

Serbian Power utility company EPS (Elektroprovreda Srbije) and Ministry of Energy were last weeks on serious war path on issue of insurance system policies in EPS. Ministry accused EPS management that it failed to secure company assets with wrong procedure of insurance procurement. Insurance market players in Serbia, Delta Generali, Uniqa and Wiener Stadische but also one domestic insurance company AMS were in EPS insurance arena. Medias and experts mostly did not choosed sides in this arguments presentation of big issue of insurance of EPS assets. Serbia Energy covers the story with exclusive report compiling different opinions and arguments.

The Public Enterprise “Electric Power Industry of Serbia“ has been founded by the Government of the Republic of Serbia, and the main task of the company is to completely satisfy the electricity needs of the economy and the population. PE EPS is a vertically organised enterprise, which has founded 13 companies.

The mission of the “Electric Power Industry of Serbia“ is a reliable supply of electricity to all buyers, under the most favourable market conditions, with a constant increase in the quality of services, improvement of the environmental care and increase in the community welfare. The vision of the “Electric Power Industry of Serbia“ is to be a socially responsible, market-oriented and profitable company, competitive in the European market and with a significant influence within the region.

Responsibility towards the citizens

The Public Enterprise “Electric Power Industry of Serbia“ manages the most valuable property of the citizens of the Republic of Serbia, such as the hydro and thermal power plants, electricity transmission system and coal mines, which represents around 780 billion dinars or seven billion euros in total.

Managing the enormous property on behalf of the Serbian citizens, the public enterprise “Electric Power Industry of Serbia“ also has a responsibility, not only towards its founder, the Government of the Republic of Serbia, but also towards all the citizens of the country. Because of all this, the management of this company is not allowed to improvise and “play“ with the property of the citizens of this country, but, in accordance with its function, it is obliged to manage this property with principles and maximum rationality for the welfare of the entire community.

These days we have witnessed the public statements of the Ministry of Energy and EPS, and the reason for these statements is a multi-million (10 million euros) failure of the transformer at the thermal power plant „Kostolac B“, which has jeopardized the public interest and the public supply.

In the statement of 23rd April 2014, the Ministry of Energy stated that this was a severe failure of EPS management, which had failed to successfully conclude the tender for the insurance of its movable and immovable property even after a several-month procedure, and all information available so far indicated that this procedure had been conducted illegally.

The Ministry of Energy insisted that all the facts important for the activity or the lack of activity concerning the insurance of the property of EPS should be submitted both to the Ministry of Internal Affairs and the Safety Information Agency.

In the response of 24th April 2014, EPS stated that accidents occurred in all production systems, and the accidents of this kind were not unusual and could not be foreseen, adding that it was absolutely not true that EPS was uninsured, because insurance had been timely provided for all the property in all parts of the system of the “Electric Power Industry of Serbia“, and the damage incurred on this transformer would be compensated from the insurance. Despite the several-month problems in the implementation of the public procurement of insurance, the management of EPS had ensured that such risks and accidents were eliminated and the property had been insured until the end of the procurement procedure. The fact that the insurance contract had not been concluded was not the fault of the management of EPS, but the several-month procedure was the consequence of the submitted requests for protection of rights, upon which the Republic Commission for Protection of Rights of Bidders should decide.

Facts

In order to inform the public, we have to set out a series of facts which do not support the statement of EPS, and which refer to the process of announcing the tender for the public procurement of insurance PP 92/13/DEFP. Namely, EPS management had waited until the last moment to announce the tender for the procurement of the service of insurance, and it was only on 25th November 2013 that the Public Procurement Office was asked to allow the announcement. A preliminary commission was formed with the task of establishing and preparing the entire tender material, which they did. As the general manager of EPS, Aleksandar Obradović, did not like the criteria, he asked the preliminary commission to change the criteria, and, as they refused to, on 29th November 2013, he immediately formed a new commission consisting of three managers and three head offices of EPS, which established the material of circa one hundred pages on the same day and published it on the web site on the same day, all of which is inconceivable and indicates towards premeditation and previous preparation.

At the opening of bids, on 30th December 2013, it was determined that the Consortium headed by “Dunav Insurance Company“ j.s.c. (which also includes “Joint Stock Insurance and Reinsurance Company Novi Sad“ and “Delta Generali Insurance Company“ j.s.c. Belgrade) submitted proper and complete documentation and the text about the acceptance of the Bid was prepared.

Already the next day, on 31st December 2013, when it was necessary to sign the Insurance Contract between the Consortium and EPS on the basis of the tender, instead of the contract, a Request for Issuing a Cover Note was submitted to the Consortium, which is contrary to the Law on Public Procurements, because it can not be issued if the tender has

already been announced, about which the management of EPS was informed by the Public Procurements Office on the same day. The letter submitted to the Consortium on this occasion contained the absurd statement that EPS had not been familiar with the expiry date of the previous four-year Insurance Contract, which is contrary to all the preceding actions and activities.

Abuse of the Institutes of Public Procurement

Because of such failure, flippancy and irresponsibility of the management of EPS, the entire electric power industry system became uninsured as of midnight on 31st December 2013. The same day, the Consortium sent a warning about these risks and the irresponsibility to all the leaders of the Serbian Government and to all responsible persons in EPS.

On 9th January 2014, the management of EPS, who had participated in the attempt to circumvent the Law on Public Procurements, made the decision on suspending the procedure of the public procurement of insurance, so as to cover up their irresponsible action, and on the same day, they submitted to the Consortium a notification about suspending the tender and they asked the Consortium to pronounce upon the issuance of the Cover Note within several hours. Such letter content, a short and ultimate deadline, obviously indicate that there was a deal with another insurance company, whereat it was completely disregarded that the approval of the Public Procurements Office was necessary for such action.

