations

5 General Insurance Policy Considerations

21. When a Grant Implementer considers the appropriateness of an insurance policy, it should be aware of certain elements that could affect their policies. It is important to note that insurance is a promise to pay in the event of a covered loss up to the applicable limit and policy conditions. A non-exhaustive list of considerations follows:

22. **Insurance claim pay-out amount:** It is essential for Grant Implementers to understand that an insurer typically will only pay-out to the Grant Implementer, in event of a covered loss, the value of the item(s) at the time that the loss occurred (unless the policy specifically states otherwise) without surpassing the sum insured limit. Due to most assets losing value over time (depreciation), the Grant Implementer should be aware that the reimbursement would principally only be an amount equal to the value of the item at the time of a loss.

23. **Insurable interest:** In general, a Grant Implementer can only insure items that they own or have another type of financial or other legally recognized interest in.

24. **Policy period:** An insurance policy will have an established timeline indicating the start (time and date) from which the Grant Implementer will transfer the risk to the insurer (and the insurer will be on risk) and end (time and date) upon which the insurer will no longer be on risk. Losses that happen before the start and after the end of the policy period will not be covered by the insurer. Typically, as the end of the policy period approaches, the policy would be automatically renewed unless actively cancelled by the insurer or the insured (depending on the specific policy termination clause). Grant Implementers are advised to verify and ensure that their relevant insurance policies remain valid for the duration of their grant implementation period and the relevant closure period.

25. **Exclusions:** Exclusions are policy provisions that eliminate the peril from the covered risk. They narrow the scope of coverage to the risks that the insurer is willing to cover. Reasons for exclusions can include (but are not limited to): catastrophic events (the peril causes a huge amount of losses at once such as nuclear explosion), price (the insurer would be willing to include the peril but at a higher premium which the insured would not accept), events covered under a different insurance line (property insurance excludes war but this could be found under political risk insurance) and preventable (some risks are easy to mitigate by the insured).

26. **Excess/deductible**: Insurers and insured may wish to add an excess/deductible whereby the insured agrees to bear an amount that is deducted from the claim. The benefit is that the insured can obtain a reduction on the premium amount. However, if a loss does occur, the insured must be able to pay/absorb the agreed deductible/excess and the insurer shall pay the amount of the loss (up to the insurance limit) less such deductible/excess.

27. **Single-event coverage or multi-event coverage:** Typically, a policy would include a risk retention whereby the Grant Implementer would retain a portion of the loss and the insurer would cover the remainder. In a single-event policy the Grant Implementer would cover a certain retention amount and the insurer would cover the remainder. However, in the scenario whereby there have been multiple losses throughout the year, if the losses do not surpass the retention amount, the losses do not stack up, i.e. are not cumulative over the policy period, and therefore the Grant Implementer would be liable for each loss. In a multi-event/aggregate cover, the multiple losses stack up over the year, i.e. they are cumulative and therefore once it surpasses

the Grant Implementer's retention, the insurer would be liable for any further losses up to the limit stated in the policy.

28. **Sum insured**: Typically in an insurance policy, the maximum amount that can be claimed is the amount that was agreed in the insurance policy. In the event of a loss which is greater than the sum insured, the insured would only be entitled to the sum insured amount.

29. **Underinsurance:** In a property insurance policy, a sum insured amount is agreed. This figure enables an equitable premium. In the event the insured undervalues the items/property and a partial loss occurs, the insured would only be entitled to a partial amount of the claim. *Example: A sum insured amount of $1000 but the amount of goods in stock is $2000. A claim is made for a loss of $500. The insured would only be entitled to $250 (($1000/$2000) * $500 = $250).*

30. **Proximate cause:** The Grant Implementer should be aware that in the event of a loss, a claim may only be accepted by the insurer if the insurer determines, on the basis of the terms of the policy and applicable law, that the loss occurred due to a peril covered in the insurance policy and that the peril had a sufficient causal connection to the loss claimed.

31. The Grant Implementer should be aware that, subject to applicable law, in an event of a loss, a claim may only be accepted by the insurer if the loss occurred due to a peril that is covered in the insurance policy and is the dominant cause of a loss. A link between the **dominant cause** and the claim may be required. If a loss occurred due to a dominant peril that was excluded in policy, then the claim may be rejected. *Example: A warehouse is covered by fire but not political upheaval (which is excluded). A political issue in the county causes discontent and rioting and they begin to burn buildings. One building which caught fire then spreads to the Grant Implementer's warehouse which was next door and the warehouse burns down. Even though the warehouse was damaged due to fire (which is a covered peril) as the dominant cause is the rioting (which is excluded) the Grant Implementer would be unable to make a claim.*

32. **Declarations:** When entering into an insurance policy with an insurer, the insured must declare honestly all relevant and material facts the insurer requests in order for the insurer to fully understand the risk and offer a suitable equitable insurance premium. If the insured fails to declare any material facts intentionally, the insurer could refuse to pay the insured the claim amount.

33. **Obligations:** In the policy, the insurer may request that the Grant Implementer complies with certain requirements. This can be in the form of notifications to the insurer in the event of a change of circumstances or processes by the Grant Implementer, ensuring certain **mitigation standards** are in place, etc. The Grant Implementer must be aware of and adhere to its obligations mentioned in the policy in order to avoid having the insurer reject the claim.

34. **Claims consideration:**

i. Insurers will approach and address claims handling differently. They will have different processes in place for Grant Implementers to make their claims (i.e. online form, telephone call, mail, etc.). They will request certain documents as proof to process a claim. The Grant Implementer should review the claims policy of the insurance policy to make sure the approach is acceptable and can be done smoothly.

ii. Insurers will request claims history information of the Grant Implementers to better analyze the risk and assess any mitigation changes as an outcome. The Grant Implementer should ensure to provide this information accurately and to the best of their knowledge to maintain adequate recordkeeping and to ensure insurers cannot refuse to cover claims based on misrepresentation of the risks by the insured.

6 Insurer Selection Process

35. The Grant Regulations state that, where available at reasonable cost, insurance should be provided by financially sound and reputable insurance companies. Determination of reasonableness of insurance costs shall be primarily made by Grant Implementers based on the size, volume and value at risk and market conditions. Grant Implementers should conduct a cost and benefit analysis with the aim of achieving the best value for money in the given market, taking into account historic costs and general in-country market practice. In case of doubt, Grant Implementers should consult the Global Fund about proposed insurance costs. The Global Fund shall be able at any time to request information from Grant Implementers about their insurance policies and the related costs.

