

# WELCAR 2001

## OFFSHORE CONSTRUCTION PROJECT POLICY

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## OFFSHORE CONSTRUCTION PROJECT POLICY

Subject to the terms, conditions and exclusions herein, this Policy provides coverage for certain physical damage and liabilities incurred by the Assureds. Section I—Physical Damage and Section II—Liability are distinct sections, with the exception that the Scope of Insurance and General Terms and Conditions below shall apply to Section I and Section II.

Comment [P1]:

Please review this entire Policy carefully and discuss the coverage hereunder with your insurance agent, broker or other representative.

### SCOPE OF INSURANCE

(Applicable to Section I and Section II)

Subject to the insuring agreements, applicable terms, conditions and exclusions, this insurance covers the following activities undertaken in the course of the project identified in Item 2 of the Declarations (hereinafter, the “Project”), provided such activities are within the insured values. Covered activities include: procurement, construction, fabrication, load out, loading/unloading, transportation by land, sea or air (including call(s) at port(s) or place(s) as may be required), storage, towage, mating, installation, burying, hook-up, connection and/or tie-in operations, testing and commissioning, existence, initial operations and maintenance, project studies, engineering, design, project management, testing, trials, pipelaying, trenching, and commissioning. Covered activities may also include direct consequences from drilling operations, but only where declared to and agreed by Underwriters.

The Policy shall be deemed to be a separate insurance in respect of each Principal Assured hereunder without increasing Underwriters’ limits of liability.

#### 1. ASSUREDS

##### Principal Assureds

- i. (NAME(S))  
Company and/or joint venturers as they may now or subsequently exist.
- ii. Parent and/or subsidiary and/or affiliated and/or associated and/or inter-related companies of the above as they are now or may hereafter be constituted and their directors, officers and employees, while acting in their capacities as such.

##### Other Assureds

- iii. Project managers.
- iv. Any other company, firm, person or party (including contractors and/or sub-contractors and/or manufacturers and/or suppliers) with whom the Assured(s) named in i, ii, iii and iv have entered into written contract(s) directly in connection with the Project.

## **2. SPECIAL CONDITIONS FOR OTHER ASSUREDS**

It is a condition precedent for any party identified in Other Assureds definition clause iii. and iv. above to benefit from the Other Assureds status under the Policy that they perform their operations according to Quality Assurance/Quality Control system(s) which comply with the Quality Assurance/Quality Control provisions passed on by the Principal Assureds through each and every written contract awarded within the scope of insured works as scheduled under the Policy.

The interest of the Other Assured(s) shall be covered throughout the entire Policy Period for their direct participation in the venture, unless specific contract(s) contain provisions to the contrary. The rights of any Assured under this insurance shall only be exercised through the Principal Assureds. Where the benefits of this insurance have been passed to an Assured by contract, the benefits passed to that Assured shall be no greater than such contract allows and in no case greater than the benefits provided under the insuring agreements, terms, conditions and exclusions in the Policy.

## **3. LOSS PAYEE**

Losses and returns of premiums payable to (NAME) in order.

## **4. POLICY PERIOD**

As detailed in Item 3 of the Declarations.

### **GENERAL TERMS AND CONDITIONS** (Applicable to Section I and Section II)

## **1. PREMIUMS**

Premium shall be payable as provided in Item 6 of the Declarations.

## **2. SUBROGATION**

Underwriters shall be subrogated to all rights which the Assured may have against any person or other entity, other than Principal Assureds and Other Assureds, in respect of any claim or payment made under Section I or Section II of the Policy. The Assured shall execute all papers required by the Underwriters and shall co-operate with the Underwriters to secure their subrogation rights.

## **3. WAIVER OF SUBROGATION**

Underwriters agree to waive rights of subrogation against any Principal Assured(s) and/or Other Assured(s). The Assureds shall not grant any waiver of subrogation to drilling contractors and/or their sub-contractors without obtaining Underwriters' agreement to a specific endorsement to this Policy prior to the commencement of operations.

As a condition precedent to their benefiting from the automatic waiver of subrogation in this clause, Other Assureds must perform their operations according to Quality Assurance/Quality Control system(s) that comply with the Quality Assurance/Quality Control provisions passed

on by the Principal Assureds through each and every written contract awarded within the scope of insured works as scheduled under the Policy.

#### **4. PERCENTAGE INTEREST CLAUSE**

All values, limits, deductibles and premiums contained in the Policy are in respect of a 100% interest and shall be reduced in proportion to the individual Principal Assured(s) interest as declared or as may be subsequently declared and agreed by Underwriters.

#### **5. ORDER OF PRECEDENCE**

All clauses incorporated into the Policy by reference (hereinafter the "Incorporated Clauses") apply insofar as they do not conflict with the wording of the Policy. In the event that the Incorporated Clauses conflict with this Policy wording, this wording shall take precedence.

#### **6. LAW AND JURISDICTION**

It is understood and agreed that the Policy shall be governed by English law and practice. Any dispute, controversy or claim arising out of or relating to the Policy shall be submitted to and determined by the courts of England and Wales, which shall have exclusive jurisdiction of all such matters.

#### **7. CLAIMS CURRENCY CLAUSE**

Whereas the Policy is issued in US dollars, it is agreed that, if any Assured so elects after acceptance of a claim by Underwriters but before settlement of the claim, Underwriters may effect payment in US dollars or sterling, at rate of exchange at the mid point of the closing rates between sterling and US dollars as published in the Financial Times two working days before payment is issued by Underwriters.

#### **8. HELD COVERED CLAUSE**

In the event the interest is requisitioned for title or use, confiscated, nationalised, pre-empted or otherwise appropriated, wholly or in part, the Policy shall continue to cover the contingent liability of the Assured, subject to the insuring agreements, terms, conditions and exclusions herein, for a period of fourteen days after such event. Thereupon the Policy shall terminate unless there be prior agreement by the Underwriters to continue coverage.

#### **9. DIVESTMENT CLAUSE**

Upon divesting a portion or all of its interest in the project, a Principal Assured shall immediately notify Underwriters of the divestment. Underwriters agree to provide cover hereon for the new owners of the divested interest for a period of 14 days from the date of divestment on the same terms and conditions. Coverage for the divested portion will automatically terminate 14 days after the divestment unless Underwriters and the new owner reach agreement to continue the coverage.

In the event the new owner elects not to continue coverage hereunder, Underwriters agree to adjust their acceptance of risk and premiums payable from the termination date. Furthermore, after coverage for the divested portion terminates, Underwriters shall have no obligation to make payments to or on behalf of the new owner(s) of the divested interest or

their insurers, even if loss or damage results from an Occurrence or event that takes place prior to the divestment date.

#### **10. DUE DILIGENCE**

It is a condition of the Policy that the Assureds shall exercise due care and diligence in the conduct of all operations covered under the Policy, utilising all safety practices and equipment generally considered prudent for such operations. In the event any hazardous condition develops, including with respect to any well from which consequential damages covered by the Policy may arise, the Assureds shall at their expense make all reasonable efforts to prevent the occurrence of a loss insured against under the Policy.