The extent of the irresponsible behaviour of EPS management is obvious from the action of the Chief of Staff of the General Manager of EPS Aleksandar Obradović, who called the responsible persons from the Commission for Protection of Competition on the phone on 16th January 2014, and then sent the information about the arbitrary decision on suspending the public procurement procedure. Already the next day, on 17th January 2014, he tried to prevent the Commission from sending the already made decision to the Consortium, by which the Consortium of insurers was granted an exemption from the restriction for participation in such tender. This is a unique incident in the history of public procurements that the purchaser in a public procurement, a state company, should try to prevent a Bidder from winning a tender for public procurement through the Commission for Protection of Competition.

From the above stated, it is obvious to every citizen that this was an abuse of the institutes of public procurement, a breach of the laws governing it and of a series of other regulations and documents, both those made by EPS and those determining the matter of criminal liability. Such irresponsibility is also confirmed by the fact that the general manager of EPS, Aleksandar Obradović, went on vacation abroad at the crucial moment, from 15th December to 14th January, leaving these delicate, risky and responsible tasks to insufficiently skilled persons, who had not participated in this kind of procurement before.

Flippancy continues

However, this was not the end of all the flippancy and “combinatorics” of EPS management, as they tried to obtain new Cover Notes from the “Automobile and Motorcycle Association Insurance Company” j.s.c., despite the warning that, on the basis of the Cover Notes issued by “Dunav Insurance Company” j.s.c. to EPS as the policyholder, for the validity period of three months, with the stipulated clause for extending the insurance duration if new insurance policies have not been concluded and/or the procedure of PP number 92/13/DEFP has not been finished before the expiry of the insured period i.e. for the period from 1st April 2014 to 30th June 2014. At this, according to the new Cover Notes of the “Automobile and Motorcycle Association Insurance Company”, EPS should pay to the “Automobile and Motorcycle Association Insurance Company” a premium which is significantly higher (more expensive) than the one charged by “Dunav Insurance Company” j.s.c. for the same insurance duration period. In addition, the “Automobile and Motorcycle Association Insurance Company” j.s.c. neither possesses the staff, technical and financial capacity for insuring EPS, nor does it have an adequate reinsurance coverage for the highest risks of EPS. In accordance with the available capital of the “Automobile and Motorcycle Association Insurance Company”, its financial capacity, i.e. self-retention, amounts to 400.000 euros, which represents 0,2 percent of the necessary capital.

But even this was not where the “combinatorics” of EPS management ended, on the contrary, it continued, because although there were no formal and/or legal reasons for PE „Electric Power Industry of Serbia“ to obtain new Cover Notes from “Winer Stadtische Insurance Company” j.s.c. and “Uniqa Insurance Company” j.s.c. from 1st April to 30th June 2014. The bid of “Winer Stadtische Insurance Company” j.s.c. and “Uniqa Insurance Company” j.s.c. was unacceptable because the Tender Commission of PE “Electric Power Industry of Serbia” and the companies it had founded declared the bid of “Winer Stadtische Insurance Company” j.s.c. and “Uniqa Insurance Company” j.s.c. incorrect and untimely; it had been submitted after the expiry of deadline prescribed in the Invitation; an individual bid had been required in the Invitation and the possibility of submitting a joint bid and the existence of a subcontractor had been excluded; an insurance for three months had been required, whereas the Bid was submitted for annual insurance.

The Republic Commission for Protection of Rights in public procurement procedures made the decision no. 4-00-675/2014 dated 10th April 2014 by which they partially cancelled the open procedure of the public procurement of services - insurance of property and employees for the needs of PE “Electric Power Industry of Serbia” and the companies it has founded for the period of four years, PP 92/13/DEFP, of the Purchaser PE “Electric Power Industry of Serbia Belgrade”, and this in the segment of the technical evaluation of bids and the making of the Decision on Suspending the Procedure no. 113/26-14 dated 27th February 2014. PE “Electric Power Industry of Serbia Belgrade” was also obliged to reimburse the applicants, “Dunav Insurance Company” j.s.c. Belgrade, “Joint Stock Insurance and

Reinsurance Company Novi Sad“ and “Delta Generali Insurance Company“ j.s.c. Belgrade for the expenses of the rights protection procedure in the total amount of 9.163.851,50 RSD. On 17th April 2014, “Dunav Insurance Company“ j.s.c. informed EPS management and the companies founded by EPS that all their property and employees were officially insured by Cover Notes and Annexes to Cover Notes issued by the Consortium (“Dunav Insurance Company“ j.s.c., “Delta Generali Insurance Company“ j.s.c. and “Joint Stock Insurance and Reinsurance Company Novi Sad“) for the period from 1st January to 30th June 2014 and protected by a reinsurance coverage.

Although the process and procedure of preparing, announcing, publishing and cancelling the tender for insuring EPS was conducted with the aim to circumvent the tender and to „throw in“ another insurance company, thereby bringing the most valuable economic entity in the Republic of Serbia into a state of immense risk, this did not happen primarily owing to the insistence of the Consortium of insurers and the disabling of the “combinatorics“ of EPS management.

It is a paradox that, in their address to the public, those who have exposed the largest economic system in the Republic of Serbia to an immense risk are right in announcing that insurance has been provided and the damage incurred on the transformer at the thermal power plant „Kostolac B“ will be compensated from the insurance.

Source; Serbia Energy