36. It is imperative that, in addition to appropriate coverage, the appropriate insurer is selected to cover the risk otherwise the insurance policy may be of little value.

37. The national or organizational procurement rules governing the Grant Implementer will determine the means of procurement. Where applicable, a competitive and thorough tender respecting Global Fund requirements for procurement (pursuant to Grant Regulations) and local regulations in place shall be conducted. This can be done via an insurance broker (that may also have to be selected through a competitive process) or on their own if the Grant Implementer has the appropriate procurement capability or where required by applicable laws. It is recommended for a Grant Implementer to use a competent, regulated and legally authorized insurance broker where available and in accord with applicable laws, as the insurance broker has the essential technical knowledge to ensure the appropriate insurance is provided for the appropriate risk and ensure the insurance policy documents are in order to cover that risk.

38. Below are outlined certain considerations, which may be taken into account by Grant Implementers when selecting insurance companies (the following list is indicative and non-exhaustive and subject to national and organizational procurement rules, country-specific insurance market practice and the characteristics of the cover sought by the Grant Implementer):

a) **Insurance policy terms and conditions**: The relevant insurance terms and conditions should be appropriately articulated in documentation to ensure a full understanding of what is needed.

b) **Regulation and Compliance**: The insurer must be a registered and a regulated firm and allowed to do business in the host country. It must also comply with the relevant regulatory requirements in terms of capital adequacy and liquidity, and possess adequate professional indemnity insurance, fidelity bond and directors’ and officers’ insurance (according to local standards).

c) **Financial Stability:** The insurer must be solvent and not in receivership, bankruptcy or winding up. Its business activities must not be suspended or the subject of legal proceedings. The insurer should provide a credit rating from a recognized credit rating agency. The insurer’s financial stability is usually rated by an independent rating company (local or international). If the insurer is unable to provide a credit rating then it should be capable of providing financial reports. Typically, national authorities that regulate insurance market maintain rating or scoring of insurance companies accredited and licensed to operate in the subject market.

d) **Operational Soundness**: The insurer is not subject to sanctions pronounced by relevant international, supranational or national authorities, such as (but not limited to) the United

Nations or the World Bank. The insurer must not have a conflict of interest in relation to the insurance procurement.

e) **Technical Capacity**: Understanding the technical capacity and ability of the insurer is useful to understand the potential quality of the product. The Grant Implementer could explore:

   i. **Insurer Experience**: Understand the recent (last 5 years) experience in risks of similar scope and size that the insurer has performed.

   ii. **Qualifications**: Requesting the qualifications of the insurer team in charge of the policy.

f) **Insurance Product Quality**: The Grant Implementer (or its broker, if applicable) should make sure the quality of the product is acceptable and therefore analyze the extent of the proposed cover (are all perils covered and at what degree). The Grant Implementer or its broker should make sure the policy wording is suitable and provides the necessary coverage and conditions.

g) **Offer/Pricing**: The premium should be adequate for the Grant Implementer in light of the risks to be covered and proposed policy terms (i.e. maximum sum insured, excess/deductible, exclusions of certain perils, sub-limits, etc.).

h) **Claims Handling and Control**: The Grant Implementer or its broker can conduct research on the overall general satisfaction of the insurer's clients related to its claims handling ability.

7 Insurance related documentation

39. When a Grant Implementer enters into an insurance contract with the insurer, typically they will receive a copy of the signed insurance policy and the insurance schedule:

    39.1. **Insurance Policy**: The insurance policy is the legal document detailing the terms and conditions of the insurance. It includes details of the coverage and covered perils (and exclusions), establishes the contractual requirements for the insurer to pay a validated claim and the insured to pay the premium, and it establishes any other terms, requirements and conditions.

    39.2. **Insurance Schedule**: The insurance schedule is a document that provides an outline of the cover that is legally binding under the insurance policy. It will provide the contact information of the insured and the insurer and provide information on the coverage provided, the duration of the policy, the sum insured limits and premium. This document comes with the insurance policy and the Grant Implementer must always read the schedule along with the Insurance Policy. (Please see Annex 6 for an Insurance Schedule example)

40. The Grant Implementer will receive both documents and will be the signatory of the insurance policy. Grant Implementer should review the policy in detail and ensure all risks are appropriately covered and all exclusions are justified. The Grant Implementer should provide a copy of the insurance policy and the schedule to the Global Fund as part of the required documentation for Program Assets and liability insurance. Additionally the Global Fund may request to provide the justification of the sum limits in the coverage (in particular, for Health Products the sum insured amount for property insurance should cover at least the amount of contents that is expected in the warehouse at any given day) and any additional documentation related to the insurer selection, internal decision making protocols and other relevant documentation.

41. To enable the Global Fund to understand the amount of losses, and therefore claims, during the implementation of a program, the Grant Implementer should keep adequate loss recordkeeping.

42. **Third Party Contractors:** Grant Implementers may be asked for information regarding the insurance coverage in place for third party contractors procured with Grant funds to provide the Secretariat with data that may be considered as part of existing risk assessment, mitigation and assurance processes.

43. Grant Implementer shall properly maintain all insurance related documentation with respect to the Program Assets so that it is available upon request of Global Fund, LFA, external auditors and other relevant parties (as required under the applicable grant agreements).

44. Where appropriate, the Global Fund may instruct the **Local Fund Agent** (LFA) to provide independent assessment and verification as part of their existing terms of reference in the area related to the (i) Supply Chain management and (ii) effectiveness of insurance arrangements in mitigating risks that will impact a grant program's ability to meet their objectives. The Country Team may require an LFA review of the process or a specific element of it, on a case-by-case basis.

In specific situations, an independent assessment from an independent organization may be requested by the Global Fund to provide benchmarks and analyze a proposed insurance policy.

8 Events of Loss

45. Grant Implementers have an obligation to report to the Global Fund any insurable event that they suffer in relation to Program Assets or Global Fund funded activities, any claim made to their insurance companies and any indemnification received as a result thereof. In accordance with Grant Regulations and relevant grant agreements, the Global Fund may give Grant Implementers instructions and recommendations regarding such insurable events, claims and indemnification received from insurance companies. In particular, in the event of indemnification received by Grant Implementers, the Global Fund may instruct Grant Implementers to either (i) use the relevant amounts to re-order, or proceed to repair or reconstruction of, Program Assets or (ii) refund such amounts to the Global Fund.