#### **11. PERMISSION TO OCCUPY AND OPERATE**

Permission is granted to occupy and operate any portion or portions of the property insured and such occupancy or operation shall not constitute acceptance of the property insured, subject to any adjustment of premium as applicable, and prior notification to Underwriters.

#### **12. AGREEMENT WITH CARRIERS, WAREHOUSEMAN & OTHER BAILEES**

The Assureds may waive their right(s) of recovery against private or contract carriers in writing prior to loss, and may accept bills of lading or receipts from common carriers, warehousemen or other bailees limiting their liability, but this insurance shall not inure to the benefit of any carrier, warehousemen or bailee.

#### **13. INSOLVENCY**

The insolvency, bankruptcy, receivership or any refusal or inability to pay of the Assured and/or any other insurer shall not operate to:

- a. deplete the Deductibles set out in Item 5 of the Declarations;
- b. increase Underwriters' liability under the Policy; or
- c. increase any Underwriter's share of liability under the Policy.

#### **14. INSPECTION AND AUDIT**

Underwriters shall be permitted but not obligated to inspect the Assured's property and operations at any time. Neither the Underwriters' right to make inspections nor the making thereof nor any report thereon shall constitute an undertaking on behalf of or for the benefit of the Assured or others, to determine or warrant that such property or operations are safe.

Underwriters may examine and audit the Assureds' books and records at any time during the Policy Period and extensions thereof and within three years after the final termination of the Policy, as far as such books and records relate to the subject matter of this insurance.

#### **15. CANCELLATION**

The first named Principal Assured set out in Item 1 of the Declarations may cancel the Policy on behalf of all Assureds at any time prior to the first Occurrence that gives rise or may give rise to a covered loss. Notice of cancellation shall be sent to Underwriters through the party identified in Item 7 of the Declarations. Such notice shall be sent by registered mail, facsimile, e-mail or hand-delivery, and shall state when, not less than thirty (30) days

thereafter, cancellation shall be effective. Notice of cancellation shall not be effective on the date specified in the notice unless the party identified in Item 7 of the Declarations forwards the notice to Underwriters within 72 hours after receiving it. A notice of cancellation complying with the requirements of this clause shall terminate the coverage of all Assureds under this Policy on the effective date stated in the notice. The first named Principal Assured shall be responsible for notifying all Assureds that the Policy has been cancelled.

If the first named Principal Assured cancels the Policy, Underwriters shall calculate the return premium in accordance with the level of exposure on the date of cancellation. In any event, Underwriters shall retain at least the short rate proportion of the premium for the period the Policy has been in force, in accordance with the attached table.

**16. CONFLICTING STATUTES**

Any and all provisions of this insurance that conflict with the statutes of the state or country wherein this insurance is issued are understood, declared and acknowledged by Underwriters and the Assured(s) to be amended to conform to such statutes.

**17. ASSIGNMENT OR MODIFICATION OF POLICY**

This Policy is made and accepted subject to the conditions, limitations, agreements and declarations and all endorsements signed by Underwriters, and shall constitute the entire contract between the Underwriters and the Assured(s). No notice or assignment of any right under the Policy nor any change, waiver or extension of its terms shall be valid unless endorsed hereon and signed by Underwriters.

In the event of the death, bankruptcy or receivership of an Assured within the Policy Period, the Policy shall, except in the event of cancellation, cover the legal representative of the Assured, provided that notice in writing is given to the Underwriters through .....within thirty days after the date of such death, insolvency, bankruptcy or receivership.

**18. ACCEPTANCE**

By accepting the Policy, each Assured declares that the several statements in the application, schedules and proposal are true and are hereby made a part of the Policy. Each Assured recognises that the Policy is issued by the Underwriters in reliance upon such statements and in consideration of the premium to be paid by the Assured.

**19. FORFEITURE**

If an Assured shall breach any provision of the Policy, there shall be no coverage for that Assured as to the particular claim in connection with which the breach occurred, provided that there is no statute to the contrary in the country or state in which the insurance was made.

If any Assured shall make any demand for indemnity under this Policy that is false or fraudulent, as regards amount or otherwise, this Policy shall become null and void, and all coverage hereunder shall be forfeited.

**20. DISCOVERY CLAUSE**

Claims under the Policy shall only be recoverable hereunder if the Assured has discovered and reported such loss, damage or Occurrence to Underwriters within 12 months from expiry of the Project Period set out in Item 3 of the Declarations and concurrent with specific maintenance period(s) set out in Item 3 of the Declarations and described in Section I, Terms and Conditions, Clause 19 below.

This clause shall not, however, restrict the time otherwise allowed for establishing the extent and/or effecting of repairs and/or presentation of a claim in respect of such loss and/or damage discovered and reported in accordance with the foregoing paragraph.

## **SECTION I--PHYSICAL DAMAGE**

### **1. COVERED PERILS**

Subject to the terms, conditions and exclusions herein, Section I insures against all risks of physical loss of and/or physical damage to the property covered hereunder, provided such loss or damage arises from an Occurrence within the Policy Period set out in Item 3 of the Declarations.

### **2. COVERED PROPERTY**

This insurance covers works executed anywhere in the world in the performance of all contracts relating to the Project including (provided they are included in the contract values declared to Underwriters and insured herein) materials, components, parts, machinery, fixtures, equipment and any other property destined to become a part of the completed project, or used up or consumed in the completion of the project. This insurance shall also cover (provided they are declared to and agreed by Underwriters) all temporary works, plant, equipment, machinery, materials, outfits and all property associated therewith, whether such items are intended to form a permanent part of the works or not, including site preparatory work and subsequent operational risks.

It is understood and agreed that any insured equipment and/or property that is not for incorporation into the contract works shall be covered whilst it is being utilised in the Project and whilst in transit from the Project site(s) until the earlier of the date of arrival at its final destination or the 30th day after its removal from the Project site(s).

### **3. POLICY LIMIT**

Underwriters' total liability under Section I for all claims arising out of any one Occurrence shall not exceed 125% of the latest agreed Schedule "B" values, including payments made under the sue and labour clause, the additional work clause and the removal of wreckage and/or debris clause (each of which is separately limited under the appropriate coverage clauses).

In the event of escalation as provided under clause 5 of Section I, Underwriters' total liability under Section I for all claims arising out of any one Occurrence shall not exceed 150% of the initial Schedule "B" values, including payments made under the sue and labour clause, the additional work clause and the removal of wreckage and/or debris clause, and the Escalation Clause (each of which is separately limited under the appropriate coverage clauses).

Notwithstanding anything contained herein, Underwriters' maximum limit of liability in respect of Section I shall not exceed the Schedule "A" value in the aggregate.

### **4. DEDUCTIBLES**

Underwriters' liability under Section I of the Policy shall be subject to the Deductibles set out in Item 5 of the Declarations.

## 5. ESCALATION CLAUSE

Whereas the values stated in the Declaration at the time the risk was bound represent the Estimated Completed Value and are therefore provisional, it is agreed that the final completed value of the property insured herein shall be the insured value.