IV. Annexes

Annex 1: Glossary of certain commonly used insurance terms

The explanations below are based on general principles of international usage. Usage may differ in certain markets or jurisdictions. Grant Implementers are advised to seek the advice of authorized, independent, professional advisors with any questions or concerns on the costs, appropriateness, terms and conditions of insurance products available to them.

All Risk Insurance: a type of insurance coverage that can exclude only risks that have been specifically outlined in the contract. "All risks" means that any risk that the contract does not specifically omit is automatically covered. For example, if an all-risks warehouse policy does not expressly exclude flood coverage, then the warehouse will be covered in the event of flood damage.

Insurance: a mechanism whereby the insured transfers its risks (by receiving financial protection or reimbursement) against future losses from an insurance company in exchange for a premium paid to such insurance company. It is important to note that insurance is a promise to pay in the event of a covered loss up to the applicable limits and policy conditions. The promise is only as good as the financial strength and reliability of the insurer providing that promise, as well as the limits and conditions of the promise.

Freight forwarders: companies that organize shipments for individuals or corporations to get goods from the manufacturer or producer to a market, customer or final point of distribution.

Incoterms: trade terms published by the International Chamber of Commerce that are commonly used in both international and domestic trade contracts. Incoterms, which is short for "international commercial terms," are used to make international trade easier by helping traders who are in different countries to understand one another. Incoterm rules are a series of pre-defined commercial terms relating to international commercial law that are primarily intended to clearly define the tasks, costs and (financial) risks associated with the transportation and delivery of goods from the seller to the buyer.

Institute Cargo Clauses (ICC) - Standard international transport insurance clauses, published by the Institute of London Underwriters. Set of terms for cargo insurance policies adopted as standard terms by many international marine insurance organizations. The Institute Cargo Clauses are three sets of clauses providing different level of protection: the “A” Clauses correspond to the general notion that is commonly referred to trade as “all risks” coverage, while Clauses “B” and “C” indicate a lower level of coverage and a greater number of exclusions.

Insured: party(ies) covered by an insurance policy.

Insurer: the insurance company that undertakes to indemnify for losses and perform other insurance-related operations.

Loss payee: a person or entity that is entitled to all or part of the insurance proceeds in connection with the covered property in which it has an interest. The Loss Payee can be the same or a different person or entity from the Insured.

Named insured: any person, firm, or organization, or any of its members specifically designated by name as an insured(s) in an insurance policy, as distinguished from others that, although unnamed, fall within the generic policy definition of an "insured."

Named Risk (or perils) Insurance: as opposed to all risk insurance, named risk (or perils) insurance refers to policies that provide coverage only for loss caused by the perils specifically listed (named) as covered, i.e. a named peril is a risk specified in writing in the insurance policy. That peril will therefore be covered. By default, anything not named is excluded.

Self-insurance: a system whereby an entity sets aside an amount of its monies to provide for any losses that occur—losses that could ordinarily be covered under an insurance policy. The monies that would normally be used for premium payments are added to this special fund for payment of losses incurred. It involves a formal decision by the relevant entity to retain risk rather than insure it and is distinguished from noninsurance or retention of risks through deductibles by a formalized plan or system to pay losses as they occur. Self-Insurance is often used for high frequency low severity risks where risk is not transferred to an insurance company but retained and accounted for internally. Please note that for the purposes of these guidelines, self-insurance is not recommended as an appropriate solution unless (i) the Grant Implementer applying self-insurance is of a suitable financial standing, (ii) is able to demonstrate that it has the available financial resources readily available, or (iii) self-insurance is required by applicable laws. Except when self-insurance is mandatory under applicable laws, if a Grant Implementer wishes to apply self-insurance, it should obtain an approval from the Global Fund, given that Implementers are normally required to hold an insurance cover under the Grant Regulations (2014).

Annex 2: Global Fund Terms and Acronyms

***Acronyms**: unless otherwise defined herein, the acronyms used shall have their respective meanings as described in the "List of Commonly Used Global Fund Terminology" (as may be amended from time to time), available at the Global Fund's Internet site.*

Grant Implementers: for the purposes of these guidelines the term Grant Implementer includes Grantees, Principal Recipients (PRs), Sub-Recipients (SRs) and Sub-sub recipient (SSRs) under grants granted by the Global Fund.

Program Assets: in respect of a program to fight against the diseases of HIV/AIDS, tuberculosis and/or malaria, and/or to finance RSSH activities financed by a Global Fund grant, means collectively all goods or other tangible or intangible property acquired wholly or partly using Grant Funds, including, but not limited to, any asset not fully paid for, under such Program. In particular, Program Assets may include:

a. Health products - pharmaceutical products (e.g. various drugs and medicines)
b. Health products - non-pharmaceuticals (e.g. long lasting insecticide treated nets (LLINs), insecticide-treated nets (ITNs), rapid diagnostic test, laboratory reagents, etc.)
c. Health products – equipment (laboratory equipment e.g. HIV viral load analyzer/accessories, diagnostic machines, etc.)
d. Non-health equipment (e.g. vehicles, computers, computer equipment, etc.)
e. Infrastructure (e.g. buildings/renovation/construction).

Annex 3: Overview of Insurance types

Sections covered in this annex

1. All Risk Property Insurance
2. Transportation of the goods
3. Motor and Fleet Insurance
4. Comprehensive General Liability Insurance
5. Fidelity Guarantee Insurance
6. Political Risk Insurance

The descriptions below are based on general principles in international usage. Modalities, inclusions and exclusions and relevant details may differ in certain markets or jurisdictions. Grant Implementers are advised to seek the advice of authorized, independent, professional advisors with any questions or concerns on insurance products, including the costs, appropriateness, terms and conditions of coverage.

Overview of Insurance types

These Insurance Guidelines focus on property and casualty insurance as the majority of Global Fund grant funds are mainly used for purchasing necessary Program Assets.

Additionally this section provides an overview of various types of insurance, their modalities, list of inclusion and exclusion and other relevant details to assist Grant Implementers to better understand the insurance related process.

1. The purpose of insurance is for the insurer to indemnify the insured in the event of a covered loss caused by a covered peril. Indemnity in insurance is a financial compensation whereby the insured is compensated at least partially after a loss event. Insurance is provided in a legal agreement (insurance policy) between the insured (the Grant Implementer, as the title holder of Program Assets in accordance with the country ownership principle) and the insurer (insurance company).

2. Under an insurance policy, the Grant Implementer is indemnified up to the sum insured limit that is agreed in the policy. For property insurance, the indemnification will be to the extent of the covered damage/loss but without surpassing the sum insured limit amount. For liability insurance, the extent of the indemnification is to the legal liability for damages and additional costs (such as legal costs) but without surpassing the sum insured limit amount.

   The indemnification in case of loss events is usually a monetary compensation paid by the insurer to the insured. The amount of the compensation can be calculated by the insurer in different ways, depending on the terms of the insurance policy. Commonly used methods to determine the compensation paid to the insured are cost of repair (the insurer compensates for the reasonable and necessary repair costs of the item insured) and the cost of replacement (the insurer compensates for the reasonable and necessary costs of replacement of the broken or damaged item).

3. The standard process with insurance is the Grant Implementer purchases insurance to cover an item against one or more peril(s) that may result in a loss. In the event of a loss within the policy period, the Grant Implementer makes a claim against the insurer. The insurer investigates the claim and, if the loss is covered under the insurance policy, pays the insured the claim amount up to the applicable limit.

1 All Risk Property Insurance

4. Property insurance provides Grant Implementers with indemnification in the event that property insured is lost or damaged as a direct result of a peril not excluded within the policy (e.g. fire, etc.) during the policy period.
5. Property insurance should cover the building and its contents. Based on the policy, property insurance may also include coverage for equipment breakdown, fire debris removal, other destructive events, some types of water damage and other losses.
6. An all risk property insurance policy covers loss or damage to property insured **except if it has been caused by a risk that has been explicitly excluded in the policy** (any risk that the contract does not specifically omit is automatically covered).
7. The two main sections in an all risk policy are **Property damage** and **Business Interruption.**
8. A property damage loss shall be characterized by the following:
   a) Direct physical loss, destruction or damage to property of the type insured,
   b) The damage should be sudden, unforeseen and accidental, and
   c) During the policy period and subject to the limits of liability.
9. A business interruption loss is triggered by a physical loss or damage of the type insured to property insured. A loss shall be characterized by the following:
   a) Business interruption directly resulting from physical loss or damage of the type insured to property insured and not otherwise limited in the Business interruption section,
   b) During the policy period and within the limits of liability.
10. Generally, the property damage and business interruption section of an all risk policy include several coverage extensions that might also become relevant for the Grant Implementers, such as:
    10.1. Service Interruption: property damage and/or business interruption directly resulting from the interruption of incoming services consisting of electricity, gas, fuel, steam, water, refrigeration or from the lack of outgoing sewerage by reason of any accidental event at the facilities of the supplier.
    10.2. Accidental interruption of services: property damage and/or business interruption directly resulting from changes in temperature or relative humidity caused by the interruption of services consisting of electricity, gas, fuel, steam, water or refrigeration by reason of any accidental event.
    10.3. Other supply chain business interruption coverage extensions, such as civil or military authority (coverage for business interruption loss due to civil or military authority limitation, restriction or prohibition of access to an insured location) or similar or contingent time element extended (coverage for business interruption loss directly resulting from covered property damage at a contingent time element location, i.e. normally first tier supplier location).

    Please note that business interruption might be relevant for instance in case if warehouse is destroyed and operations need to be temporarily moved to another storage facility.
11. All risk property insurance originally developed from insurance against fire losses. In this regard, fire and explosion are often seen together in the policy. Malicious damage done by employees is typically included whereas malicious damage done by directors and officers is typically excluded. An all risk policy typically **includes**:
    a) Fire and explosion cover: Provides cover for assets lost during a fire.

b) Earth movement
c) Accidental damage (damage done without intent)
d) Flood
e) Business interruption: Business interruption directly resulting from physical loss or damage of the type insured to property insured and not otherwise limited in the business interruption section.

12. Typical most common perils **excluded** in the policy are:

12.1. War
12.2. Governmental seizure or destruction of property
12.3. Seepage, pollution and contamination
12.4. Incoming electricity, fuel, water, gas, steam, refrigerant, outgoing sewerage, incoming or outgoing voice, data or *video except as explicitly provided under the service interruption coverage*; outage of the internet is often excluded as this is a typical cyber element.
12.5. Building ordinance or law
12.6. Leakage of water over a period of time
12.7. Employee dishonesty, including but not limited to theft
12.8. Wear and tear; rust, corrosion, fungus, decay, deterioration, hidden or latent defect smog; settling, cracking, shrinking, or expansion; nesting, infestation or release of secretions by insects, birds, rodents or animals
12.9. Electronic data exclusion (including computer virus, cyber-attack)
12.10. Failure of external networks exclusion

13. Property all risk insurance provides comprehensive protection against **all natural disasters and accidents** other than the exclusions under the policy. Grant Implementers should be mindful of the natural disasters they are exposed to and should ensure that it is not excluded in their policies.

14. Typically, property insurance consists of a policy limit with sub-limits for special perils. It should be ensured that sub-limits do not stack, i.e. cannot be added up. Specific sub-limits should be carefully considered by Grant Implementers and, in case of doubt escalated to the Global Fund.

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16. Grant Implementers must be aware of general insurance conditions that are typical in an insurance policy. These include, but are not limited to, deductibles, policy period, declarations, etc. Please refer to section IV "General Insurance Policy Considerations" for more information.

2 Transportation of goods

17. For all importation of goods by air or seas to countries – insurance is part of the freight logistics and the scope of insurance required will depend on specific Incoterms (International Commercial Terms)[3] forming part of the individual sales contract. Incoterm rules are a series of pre-defined commercial terms published by the International Chamber of Commerce that are primarily intended to clearly define the tasks, costs and (financial) risks associated with the transportation and delivery of goods from the seller to the buyer. However, with the exception of CIF (cost insurance freight) & CIP (Carriage Insurance Paid), where the seller is obliged to arrange and pay for (a minimum degree of) insurance of the goods in transit, there is no obligation under the Incoterms as such to conclude an insurance contract. *As a consequence, one has to be aware of when exactly along the transport chain the risk of financial loss is transferred from seller to buyer in order to complement or tailor suitable insurance cover and avoid any gaps.* The

[33] Please see Glossary in Annex 1.

common options to handle this exposure are a freight forwarder's (who has a duty of care) liability &/or cargo insurance as per Incoterms stipulated. When relying on freight forwarders' liability, one has to bear in mind that forwarders often limit their insured liability to a fraction of the value of the goods.

Whether in the context of the Pooled Procurement Mechanism (PPM) or non-PPM orders, the Grant Implementer needs take into consideration the specific Incoterms used in the contract to have a clear understanding of where and when the ownership and liability is transferred to the Grant Implementer.