Should the insured values, determined as above:-

- a. exceed the provisional value stated in Schedule B, the Assureds agree to declare to Underwriters hereon the amount of such excess and to pay premium as agreed, and Underwriters agree to accept their proportionate share of the increase; or
- b. be less than the provisional value stated in Schedule B, the sum insured by Underwriters shall be reduced proportionately, and Underwriters agree to return premium as agreed on the amounts by which their respective lines are reduced.

Nevertheless, should the insured value exceed 125% of the initial declared value as per Schedule B, then the limits of indemnity under Section I shall be 125% of the initial schedule values, any one Occurrence, but always subject to the limits of recovery as provided for elsewhere in the Policy and in accordance with the agreed "B" scheduled amounts as per the Declarations at the time of loss.

### TERMS AND CONDITIONS

(Section I only)

#### 1. BASIS OF RECOVERY

In the event of an Occurrence covered under Section I of the Policy, Underwriters agree to indemnify the Assured on the following basis:-

- a. items repaired or replaced - 'New for Old' plus towage, installation and all other costs necessarily incurred and duly justified in repair or replacement - as per latest agreed Schedule B.
- b. replacement with items which are redesigned or of new design - provided such replacement is actually commenced and no repairs or replacements are carried out on the item which sustained physical loss or physical damage, indemnification hereunder shall be on the basis of reasonably estimated figures in accordance with paragraph 1a. above.
- c. items not repaired or replaced:-
  - (i) for items which are a total and/or constructive total loss, the actual items costs incurred up to time of loss as per latest agreed Schedule B.
  - (ii) for partial physical loss of or physical damage to an insured item, the reasonable depreciation arising from the unrepaired damage, deemed to be the reasonable cost of repairing such damage on a new for old basis plus (in the event repairs are not undertaken for reasons entirely outside the control of the Assured) towage, installation and other

similar costs directly incurred in respect of the item lost or damaged, up to the point of loss and, to the extent that such costs have been prepaid or the Assured is committed to paying and is unable to revoke, but not to exceed amounts as per the latest agreed Schedule B.

- d. use of pre-hired vessels/equipment - It is understood and agreed that if, in the event of physical loss and/or physical damage to the property insured which is covered by Section I, repairs and/or reinstatement and/or replacement and/or salvage are carried out by vessels and/or craft and/or equipment and/or labour which the Assured have on charter, hire or contracted to them, the cost or the proportion thereof shall be based on the pre-agreed hire or contract rates for such employment when used in or about the repair, reinstatement, replacement, or salvage of losses covered by Section I and shall be so recoverable as a claim hereon. In the event that the Assured utilises its own vessels, craft, equipment, material or labour for any repair, reinstatement, replacement or other work in respect of physical loss and/or physical damage covered by Section I, then, subject otherwise to the terms and conditions of the Policy, a reasonable charge in respect of such work shall be recoverable as a claim hereon. Provided always that the recoverable costs referred to in this paragraph shall not exceed the costs of employing approved vessels and/or craft and/or equipment and/or materials and/or labour from other available sources.

In respect of paragraphs a. and b. above, in no event shall Underwriters be liable for any increased cost or expense of repair or construction by reason of law, ordinance, regulation, permit or licence regulating construction or repair or any increased cost or expense incurred by reason of betterment or alteration in design.

Additional insurance costs and (re)certification costs attaching to damage repair or replacement work are covered hereunder as part of the values insured subject to inclusion of the original insurance costs in the initial Estimated Final Completed Value of the works.

Provided always that where any of the aforesaid costs relate to retrieval of a damaged item and/or subsequent (re)installation of that repaired item or a replacement, and such costs or part thereof would in any event have been incurred by the Assured irrespective of the insured physical damage, or otherwise benefit the Assured in respect of uninsured matters, then such costs shall be apportioned in a fair and reasonable manner between the Assured and Underwriters.

## **2. INCORPORATED CLAUSES**

The following clauses are incorporated into the Policy by reference, with the amendments described below:

- a. Institute Clauses for Builders Risks (1st June 1988) amended as below, including the deletion of the Earthquake and Volcanic Eruption Exclusion Clause No. 6, including cost of site preparatory work lost or expended as a result of insured perils, and including modifications to Clause 5, paragraph 5-1, as hereafter quoted/amended:-

### **5. PERILS**

5.1 SUBJECT ALWAYS TO ITS TERMS, CONDITIONS AND EXCLUSIONS this insurance covers all risks of physical loss of or physical damage to the subject matter insured caused and discovered during the period of the insurance.

**AS SET FORTH IN EXCLUSION 1.I. HEREIN, IN NO CASE SHALL THIS POLICY COVER THE COST OF RENEWING FAULTY WELDS.**

Institute War Clauses Builders Risk (1st June 1988).

Institute Strikes Clauses - Builders Risk (1st June 1988).

- b. The following conditions shall apply to any parts of the property insured herein that are in storage (ashore or afloat), loading, unloading and in transit other than by means of their own buoyancy or by means of floatation tanks. These conditions shall continue until midnight on the day on which off-loading at final offshore site is completed and shall include the Collision Clause provisions of the Institute Clauses for Builders Risks (1st June 1988).

Subject as applicable to:-

Institute Cargo Clauses (A) 1st January 1982

Institute Classification Clause 13th April 1992, where insured property is carried as cargo.

Institute War Clauses 1st January 1982.

Institute War Clauses (Air) 1st January 1982.

Institute War Clauses (Post) 1st January 1982.

Institute Strikes, Riots and Civil Commotion Clauses (Cargo) 1st January 1982.

Institute Strikes, Riots and Civil Commotion Clauses (Air Cargo) 1st January 1982.

The MAR Form is deemed incorporated herein in respect of transits covered under the 1st January 1982 Clauses.

### 3. LOSS NOTIFICATION

The Assured will render a signed and sworn proof of loss after an Occurrence as soon as may be reasonably practicable thereafter (taking into consideration the nature of the Assured's operation) stating the time, place and cause of loss, the interest of the Assured and of all others in the property, the value thereof and the amount of loss or damage thereto.

#### **4. ERRORS AND OMISSIONS**

Any unintentional or inadvertent error or omission in name or description under Section I shall not operate to the prejudice of the Assured, provided that the error or omission is corrected when discovered by the Assured and advised to Underwriters prior to any Occurrence giving rise to a claim hereunder.

#### **5. PROJECT ALTERATIONS AND AMENDMENTS**

Underwriters agree to hold covered all amendments and alterations to the Project specification subject to the terms and conditions of the Policy for a period of 60 days from the date of such amendments and/or alterations, subject to the Principal Assured notifying Underwriters of any material and/or significant alterations promptly within the 60-day period. In order for coverage for such material and/or significant amendments and alterations to extend beyond 60 days, the Principal Assureds and Underwriters must agree upon the additional premium to be applied.