18. **Marine cargo open policy**: A marine cargo open policy[4] is the agreement between a merchant and an insurance company to insure all goods in transit falling within that agreement for an agreed period or even indefinitely until the agreement is cancelled by either party. The policy is 'open' in so much as goods meeting the agreed description are automatically insured while in transit to and from the stated destinations without the need to notify the insurer of each shipment's details.

The insurance policy specifies:

a) The insured and the insurer;
b) The general description of the goods insured;
c) The territorial scope/locations within which the goods are covered by the insurance policy;
d) The maximum amount payable under the insurance policy;
e) The basis of valuation for the insured goods; and,
f) The conditions of insurance.

19. The merchant agrees to declare details of all shipments falling within the scope of the insurance policy, and the insurance company agrees to insure such shipments, according to the terms and conditions of the insurance policy. This includes a general description of the goods, which can be either narrow or broad in scope.

20. **Types of cover:** Institute Cargo Clauses (ICC) are the insurance conditions for transport insurance contracts issued by the International Underwriting Association of London. They usually relate to all transports by air, land or sea. The following clauses are distinguished:

a) **ICC (A)**: Provides the most comprehensive insurance protection according to the all-risk cover principle
b) **ICC (B)**: Provides insurance under the Named-Perils principle for all risks expressly stated in the policy
c) **ICC (C)**: Provides under the Named-Perils principle a limited level of protection specifically geared towards large loss events, such as fire or explosion, vessel grounding, overturning or derailment of land conveyance, etc.

The following paragraphs refer to the all-risk cover according to the ICC (A).

21. The marine cargo insurance covers all risks of loss or damage to the goods insured except as specifically excluded in the insurance policy. Furthermore the insurance covers general average and salvage charges.

22. It has to be noted that in no case shall the insurance cover:

a) Loss, damage, or expense attributable to willful misconduct of the insured;
b) Ordinary leakage, ordinary loss in weight or volume, or ordinary wear and tear of the subject matter insured;

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[4] The term "marine" arises from the origin of these types of insurance policies which were originally created for transportation of goods by sea but it now also includes transportation by air or land.

c) Loss damage or expense caused by insufficiency or unsuitability of packing or preparation of the subject matter insured to withstand the ordinary incidents of the insured transit where such packing or preparation is carried out by the assured or their employees or prior to the attachment of the insurance. *(Perishable goods and other specified goods require specific risk management and loss prevention measures in order to become an insurable interest. In order to determine the min. standards required, it would be advisable to get input from experienced expert surveyors/consultants who are also familiar with local environment and realistically achievable levels of prevention in that particular area/region. The information provided will be one piece of vital information to the insurer to carry out risk assessment and decide if and if yes, to what level and on what terms insurance can be provided.)* ;
d) Loss damage or expense caused by inherent vice or nature of the subject matter insured;
e) Loss damage or expense caused by delay, even though the delay be caused by a risk insured against;
f) Loss damage or expense caused by insolvency or financial default of the owners, managers, charterers, or operators of the vessel where, at the time of loading of the subject-matter insured on board the vessel, the assured are aware, or in the ordinary course of business should be aware, that such insolvency of financial default could prevent the normal prosecution of the voyage;
g) Loss damage or expense directly or indirectly caused by or arising from the use of any weapon or device employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter;
h) Loss damage or expense arising from:
    a. unseaworthiness of vessel or craft or unfitness of vessel or craft for the safe carriage of the subject-matter insured, where the assured are privy to such unseaworthiness or unfitness, at the time the subject-matter insured is loaded therein;
    b. unfitness of container or conveyance for the safe carriage of the subject-matter insured, where loading therein or thereon is carried out prior to attachment of the insurance or by the assured or their employees and they are privy to such unfitness at the time of loading.
i) Loss damage or expense caused by:
    a. War, civil war, revolution, rebellion, insurrection, or civil strife arising therefrom, or any hostile act by or against a belligerent power;
    b. Capture, seizure, arrest, restraint or detainment (piracy excepted), and the consequences thereof or any attempt thereat; and/or
    c. Derelict mines torpedoes bombs or other derelict weapons of war.
j) Loss damage or expense
    a. caused by strikers, locked-out workmen, or persons taking part in labor disturbances, riots or civil commotions;
    b. resulting from strikes, lock-outs, labor disturbances, riots or civil commotions;
    c. caused by any act of terrorism being an act of any person acting on behalf of, or in connection with, any organization which carries out activities directed towards the overthrowing or influencing, by force or violence, of any government whether or not legally constituted; and/or
    d. caused by any person acting from a political, ideological or religious motive.

Various types of Institute Clauses are available, allowing to tailor marine cargo open policies according to the insured’s needs.

23. **Duration of insurance coverage**: The insurance cover becomes effective from the time the subject-matter insured is first moved in the warehouse or at the place of storage (at the place named in the contract of insurance) for the purpose of the immediate loading into or onto the

carrying vehicle or other conveyance for the commencement of transit, continues during the ordinary course of transit and terminates either:

- on completion of unloading from the carrying vehicle or other conveyance in or at the final warehouse or place of storage at the destination named in the contract of insurance,
- on completion of unloading from the carrying vehicle or other conveyance in or at any other warehouse or place of storage, whether prior to or at the destination named in the contract of insurance, which the assured or their employees elect to use either for storage other than in the ordinary course of transit or for allocation or distribution,
- when the assured or their employees elect to use any carrying vehicle or other conveyance or any container for storage other than in the ordinary course of transit, or
- on the expiry of 60 days after completion of discharge overside of the subject matter insured from the oversea vessel at the final port of discharge, whichever shall first occur,

(please note that this may vary according to the terms of the specific policy).

Grant Implementers must be aware of general insurance conditions that are typical in an insurance policy. These include, but are not limited to, deductibles, policy period, declarations, etc. Please refer to section "General Insurance Policy Considerations" for more information.

3 Motor and Fleet Insurance

24. Motor insurance is insurance for cars, trucks, motorcycles and other vehicles. It can either be sold as a single (one vehicle) policy, or where a number of vehicles have one owner they can be covered under one "fleet" policy. This type of insurance is compulsory for third party liability in many countries. The specific terms of motor insurance will vary from country to country but usually basic cover is mandatory to compensate injured third parties. They can become rather complex due to the regulations in the country. Grant Implementers should understand the local regulations that are applied in a specific country and ensure that to a bare minimum the mandatory insurance is purchased.

25. The reason that motor insurance is typically a mandatory insurance is because this protects the general public from any collision. This usually includes third party personal injury and often third party property damage. This is to ensure that all victims are compensated properly. However, there are add-ons that can be included to the motor insurance that are not mandatory but protect the vehicle and owner further.

26. There are essentially three lines of motor insurance. The typical inclusions in the three lines of coverage are:

26.1. **Third party only**: Liability coverage for injury or death to another party, legal costs and damage to other people's property (commercial or own car). *This is usually the minimum cover.*

26.2. **Third party, fire and theft:** Same as "third party only" policy but with the following inclusion: damage to the vehicle in connection with other occurrences out of an incident resulting in loss or damage to your vehicle by fire, theft or attempted theft.

26.3. **Comprehensive or motor own damage**: Third party cover plus cover for damage to the insured vehicle. Glass replacement/repair is usually included and there may be limited cover for contents. It is, however, important to again be aware of significant regional variation in the cover provided. In many countries, motor third party liability is sold and rated separately from motor own damage whilst in others it is sold as one "comprehensive" policy. Perils covered, exclusions and limits of liability also vary considerably by country.

27. Fleet insurance comprises more than one vehicle being covered under one policy provided by one insurer. Such policies can be just a few vehicles or can involve several hundred vehicles of different types. For smaller fleets, this could amount to the Grant Implementer receiving a discount but larger fleets are generally rated according to their individual claims experience. This policy is more efficient than having several individual policies. Fleet insurance can also come in the form of Comprehensive (or Motor Own Damage), Third Party Fire and Theft, and Third Party only insurance.

28. Under a fleet insurance policy, it can be important to include "any authorized driver" as this protects all drivers including employees to be able to drive the vehicle. Naturally, however, there may be an additional cost for this, particularly if there are likely to be young drivers (aged under 25) involved. Hence, the Grant Implementer needs to consider carefully who will need to drive the vehicle(s).

29. The general exclusions that a Grant Implementer should be aware of vary considerably and it is important to be aware of local practice. Failure to observe exclusions may render the Grant Implementer personally liable for the payment of damages. Some examples of potential exclusions are:

29.1. Injury, loss or damage that happens while

i. the vehicle is being used to carry goods or passengers that have rendered the car unsafe to drive
ii. the driver does not have a license or has been disqualified from driving
iii. the use of the vehicle differs to that chosen and detailed on the insurance certificate

29.2. Injury, loss or damage caused directly or indirectly by:

i. War
ii. Act of terrorism
iii. Earthquake
iv. The radioactive, toxic, explosive or other dangerous properties of any nuclear installation, or reactor.

30. Grant Implementers must be aware of general insurance conditions that are typical in an insurance policy. These include, but are not limited to, deductibles, policy period, declarations, etc. Please refer to section "General Insurance Policy Considerations" for more information.

4 Comprehensive General Liability Insurance

31. Comprehensive general liability insurance is a standard insurance policy issued to protect the insured against liability claims for bodily injury and property damage arising out of their premises, operations, products, completed operations, etc.

32. The policy covers damages an insured entity is legally liable to pay to third parties for bodily injury and/or property damage, up to the policy limits, including attorneys' fees and other legal costs. Furthermore, the policy protects the Grant Implementer against the sums it becomes legally liable to pay to third parties for personal and advertising injury.

33. The insurance typically applies to bodily injury and property damage caused by an event occurred during the policy period and in the covered territories and not known to the Grant Implementer prior to the policy inception.

34. The limits of insurance stated in the policy fix the maximum amount the insurance company will pay in case of third party claims including legal costs to defend the Grant Implementer, regardless of the number of claims made against him each year.

35. The policy generally covers the Grant Implementer's liability deriving by law and not by reason of the assumption of liability in a contract or agreement.

36. Typical **exclusions** of the policy are:

36.1. Insured own bodily injury or property damage;
36.2. Expected or intended injuries;
36.3. Bodily injury to employees (employer's liability);
36.4. Any obligation of the insured under a worker's compensation, disability benefits or unemployment compensation law;
36.5. Bodily injury or property damage arising out of gradual pollution (it is common practice to offer pollution cover for sudden and accidental events that commence at an identifiable point and cover would be limited to a specific duration); and,
36.6. War.

37. The insurance company has the right and duty to defend the insured against any suits seeking third party damages.

38. The comprehensive general liability policy can be written alone or as part of a commercial package policy including different lines of insurance (such as liability and property for example).

39. It is important for Grant Implementers to be aware of general insurance conditions that are typical of an insurance policy contract. These include, but are not limited to, deductibles, policy period, declarations, etc. Please refer to section "General Insurance Policy Considerations" for more information.

5 Fidelity Guarantee Insurance

40. Fidelity guarantee insurance is insurance that provides cover for direct financial losses as a result of fraud or dishonesty by an employee or in certain cases a third party. It is insurance whereby the insured is compensated by the insurer in the event of a loss caused by a third party (also known as first party insurance).

41. Fraud is deliberate and premeditated turn of events which involves the use of deception to gain advantage from a position of trust and authority and a fraudulent act is intending to act to the detriment of any person against that person´s wishes. A dishonest act is an intentional act, whether committed alone or in cooperation with, at the instigation of, or with the assistance of others that is penalized by criminal law, particularly theft, embezzlement, forgery, counterfeiting and fraud.

42. A typical insurer would consider three interdependent behaviors to arise to an infidelity by an employee to the Grant Implementer (also known as the fraud triangle):

    Opportunity: Occurs through weaknesses in the internal controls with the perpetrator believing to be successful and undetected

    Motivation: Occurs from financial pressure such as the gap between the financial remuneration earned and the responsibilities or lifestyle held by the individual

    Rationalization: Occurs when the perpetrator justifies their action under the belief that the remuneration is owed by the employer

43. The insurer would typically ask the Grant Implementer for information on the organization to assess the risk and determine the premium. The information can include (but is not limited to)

financials, industry type, number of employees, directors and locations, loss experience, audit frequencies, and security details (physical and digital). Generally, a questionnaire must be filled out and signed.

44. Fidelity Guarantee insurance can come in many forms in the market. These are the typical policy types:

44.1. **Blanket policy (most common)**: Policy is used for all employees of a company, with one sum insured per person, per loss and in the annual aggregate. The Grant Implementer's organization is the policyholder.

44.2. **Named individual policy**: Policy is issued for a named employee who is covered individually up to a specific limit. Grant Implementers should be careful to name all employees as it may not provide protection if a loss occurs and the perpetrator is not a named employee.