#### **6. POLLUTION HAZARD CLAUSE**

Subject to the terms and conditions of the Policy, this insurance covers physical loss of or physical damage to the property insured hereunder directly caused by any governmental authority acting under the powers vested in them to prevent or mitigate a pollution hazard, or threat thereof, provided such act of governmental authority has not resulted from want of due diligence by the operator for the Principal Assureds to prevent or mitigate such hazard or threat.

Coverage provided by the above paragraph shall also extend to cover any other physical loss or physical damage caused or inflicted by order of any governmental body or agency after consultation with officials and engineers of the Assured relating to the insured project but only in respect of interests covered by Section I, and always subsequent to physical loss and physical damage resulting from a peril insured against.

#### **7. DEFECTIVE PARTS**

The insurance afforded by Section I covers physical loss and/or physical damage to the property insured herein occurring during the Policy Period and resulting from a Defective Part, faulty design, faulty materials, faulty or defective workmanship or latent defect even though the fault in design may have occurred prior to the attachment date of the Policy.

Section I, however, does not provide coverage for loss or damage to (including the cost of modifying, replacing or repairing) any Defective Part itself, unless all of the following are satisfied:

- a. such Defective Part has suffered physical loss or physical damage during the Policy Period;
- b. such physical loss or physical damage was caused by an insured peril external to that part; and
- c. the defect did not cause or contribute to the physical loss or physical damage.

In no case shall Section I provide coverage for any cost or expense incurred by reason of betterment or alterations in design.

In the event of the total physical loss or total physical destruction of one or more of the items listed in the Schedule "B" attached to the Policy, then this exclusion shall only apply to an identifiable part or parts of such scheduled item or items.

For the purposes of this clause a "Defective Part" shall mean any part of the subject matter insured which is or becomes defective and/or unfit or unsuitable for its actual or intended purpose, whether by reason of faulty design, faulty materials, faulty workmanship, a combination of one or more thereof or any other reason whatsoever. The term "Defective Part" shall also include such ancillary components, which are not themselves faulty, but which would normally be removed and replaced by new components when the component that is faulty is rectified.

This clause shall prevail in the event of any conflict or inconsistency with any other clause forming part of the Policy. The terms of this clause are not intended and shall not be construed as providing coverage not otherwise provided under the Policy.

#### **8. GENERAL AVERAGE AND SALVAGE CHARGES**

General Average and Salvage charges are payable as provided in the contract of affreightment, or if there be no contract of affreightment according to York/Antwerp Rules 1990 amended. In the event the contributory value for the purpose of contribution to General Average or Salvage charges exceed the insured value, it is agreed that such General Average or Salvage charges shall nevertheless be paid in full by Underwriters hereon, provided always that the amount recoverable under Section I in respect of partial loss arising from any one casualty shall not exceed the value applicable to the item.

General Average deposits are payable on production of General Average Deposit receipts.

Underwriters agree, if required, to provide General Average guarantees or Salvage security in respect of property insured by the Policy.

#### **9. SUE AND LABOUR CLAUSE**

It is further agreed that in the case of any imminent physical loss or physical damage to the property insured hereunder, which is the direct result of a peril insured against, the Assureds, their servants and their agents may sue, labour and travel for, in and about the defence, safeguard and recovery of the subject matters insured without prejudice to this insurance and may incur reasonable expenses in efforts to avert or minimise a loss which may fall under Section I.

The expense so incurred shall be borne by the Assureds and Underwriters proportionately to the extent of their respective interests. No acts of Underwriters or the Assureds in recovering, saving or preserving the property insured shall be considered as a waiver or acceptance of abandonment.

Underwriters limit of liability under this clause shall be 25% of the scheduled value contained in the latest agreed Schedule B at time of loss of the item or items that are the subject of such sue and labour.

## **10. ADDITIONAL WORK**

In the event that the structure or insured property is set down or wrongly positioned, which is the direct result of a peril insured against, Underwriters shall indemnify the Assureds for the cost of additional work that is required in respect of positioning or repositioning, sinking, submerging and stabilising the property insured herein insofar as such cost does not fall within the cover afforded by the sue and labour clause. However Underwriters' liability under this clause shall not exceed the percentage amount that would be recoverable under the sue and labour clause and then only to the extent that the Policy Limit is not exhausted by a claim under the sue and labour clause.

## **11. REMOVAL OF WRECK, WRECKAGE AND/OR DEBRIS**

Following an Occurrence covered by Section I, Underwriters shall indemnify the Assureds for all costs of or incidental to the actual or attempted raising, removal or destruction of the wreckage and/or debris of the insured property, or the provision and maintenance of lights, markings, audible warnings for such wreckage and/or debris when the incurring of such costs is compulsory by any law, ordinance or regulation or when the Assured hereunder is liable for such costs under written contract or when such wreckage and/or debris interferes with the Assured's normal operations.

Underwriters' limit of liability under this clause shall be 25% of the scheduled value contained in the latest agreed Schedule B at time of loss of the item or items which are the subject of such removal of wreckage and/or debris.

## **12. TESTS, LEAK AND/OR DAMAGE SEARCH COSTS**

If it becomes necessary to repeat any test(s) and/or trial(s) or to carry out subsequent test(s) and/or trial(s) as a result of a physical loss or physical damage to the insured property arising from an Occurrence covered under Section I, Underwriters will bear the cost of any such repeated and/or subsequent test(s) and/or trial(s) subject to a sub-limit of **(AMOUNT)** (100%) any one Occurrence, but never to exceed original expenditure as identified in the latest agreed Schedule B.

## **13. STAND-BY CHARGES**

Subject to a sub-limit of US\$ **(AMOUNT)** any one Occurrence aggregated at US\$ **(AMOUNT)** over the Policy Period, Underwriters shall indemnify the Assureds for the cost of stand-by time on vessels and/or craft and/or equipment actively engaged in the course of repair following an Occurrence covered under Section I, where the Assureds are prevented from working in, around or about the damaged property by bad weather, including named hurricanes.

## **14. CLAIM SURVEYS/ADJUSTING CLAUSE**

In the event of physical loss and/or physical damage to insured property arising from an Occurrence covered under Section I, the Assured may in case of emergency and over weekends instruct one of the following loss adjusters to effect a damage survey: (1) Bateman Chapman Limited for all cargo claims, and (2) Bateman Chapman Limited, and/or Matthews Daniel and/or Brocklehurst Limited for all other claims. Such firms instructed on an emergency basis shall act as loss adjusters on behalf of Underwriters. In any other

circumstances, loss adjusters shall be appointed by Underwriters upon loss/incident notification from the Assured according to Clause 3 above.

**15. WARRANTY (EXEMPLAR—FINAL VERSION TO BE AGREED)**

Warranted London Offshore Consultants and/or Global Maritime and/or Noble Denton Associates and/or London Salvage Association approve and issue as applicable certificates on the project as follows.

Conceptual – Certificates to be issued prior to relevant load-outs/installations.