44.3. **Collective named policy**: Policy covers larger groups of employees but the amount guaranteed is stipulated for each named employee or group individually.

44.4. **Named position policy**: Policy covers any employee engaged in a specific activity (which is specified by the insured). Grant Implementers should be careful to include the activities as it may not provide protection if a loss occurs and the employee is excluded. It should be noted that this policies are rarely used.

45. Fidelity guarantee insurance can include various policy triggers but typically it is:

45.1. Losses discovered during the policy period
45.2. Losses which have been sustained or which occurred during the policy period,
45.3. Claims made by the insured during the policy period (similar to losses discovered).

46. A Grant Implementer can submit a loss that equates to the damages and related costs up to the sum insured limit. A loss can also include (but are not limited to) defense costs, investigation costs (usually with sublimit) and recovery costs (usually with sublimit).

47. Typical exclusions in a policy are:

47.1. Indirect and consequential loss (loss of interest, business interruption, fines, penalties, punitive damages, loss of potential income or profits not realized, dividends, fees, commissions, etc.).
47.2. Negligence,
47.3. Plastic cards (e.g. credit, debit, charge, access, convenience, identification or other cards),
47.4. Trade secrets /intellectual property,
47.5. Losses insurable under other insurance policies, covering property damage, marine (cash in transit), bodily injury,
47.6. Any loss resulting wholly or partially from any act or default of any director of the assured except when such director is performing acts coming within the scope of the usual duties of an employee of the assured,
47.7. Any loss not discovered during the policy-period and any loss sustained prior to the retroactive date,
47.8. Extortion (threats to property/persons),
47.9. Contractual liability,
47.10. Legal liability,
47.11. Fines and penalties,
47.12. Losses insurable via a fire-, water damage-, burglary or related business interruption policies,
47.13. Natural perils,
47.14. Interest loss,
47.15. War, warlike operations, civil war, rebellion, revolution etc.,
47.16. Third party losses (apart from some named perils, see above),
47.17. Bills of lading/letter of credit,

47.18. Losses caused by an employee who is known to have committed dishonest and fraudulent acts, either before or after policy inception.

Grant Implementers must be aware of general insurance conditions that are typical in an insurance policy. These include, but are not limited to, deductibles, policy period, declarations, etc. Please refer to section “General Insurance Policy Considerations” for more information.

6 Political Risk Insurance

48. Political risk is a risk that is faced by organizations whereby a political event, decree or atmosphere adversely affects the business of the organizations. Political risks comprises of political actions such as war, revolutions, government confiscation of assets and restrictions of funds. In the case of Grant Implementers, this would result in a political situation adversely the grant implementation programs. This could be in the event of damages done by political upheaval, government confiscation or expropriation of program assets and/or freezing of funds.
49. Political risk insurance is a specialized coverage that protects against unexpected catastrophic political or macro-economic events in emerging markets. Coverage typically protects lenders against loan defaults, investors against equity losses and exporters against contractual defaults.
50. Political risk insurance is typically being offered for foreign business, i.e. investments into a foreign market or trade transactions with a foreign buyer. However depending on situations of the case and particulars of the country involved, an insurer - always in coordination with its reinsurers - may provide cover for (certain) consequences of political decisions by the government of the country in which the organization is located.
51. Political risk encompasses mainly two essential elements: Risks that can affect the property (property risk) and risks that can affect the payment (payment/performance risk). This can be rearranged into two sorts of insurance coverage within the political risk dimension: **trade insurance and investment insurance.**
52. **Trade insurance** relates to elements that affect trade:

52.1. Contract frustration (unilateral contract termination and/or non-payment/protracted default of public buyer),
52.2. License cancellation,
52.3. Export/import embargoes, sanctions,
52.4. Government action, law or decree,
52.5. Frustration of the contract due to political violence, war, etc.,
52.6. Non-honoring of payment instruments by state owned banks,
52.7. Non-honoring of guarantee issued by state owned or controlled institution.

53. **Investment insurance** relates to elements that effect the investment:

53.1. Confiscation, expropriation nationalization and deprivation (including formal expropriation, forced sale of assets, deprivation, forced abandonment, financed asset non repossession and creeping expropriation),
53.2. Breach of contract,
53.3. Currency inconvertibility and exchange transfer risk,
53.4. License cancellation,
53.5. Export/import embargoes, sanctions,
53.6. Non-honoring of guaranties or wrongful calling of guaranties,
53.7. Non-honoring of an arbitration award,
53.8. War/political violence and terrorism,
53.9. Business interruption following any of the above.

54. Political risk insurance is a policy that protects insured (government and non-government entities) against (and not limited to):

- Breach of contract with the government: The government terminates a contract with the Grant Implementer without necessary compensation, eventually including misallocation of assets or funds,
- Expropriation/Confiscation: The government seizes Grant Implementer's assets without compensation,
- Freezing of Funds: The government restricts Grant Implementers movement of funds in or out of the country,
- Political violence damage to property: Political actions or purposes that resulted in violence/civil disturbance and ultimately resulting to property damage on program assets. This could include act of terrorism, sabotage, riots / strikes and/or civil commotion, malicious damage, insurrection / revolution and/or rebellion, mutiny and/or coup d'état, war and/or civil war,
- Business interruption following political violence: Property insured under the policy suffers loss or damage due to political violence causing an interruption of or interference with the business insured.

55. **Stand Alone Political Violence and Terrorism Insurance**

55.1 Political violence and terrorism insurance can be bought as part of broader political risk insurance policies, or as part of property policies or on a stand-alone basis from a specialized Political Violence insurance market.

55.2. Policies that cover risks in developed countries usually protect against a narrow range of named perils such as terrorism and sabotage as the risk of civil war or interstate war is relatively benign.

55.3. Policies that cover risks in developing countries usually protect against a wider range of named perils, including terrorism, sabotage, strikes, riots, civil commotion, malicious damage, insurrection, revolution, coup d'etat, civil war and war.

55.4. The cover is usually for loss and destruction of property and can be extended to include business interruption following a named peril.

55.5. Many insurers exclude nuclear, chemical, biological or radiological (NCBR) attacks, cyber crime, computer hacking, computer hoaxes amongst others.

56. The limits of insurance stated in the policy fix the maximum the insurance company will pay in case of political risk being triggered regardless of the damage done surpassing the fixed amount. The tenor of the political risk insurance coverage can be individually negotiated but in general cannot surpass the length of the project/program timeframe. This will depend on the specific risk that is covered.

57. Political risk insurance are mainly named peril policies. This means that everything is excluded from the coverage apart from the specific perils that are named in the contract. It is important to note that political risk insurance does not cover:

57.1. Commercial risk,
57.2. Performance risk,
57.3. Bona fide non-discriminatory measures that governments normally take in the public interest (e.g. the government can expropriate a farmer if they wanted to build an airport but only with adequate compensation),
57.4. Currency devaluations,
57.5. Transactions that are deemed illegal, where corruption or misrepresentation have occurred, or where debt is not legally enforceable.

58. Political risk insurance can be purchased stand-alone or as part of a comprehensive trade credit policy. Coverage for political violence solely cannot be bought on a stand-alone basis in the credit and political risk insurance market.
59. First-time buyers of political risk insurance are often surprised by the high premium for this kind of coverage. Compared to standard property or casualty rates political risk insurance is very expensive. This is due to the fact that claims might be rare but are quite severe when they take place.

Political insurance can be bought for all developed and emerging markets except for sanctioned and completely failed states. It is important for Grant Implementers to be aware of general insurance conditions that are typical in an insurance policy. These include, but are not limited to, deductibles, policy period, declarations, etc. Please refer to section “General Insurance Policy Considerations” for more information.

Annex 4: WHO Technical Report Series

WHO Technical Report Series: the following reference documents related to the Public Health could include World Health Organization (WHO) Technical Report Series that may serve as methodological aids and to offer advice to those involved in the storage, transportation and distribution of pharmaceuticals:

a) WHO Guide to **good storage practices** for pharmaceuticals
b) WHO Model guidance for the **storage and transport of time- and temperature–sensitive** pharmaceutical products
c) WHO good **distribution practices** for pharmaceutical products

Additional useful materials (see title sections below):

1. Selecting sites for storage facilities
2. Design of storage facilities
3. Estimating the capacity of storage facilities
4. Security and fire protection in storage facilities
5. Maintenance of storage facilities
6. Temperature monitoring of storage areas
7. Qualification of temperature-controlled storage areas
8. Temperature mapping of storage areas
9. Refrigeration equipment maintenance
10. Checking the accuracy of temperature control and monitoring devices
11. Qualification of refrigerated road vehicles
12. Temperature-controlled transport operations by road and by air
13. Qualification of shipping containers
14. Transport route profiling qualification
15. Temperature and humidity monitoring systems for transport operations
16. Environmental management of refrigerant gases and refrigeration equipment

(Please refer to WHO web site for more information www.who.int)

Annex 5: Budgeting of Insurance Related Costs

Excerpt from Global Fund Guidelines for Grant Budgeting (2017), Appendix 3 F[5]*:*

In accordance with the Grant Regulations, Program Assets[6] including health and non-health products as well as other assets procured by grant implementers using grant funds need to be insured.

Grant implementers should refer to the *Global Fund Insurance Guidelines* (2017, as may be amended from time to time) for all the necessary information related to insuring program assets.

This section is dedicated to the budgeting modalities of the insurance process and how to correctly reflect insurance related costs in the Global Fund budgeting template.

With regards to Program Assets there are two main supply chain areas where insurance is applicable: ***upstream*** and ***downstream***:

- the upstream supply chain is typically related to any goods (health products/non- health products, equipment, etc.) up to the point that they are delivered to the country of destination and before they are contractually handed over to the implementer - the insurance cost related to the upstream supply chain shall be reflected under the cost input "7.2 Freight and Insurance" with the amount attributed to the insurance of goods that is separate from the freight associated costs.
- the downstream supply chain is typically related to all further in-country activities related to the storage, transportation and distribution of the goods and Program Assets – the insurance costs related to the downstream supply chain shall be reflected under the cost input **"3.5 Insurance related costs"**.

The following types of insurance costs will fall under the downstream supply chain category;

- All Risk Property Insurance
- Transportation of Goods Insurance (i.e., point-to-point transportation insurance)
- Motor and Fleet Insurance
- Other insurance related cost (for specific insurance products and policies that do not form part of the above categories)

Grant implementers shall clearly record the insurance policy type in the **activity field** of the detailed budget template and provide all the necessary details in the **justification/comments field**.

Insurance related cost should be taken into consideration at the funding request stage based on the program design taking into account all the potential cost drivers (e.g., volume of Health and non-Health Products, equipment and consumables for the grant activities) and should be further refined in greater detail in the budget at the grant making stage.

The grant implementer should properly maintain and store all supporting documents for the insurance related costs including tender/bidding documentation, prices quoted by the supplier, policy details, historical records of previous invoices or any other credible pricing reference documentation.

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[5] Available at http://www.theglobalfund.org/BudgetingGuidelines/.

[6] Please refer to the definition of the Program Assets in The Global Fund Grant Regulations (2014).

The accurate recording and storing of the aforementioned insurance contracts is important for further expenditure tracking and reporting that is attributed to each insurance type during grant implementation period.

The Global Fund, at its sole discretion, may request grant implementers to provide further details related to the insurance related expenditures under periodic grant reporting. This is important for the monitoring and strengthening of the risk management of the program assets.

Selection process: insurance providers should be selected through a competitive process, in compliance with the relevant grant agreement and local laws and regulations. More information is provided in the insurer selection process under the *Global Fund Insurance Guidelines*.

Health and medical insurance for the Grant Implementer’s employees should be included in the cost of employment and recorded under the Human Resources cost group.

In the instance where some of the components of insurance coverage is not clear or the cost associated with insurance coverage is inadequate (unreasonably high or low) grant implementers should escalate this to the Global Fund to consult and seek approval.

Annex 6: Insurance Schedule Example

Schedule

Type: **(The insurance type and cover)**

Insurer: **(The Insurer contact information)**

Insured: **(The Insured Contact Information)**

Loss Payable to: **[Insured bank account details]**

Inception Date: mm/dd/yyyy at 12.01 am local standard time at the address of the **Insured**.

Maximum Aggregate
Limit of Liability: **(**The sum insured amount)

Policy Period: **(The insurance policy period duration and end date)**

Territory: Which countries does the insurance policy apply

Premium

Claims Notification
to Insurers Via:

Choice of Law
and Jurisdiction:

Seat of Arbitration (if applicable):

Insurer Contract
Documentation: This document details the contractual terms between the contracting **Parties**, and constitutes the contractual document.

The contracting **Parties** agree that the contract document shall be in the **xxxxx** language.

Date and Signature (Insured/Insurer):

Place:______________________________
Date:_____________________________________

Insured:____
____

Place:______________________________
Date:_____________________________________

Insurer:____
____