- i. Procedures for laying, burying, jetting and rock dumping, trenching (all if and as applicable) including the tie-ins of same and installation of spool pieces and risers.
- ii. Positioning and orientation procedures for jackets at offshore site(s).
- iii. Piling in procedures in respect of ii. above.
- iv. Procedures in respect of the sequence of and/or scope and pattern of laying of anchor patterns and temporary moorings for the positioning of Heavy Lift Vessels/Barges (if not dynamically positioned) and pipe laying barges in the vicinity of existing offshore installations.

Physical - Certificate(s) to be issued prior to commencement of relevant work.

- i. Load-outs, tugs, tows, towages and stowages (including sea fastening) in relation to barge movements from \_\_\_\_\_ to and/or to offshore sites.
- ii. Lifting and orientation/setting down/securing procedures at offshore sites.

Conceptual - Certificate(s) to be issued prior to relevant load-outs/installations.

Load-outs, stowage and sea-fastening on heavy lift vessel for transit.

Physical - Certificate(s) to be issued prior to commencement of relevant work.

Lifting and orientation/setting down/securing procedures at offshore site, of jackets and/or topsides.

**16. TERRORIST "BUY-BACK" CLAUSE**

- i. Coverage

Subject to the terms and conditions to which reference is made below, Underwriters shall indemnify the Assureds under this clause for physical loss and/or physical damage that would be recoverable under Section I of the Policy but for the existence of the following clause in Section I, Exclusion 2:

“Notwithstanding anything to the contrary contained in this section, there shall be no liability whatsoever for any loss caused by, or resulting from, or incurred as a result of:-

a. (i) the detonation of an explosive and/or

(ii) any weapon of war

and is caused by any person acting maliciously or from a political motive.

b. Any act for political or terrorist purposes of any persons, and whether or not agents of a sovereign power, and whether the physical loss, damage or expense resulting therefrom is accidental or intentional".

iii. Cancellation, Automatic Termination, Suspension and Amendment of Terms from Time of Load Out

a. (i) Amendment of Terms

Coverage under this clause may be cancelled by the Underwriters giving notice effective on the expiry of 14 days from midnight Greenwich Mean Time on the day on which notice is issued. Underwriters agree however to reinstate this insurance subject to agreement between Underwriters and the Assured prior to the expiry of such notice of cancellation as to new rate of premium and/or conditions.

(ii) Notice of Cancellation

Coverage under this clause may also be cancelled by the Underwriters or the Assured giving notice not less than seven days prior to the end of each period of three months from inception.

b. Whether or not such notice of cancellation has been given coverage under this clause shall TERMINATE AUTOMATICALLY:

(i) Upon the outbreak of war (whether there be a declaration of war or not) between any of the following States, namely, The United Kingdom, United States of America, France, Commonwealth of Independent States (formerly U.S.S.R.), The People's Republic of China; or

(ii) Upon the hostile detonation of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioaction force or matter, whensoever detonation may occur.

c. The coverage afforded by this clause shall be suspended in respect of the property concerned in the event of the property being appropriated, requisitioned or confiscated or nationalised by any authority of

Government (whether civil, military or de facto) of the state in which the property is owned or registered.

- d. Provided that there have been no claims hereunder, pro rata return of premium shall be payable to the Assured in the event of either cancellation by notice from Underwriters or the automatic termination or suspension by reason of the operation of this Section of the Policy.

iv. Held Covered

In the event of the interest being requisitioned for title or use, or confiscated, nationalised, pre-empted or otherwise appropriated wholly or in part, coverage under this clause shall continue to cover the contingent liability of the Assured in respect of the coverage provided under for a period of fourteen days after such event. Thereupon coverage under this clause the insurance shall terminate unless there be prior agreement by the Underwriters to continue.

## 17. FORWARDING CHARGES

In respect of transit(s) insured hereunder, if as a result of an Occurrence covered by the terms of Section I, the insured transit is terminated at a port or place other than that to which the property insured is covered under this insurance, Underwriters will reimburse the Assured for any extra charges properly and reasonably incurred in unloading, storing and forwarding the property insured to the destination to which it is insured hereunder.

Underwriters will bear the cost of any such extra charges subject to a sub-limit of US\$ (AMOUNT) (100%) any one Occurrence.

## 18. PAYMENT OF CLAIMS

It is agreed that all claims covered under Section I shall be payable to the Assured's representative identified in Item 8 of the Declarations no later than thirty (30) days after presentation and acceptance of proofs of loss by Underwriters or their approved representatives.

## 19. MAINTENANCE

The cover provided hereunder shall be no wider than that contained elsewhere in the Policy. Coverage under Section I only shall continue during the maintenance period(s) specified in individual contracts but not exceeding a further 12 months from expiry date of the Project Period as set out in Item 3 of the Declarations. During such maintenance period(s), coverage is limited to physical loss or physical damage resulting from or attributable to:

- a. faulty or defective workmanship, construction, material or design arising from a cause occurring prior to the commencement of the maintenance period; and
- b. operations carried out by Other Assureds during the maintenance period(s) for the purpose of complying with their obligations in respect of maintenance or the making good of defects as may be referred to in the conditions of contract, or by any other visits to the site necessarily incurred to comply with qualifications to the acceptance certificate.

## 20. OTHER INSURANCE

The insurance afforded under Section I shall be primary to, and receive no contribution from, any other insurance maintained by or for the Principal Assured(s) and/or Other Assured(s).

### DEFINITIONS

(Section I only)

1. The phrase “**the property insured hereunder**” shall be substituted for the word “**vessel**,” as used in the Incorporated Clauses, where the context of Section I of the Policy allows.
2. The word “**launch**” shall be deemed to include skidding onto and off launch barge/vessel and/or mating and/or floating in dry dock and/or flooding thereof and/or transfer of the property insured into water and/or emplacement and/or positioning in water at site.
3. The term “**Occurrence**,” wherever used in Section I of the Policy, shall mean one loss, accident, disaster or casualty or series of losses, accidents, disasters or casualties arising out of one event;
  - i. as respects windstorm, all tornadoes, cyclones, hurricanes, similar storms and systems of winds of a violent and destructive nature, arising out of the same atmospheric disturbance within any period of seventy-two consecutive hours commencing during the period of this insurance, shall be considered one event;
  - ii. each earthquake, shock or volcanic eruption, shall constitute one event hereunder, provided that if more than one earthquake, shock or volcanic eruption shall occur within any period of seventy-two consecutive hours commencing during the period of this insurance, such earthquake, shocks or volcanic eruptions shall be deemed to be one event within the meaning hereof.

### EXCLUSIONS

(Section I only)

1. The coverage afforded by Section I shall not apply to:
  - a. vessels or other watercraft, except for floating materials that are destined to become a permanent part of the completed Project and are declared to and accepted by Underwriters prior to loss;
  - b. aircraft and/or helicopters;
  - c. temporary works, site preparatory works, property and/or equipment that are not owned by the Principal Assureds and are not for incorporation in the contract work, unless separately scheduled hereunder and agreed by Underwriters at an additional premium prior to loss;
  - d. penalties for non-completion of or delay in completion of contract or part or non-compliance with contract conditions;

- e. any claim by reason of the platforms and/or structures being placed in the wrong locations unless caused by an Occurrence which is covered by the terms of Section I;
  - f. loss of use or delay in "start up" of the insured property howsoever caused;
  - g. liability assumed under contracts or otherwise for "Performance Guarantees" given by suppliers;
  - h. infidelity of a Principal Assured or with the knowledge of a Principal Assured;
  - i. costs of repairing, correcting or rectifying wear and tear, rust and oxidisation and fluctuations in temperature;
  - j. any claim arising from or in connection with the dumping of rocks and/or similar materials, where such rocks and/or similar materials have been placed in the wrong position or location;
  - k. all operations, temporary or permanent works, assets or equipment (whether destined to be a permanent part of the project or not) for which related budgeted costs are not included within the latest agreed Schedule B;
  - l. the costs or expenses of repairing, renewing or replacing faulty welds;
  - m. loss, damage, liability or expense directly or indirectly caused by or contributed to by or arising from:
    - i. ionising radiations from or contamination by radioactivity from any nuclear fuel or from any nuclear waste or from the combustion of nuclear fuel;
    - ii. the radioactive, toxic, explosive or other hazardous or contaminating properties of any nuclear installation, reactor or other nuclear assembly or nuclear component thereof;
    - iii. any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter; or
    - iv. radioactive contamination however caused whenever or wherever happening;
2. The following clauses i. and ii. are only to apply to property on land and/or installed at the offshore location, but they shall not be construed to exclude physical loss or physical damage caused by mines, bombs, torpedoes, missiles or other weaponry remaining from previous hostilities or military exercises.
- i. Notwithstanding anything to the contrary contained herein, this section does not cover loss or damage directly or indirectly occasioned by, happening through, or in consequence of war (whether war be declared or not), invasion, acts of foreign enemies, hostilities, civil war, rebellion, revolution, insurrection, military or usurped power or confiscation or nationalisation or requisition or destruction of or damage to property by or under the order of

any government or public or local authority except as otherwise provided in Section I of the Policy.

- ii. There shall be no liability whatsoever for any claim caused by or resulting from, or incurred as a consequence of:
  - a. (1) The detonation of an explosive.
  - (2) Any weapon of war and caused by any person acting maliciously or from a political motive.
  - b. Any act for political or terrorist purposes of any persons, whether or not agents of a Sovereign Power, and whether the loss, damage or expense resulting therefrom is accidental or intentional.

However, Exclusion 2.ii. above is subject to Terrorist Buyback Clause 16. herein.

## **SECTION II--LIABILITY**

### **INSURING AGREEMENT**

#### **1. COVERAGE**

Underwriters agree, subject to the limitations, terms, conditions and exclusions herein, to indemnify the Assured(s) for Ultimate Net Loss which the Assured(s) shall be obligated to pay by reason of

- i. liability imposed upon the Assured(s) by law, and/or
- ii. Express Contractual Liability,

for Bodily Injury or Property Damage caused by an Occurrence, provided always that the Occurrence takes place during the Project Period and arises out of the activities described in the Scope of Insurance section herein.

#### **2. DEDUCTIBLE**

Regardless of the number of:

- i. Assureds under the Policy,
- ii. persons or organisations who sustain Bodily Injury or Property Damage, or
- iii. claims made or suits brought on account of Bodily Injury or Property Damage,

Underwriters shall only be liable for Ultimate Net Loss exceeding the Deductible set forth in Item 5 of the Declarations in respect of each and every Occurrence including expenses, liability, debris removal, uncollected accrued charges and legal fees, and/or defence charges, or all combined.

#### **3. LIMIT OF LIABILITY**

The Section II Limit of Liability stated in Item 4 of the Declarations is the limit of Underwriters' liability under Section II for all Ultimate Net Loss by reason of any one Occurrence without regard to the number of Assureds, claims or claimants. The Limit of Liability shall be reduced and may be exhausted by Ultimate Net Loss payments. Underwriters shall not be obligated to make any Ultimate Net Loss payment once the Limit of Liability is met, or upon deposit of the available Limit of Liability in a court of competent jurisdiction.

#### **4. DEFENCE AND SETTLEMENT**

Underwriters shall not be called upon to assume charge of the settlement or defence of any claim or suit brought or proceeding instituted against the Assured(s), but Underwriters shall have the right and shall be given the opportunity to associate with the Assured(s) in the defence and control of any claim, suit or proceeding relative to an Occurrence where the claim or suit involves, or appears reasonably likely to involve amounts payable by Underwriters, in which event the Assured(s) and Underwriters shall co-operate in all things in the defence of such claim, suit or proceeding.

## **TERMS AND CONDITIONS**

(Section II only)

### **1. NOTICE TO UNDERWRITERS**

In the event of an Occurrence, the Assured(s) shall provide written notice to Underwriters as soon as is practicable stating the following:

- (1) the specific Occurrence; and
- (2) the damages which may result or has resulted from the Occurrence; and
- (3) the circumstance by which the Assured(s) first became aware of the Occurrence.

In respect of Claims to which Section II, Exclusion 15 applies, the Assured(s) shall provide such notice within the timing requirements set forth in that exclusion.

### **2. ADMISSION OF LIABILITY**

The Assured(s) shall not in any way acknowledge or admit any liability on account of any Occurrence nor settle nor negotiate the settlement of any claim or suit resulting therefrom, nor without the consent of Underwriters, incur any expense other than such immediate medical or surgical aid as is imperative at the time of the accident.

### **3. OTHER INSURANCE**

If other valid and collectible insurance with any other insurer is available to the Assured(s) covering a loss also covered by this Section II of the Policy, other than insurance that is specifically stated to be excess of the Policy, the insurance afforded by Section II shall be in excess of and shall not contribute with such other insurance. Nothing herein shall be construed to make the Policy subject to the terms, conditions and limitations of other insurance.

### **4. CROSS LIABILITIES**

In the event of one Assured incurring liability to any other of the Assureds, this Section II of the Policy shall cover the Assured against whom the claim is or may be made in the same manner as if separate policies had been issued to each Assured. However, the inclusion of more than one Assured hereunder shall not operate to increase the Limit of Liability.

In no case shall this Section II of the Policy provide coverage for any physical loss of or physical damage to or defects discovered in the property insured under Section I.

Coverage in respect of Other Assureds does not apply to actual or alleged liability to other contractors and/or vendors and/or suppliers for consequential loss, loss of profit or business interruption.

**DEFINITIONS**  
(Section II only)

1. **"BODILY INJURY"** means bodily injury, sickness or disease, including death resulting therefrom (and including damages allowed for loss of services) and mental anguish, provided such injuries are accidentally sustained by any person by reason of the Assured's operations as declared hereto.
2. **"CLAIMS EXPENSES"** shall mean reasonable legal costs and other expenses incurred by or on behalf of the Assured(s) in the defence of any covered claim including attorney's fees and disbursements, investigation, adjustment, appraisal, appeal costs and expenses and pre- and post- judgement interest, excluding salaries, wages and benefits of the Assured's employees and the Assured's administrative expenses.
3. **"DAMAGES"** shall mean compensatory damages, monetary judgements, awards, and/or compromise settlements entered with Underwriters' consent, but shall not include fines or penalties, punitive damages, exemplary damages, equitable relief, injunctive relief or any additional damages resulting from the multiplication of compensatory damages.
4. **"EXPRESS CONTRACTUAL LIABILITY"** means liability that the Assured has expressly assumed prior to any Occurrence covered by this Policy in:
  - a. any written contract; or
  - b. any oral contract reduced to writing within 7 days after the contract is orally agreed.
5. **"OCCURRENCE"** means an accident, including continuous or repeated exposure to conditions, which results in Bodily Injury or Property Damage neither expected nor intended from the standpoint of the Assured.
6. **"PROPERTY DAMAGE"** means physical loss of or direct damage to or destruction of tangible property, including the loss of use thereof, and including the loss of use of tangible property which has not been physically injured or destroyed provided such loss of use is caused by an Occurrence during the Policy Period, and such losses are accidentally sustained by reason of the Assured's operations as declared to Underwriters.
7. **"ULTIMATE NET LOSS"** shall mean the total sum the Assured is obligated to pay as Damages, and shall include Claims Expenses in respect of claims covered under this Policy.

**EXCLUSIONS**  
(Section II only)

The insurance afforded by Section II does not apply to actual or alleged liability:

1. arising out of operations in intentional violation of any national, international, federal or state statute or law;

2. caused by any automobile, tractor, trailer, vehicle (other than hand propelled), team, locomotive, freight cars or aircraft. This exclusion shall not apply to any crawler type tractor, ditch or trench digger, power crane, shovel, grader, scraper and similar equipment, not subject to motor vehicle registration;
3. for Bodily Injury or Property Damage directly or indirectly occasioned by, happening through or in consequence of:
  - a. war (whether declared or not), invasion, acts of foreign enemies, hostilities, civil war, rebellion, revolution, insurrection, military or usurped power or confiscation or nationalisation or requisition or destruction of property by or under the order of any government or public or local authority; or
  - b. the consequence of any act for political or terrorist purposes of any person or persons whether or not agents of a sovereign power and whether or not the loss, damage or expenses resulting therefrom is accidental or intentional;
4. for indemnification of persons for damage to or loss of their tools, materials or equipment while performing operations for any Assured;
5. arising out of the use or operation of watercraft, whether owned, time chartered, bareboat chartered or operated by any Assured, or for which any Assured may be responsible other than as declared hereto;
6. to an Assured's employees, whether the Assured is liable as an employer or in any other capacity, including without limiting the generality of the foregoing any liability under any workers' compensation law, unemployment compensation law, disability benefit law, United States Longshoremen's and Harbour Workers' Compensation Act, Jones Act, Death on the High Seas Act, General Maritime Law, Federal Employers' Liability Act, or any similar laws of liabilities, and/or whether by reason of the relationship of master and servant or employer and employee or not.
7. to the spouse, child, parent, brother, sister, relative, dependent or estate of any employee of an Assured arising out of the bodily and/or personal injury to or illness or death of said employee, whether the Assured may be liable as an employer or in any other capacity whatsoever;
8. arising out of Bodily Injury to any employee of the Assured, including without limiting the generality of the foregoing any such liability for (i) indemnity or contribution whether in tort, contract or otherwise and (ii) any liability of such other parties assumed under contract or agreement;
9. of any employee of any Assured with respect to Bodily Injury to another employee of the Assured sustained in the course of such employment;
10. which any director, officer, partner, principal, employee or stockholder of the Assured may have to any employee of any Assured;
11. for loss of or damage to any well or hole,
  - i. which is being drilled or worked over by or on behalf of the Assured, or

- ii. which is in the care, custody or control of the Assured, or
  - iii. in connection with which the Assured has provided services, equipment or materials;
12. for any cost or expense incurred in redrilling or restoring any such well or hole or any substitute well or hole;
13. for loss of or damage to any drilling tool, pipe, collar, casing, bit, pump, drilling or well servicing machinery, or any other equipment while it is below the surface of the earth in any well or hole:
- i. which is being drilled or worked over by or on behalf of the Assured, or
  - ii. which is in the care, custody or control of the Assured, or
  - iii. in connection with which the Assured has provided services, equipment or materials;
14. for costs or expenses incurred in
- i. controlling or bringing under control any wells or holes, or
  - ii. extinguishing fire in or from any such wells or holes, or
  - iii. drilling relief wells or holes, whether or not the relief wells or holes are successful;
15. for Bodily Injury or Property Damage directly or indirectly caused by or arising out of seepage, pollution or contamination however caused whenever or wherever happening;

This exclusion shall not apply when the Assured has established all of the following conditions:

- a. the seepage, pollution or contamination was caused by an event;
- b. the event first commenced on an identified specific date during the Policy Period set out in Item 3 of the Declarations;
- c. the event was first discovered by the Assured within 14 days of such commencement;
- d. Underwriters received written notification of the event from the Assured within 60 days of the Assured's first discovery of the event; and
- e. the event did not result from the Assured's intentional violation of any statute, rule, ordinance or regulation.

Even if the above conditions a) to e) are satisfied, this policy does not apply to any actual or alleged liability:

- i. to evaluate, monitor, control, remove, nullify or clean up seeping, polluting or contaminating substances to the extent such liability arises solely from any obligations imposed by any statute, rule, ordinance, regulation or imposed by contract;
  - ii. to abate or investigate any threat of seepage onto or pollution or contamination of the property of a third party;
  - iii. for seepage, pollution or contamination of property which is or was, at any time, owned, leased, rented or occupied by any Assured, or which is or was at any time in the care, custody or control of any Assured (including the soil, minerals, water or any other substance on, in or under such owned, leased, rented or occupied property or property in such care, custody or control);
  - iv. arising directly out of the transportation by the Assured of oil (other than fuel or other substances used in furtherance of the Assured's operations) or other similar substances by watercraft; or
  - v. arising directly or indirectly from seepage, pollution or contamination which is intended from the standpoint of the Assured or any other person or organisation acting for or on behalf of the Assured;
16. for or arising out of the handling, processing, treatment, storage, disposal, dumping, monitoring, controlling, removing or cleaning-up of any waste materials or substances, or arising out of such waste materials during transportation;
  17. for loss of, damage to, or loss of use of property directly or indirectly resulting from subsidence caused by sub-surface operations of the Assured;
  18. for loss of or damage to sub-surface oil, gas, water, or other substance or material, or for the cost or expense of reducing to physical possession above the surface of the earth any oil, gas, water, or other substance or material, or for the cost or expense incurred or rendered necessary to prevent or minimise such loss or damage;
  19. for fines, penalties, punitive or exemplary damages, including treble damages or any other damages resulting from multiplication of compensatory damages;
  20. arising out of goods or products manufactured, sold, handled or distributed by the Assured or by others trading under his name, including any container thereof;
  21. for damage to or loss of or loss of use of:
    - i. property owned or occupied by or rented or leased to the Assured;
    - ii. property used by the Assured; or
    - iii. property in the care, custody or control of the Assured or over which the Assured is for any purpose exercising physical control;

21. for the costs of removal, recovery, repair, alteration or replacement of any product (or any part thereof) which fails to perform the function for which it was manufactured, designed, sold, supplied, installed, repaired or altered by or on behalf of the Assured in the normal course of the Assured's operations;
22. arising from any negligence, error or omission, malpractice or mistake in providing or failing to provide professional services, which is committed or alleged to have been committed by or on behalf of any Assured in the conduct of any of the Assured's business activities. Professional services include but are not limited to the preparation or approval of maps, plans, opinions, reports, surveys, designs or specifications and supervisory, inspection, engineering, or data processing services;
23. for Bodily Injury or Property Damage directly or indirectly arising out of: asbestos; carpal tunnel; coal dust; polychlorinated biphenyl's; methyl tertiary butyl ether; silica; benzene; lead; talc; dioxin; electromagnetic fields; pharmaceutical or medical drugs/products/substances/devices; or any substance containing such material or any derivative thereof;
24. for Bodily Injury, Property Damage or expense directly or indirectly caused by or contributed to by or arising from:
  - i. ionising radiations from or contamination by radioactivity from any nuclear fuel or from any nuclear waste or from the combustion of nuclear fuel;
  - ii. the radioactive, toxic, explosive or other hazardous or contaminating properties of any nuclear installation, reactor or other nuclear assembly or nuclear component thereof;
  - iii. any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter; or
  - iv. radioactive contamination however caused whenever or wherever happening;
25. assumed under a warranty for the fitness or quality of the Assured's products or a warranty that work performed by or on behalf of the Assured will be done in a workmanlike manner;

# OFFSHORE CONSTRUCTION PROJECT POLICY

## DECLARATIONS

1. **ASSURED:** (NAME)  
other joint venturers (as their interests may appear) as Principal Assureds and including Project Managers and/or Contractors and/or Sub-Contractors and/or Manufacturers and/or Suppliers as other Assureds for the Respective Rights and interests as per wording.
2. **PROJECT:** (NAME)
3. **POLICY PERIOD:** PROJECT PERIOD (Section I and Section II)

The Policy attaches at (DATE), and insures in respect of each part, item or portion of the property insured herein which is at the risk of an Assured at inception or which becomes at risk of an Assured after inception and shall cover continuously thereafter until completion of the last part, item or portion of the property insured herein, expected not later than (DATE). The Project Period may be extended at terms and premium to be agreed by the lead Underwriter.

Coverage shall attach from the time materials and/or parts come at risk of an Assured including work carried out at contractors and/or sub-contractors and/or manufacturers and/or suppliers premises and all transits (on and offshore) and shall continue during all operations until expiry as defined above.

Legal and/or Contractual Liability Coverage shall attach from commencement of signing individual contracts.

### MAINTENANCE PERIOD (Section I only)

Coverage under SECTION I—PHYSICAL DAMAGE shall continue during the maintenance period(s) of specific contracts (subject to the terms, conditions and exclusions in the wording), up to a period of 12 months after expiry of the Project Period.

### DISCOVERY PERIOD (Section I and Section II)

The Discovery Period (subject to the terms and conditions in the wording) shall commence on the same date as and run concurrently with the 12 month Maintenance Period.

#### 4. INTEREST/

##### **POLICY LIMIT: SECTION I –PHYSICAL DAMAGE**

Underwriters' total liability under Section I for all claims arising out of any one Occurrence shall not exceed 125% of the latest agreed Schedule "B" values, including payments made under the sue and labour clause, the additional work clause and the removal of wreckage and/or debris clause (each of which is separately limited under the appropriate coverage clauses).

In the event Underwriters accept additional premium from the Assured under the Escalation Clause, Underwriters' total liability under Section I for all claims arising out of any one Occurrence shall not exceed 150% of the initial Schedule "B" values, including payments made under the sue and labour clause, the additional work clause and the removal of wreckage and/or debris clause, and the Escalation Clause (each of which is separately limited under the appropriate coverage clauses).

Notwithstanding anything contained herein, Underwriters' maximum limit of liability in respect of Section I shall not exceed the Schedule "A" value in the aggregate.

##### **SECTION II - LIABILITY**

US\$ (AMOUNT) any one Occurrence.

#### 5. DEDUCTIBLES: SECTION I

- i. US\$ (Amount) each and every Occurrence in respect of all cargo sendings.
- ii. US\$ (Amount) each and every Occurrence in respect of Onshore Fabrication Risks.
- iii. US\$ (Amount) each and every Occurrence in respect of tows within waters to final offshore site  
  
or  
  
US\$(Amount) each and every Occurrence in respect of transocean tows or heavy lift movements to final offshore site.
- iv. US\$(Amount) each and every Occurrence in respect of offshore works and associated subsequent maintenance; but
- v. US\$(Amount) for up to 24" diameter pipes or US\$(Amount) for over 24" diameter pipes each and every Occurrence in respect of installation of pipelines, cables, tie-ins, risers, spool, pieces and any other subsea, and associated subsequent maintenance.
- vi. 48 hours each and every Occurrence in respect of stand-by charges.

vii. US\$(Amount) each and every Occurrence in respect of all non-specified hereunder.

**SECTION II - LIABILITY**

US\$ (AMOUNT) any one Occurrence.

**6. PREMIUM:** US\$ payable in instalments at:-

Due inception	US\$	(20%)
Due	US\$	(20%)
Due	US\$	(50%)
Due	US\$	(10%)

**7. NOTICE OF CANCELLATION:** (Name and Address)

**8. CLAIMS REPRESENTATIVE:** (Name and Address)

**9. INITIAL ESTIMATED FINAL CONTRACT VALUE (100%):** US\$ \_\_\_\_\_

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**SCHEDULE A**

US\$ \_\_\_\_\_

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**SCHEDULE B**

US\$ \_\_\_\_\_

This schedule is provisional and to be confirmed by \_\_\_\_\_ on or before \_\_\_\_\_.

**ENDORSEMENT 1**

**DEFECTIVE PART EXCLUSION BUY-BACK**

Notwithstanding the provisions of the Defective Part Clause in Section I of the attached Policy, this insurance will pay for the cost of repair or replacement of defective parts which have suffered physical loss and or physical damage during the Policy Period, but the recovery of such costs is subject to:

- a) deductible \$ \_\_\_\_\_ each part, each accident or Occurrence; and
- b) a total aggregate limit of \$ \_\_\_\_\_ for all losses during the Policy Period, including the Maintenance Period; and
- c) the provisions of the Basis of Recovery Clauses in Section I of the Policy; and
- d) an additional premium \$ \_\_\_\_\_ being paid in full.

However, it is specifically understood and agreed that this endorsement will not provide recovery for cancellation charges, stand-by costs or consequential costs or expenses that would not be recoverable under the terms and conditions of the Policy in the absence of this clause.