

Conditions for hull insurance of mobile offshore units

This insurance shall not be subject to the Insurance Contracts Act of 16 June 1989 No. 69, with the exception of Section 7-8 of the Act. The insurance contract shall be subject to the agreed insurance conditions, the Norwegian Marine Insurance Plan of 1964 (the Plan), and the Insurance Contracts Act of 1930 with the insurance practice which has been developed in connection with these provisions.

I. Definitions and Scope of Cover.

1. Definitions.

In these conditions:

(1) "mobile offshore units" (hereinafter referred to as unit) means mobile units used in connection with the exploration or exploitation or storage of natural resources of the seabed or the subsoil thereof, or in aid of such activity,

(2) "blowout" means a sudden, accidental, uncontrolled and continuous expulsion from a well and above the surface of the ground of the drilling fluid in an oil, gas or injection well, followed by continuous and uncontrolled flow from the well and above the surface of the ground of oil, gas or water due to encountering subterranean pressures,

(3) "cratering" means the formation of a basin-like depression in the earth's surface surrounding the well caused by the erosion and eruptive action of oil, gas or water flowing without restriction.

2. General scope of cover.

The insurance is a hull insurance "on full conditions" according to § 151 of the Plan, the provisions of the Plan concerning "the ship" to apply correspondingly to the unit.

3. Objects insured.

Instead of § 148 and § 149 of the Plan, the following shall apply:

(1) The insurance includes the unit scheduled in the policy with all its machinery and equipment on board, including equipment on board for drilling operations, above or under water and in hole, except as provided for in (4) below.

(2) The machinery and equipment mentioned in clause 3. (1) are also covered while on board other vessels moored alongside or in the vicinity of the insured unit and used in connection with that unit, or when temporarily stored or in transit within the area of operation mentioned in the Policy. Transits and temporary storage outside this area are held covered at a premium to be agreed.

(3) The machinery and equipment mentioned in clause 3. (1) and (2) are covered irrespective of whether they are owned by the Assured or by a third party, provided they are in the care, custody or control of a party mentioned in clause II.9 below.

- (4) Notwithstanding the provisions of clause 3. (1) to (3) the insurance does not include:
- (a) pipes for casing and tubing, drilling mud, cement, chemicals, and other materials and supplies intended for consumption in connection with the drilling operations,
 - (b) provisions, fuel, engine and deck stores, and other similar articles intended for consumption,
 - (c) helicopters stationed on board the insured unit,
 - (d) blueprints, plans, specifications, and records.

II. Amendments to the Provisions of the Plan.

1. Perils excluded.

In addition to the perils excluded in § 15 of the Plan, the Insurer is not liable for loss caused by:

(1) Earthquake or volcanic eruption.

(2) Nuclear perils.

This insurance does not cover loss directly or indirectly caused by or arising from the release of any kind of atomic/nuclear energy from any kind of source (nuclear peril). If a nuclear peril has contributed to a loss, the whole loss shall be deemed to be caused by such peril. The Assured has the burden of proving that the loss is not caused by a nuclear peril.

(3) The drilling of a relief well performed by the insured unit for the purpose of controlling or attempting to control a fire, blowout or cratering associated with another unit.

2. Measures by state authorities.

To § 15 (a) and (b) of the Plan:

The insurance shall comprise loss of or damage to the unit resulting from measures taken by state authorities for the purpose of averting or minimizing pollution damage, but not where the risk of such damage is caused by war perils, (§ 16 of the Plan).

3. Information from the Classification Society, flag state, and port authorities.

To § 30 of the Plan:

The Insurer (Rating Leader and/or Claims Leader) has the authority to obtain directly from the Classification Society, flag state authorities, and port authorities any information which the Insurer may deem necessary, provided that the Assured is notified beforehand.

4. Alteration of risk.

To § 31 of the Plan:

The storage and use of explosive and radio-active materials on board the insured unit in connection with its normal operations shall not be considered by the Insurer as an alteration of the risk.

5. Loss through measures to avert or minimize the loss.

To § 80 (a) and § 196 of the Plan:

(1) The Insurer is not liable in excess of the sum insured (§ 79, subsection 1 of the Plan), respectively the separate sum insured pursuant to § 196 of the Plan, for loss through measures to avert or minimize the loss.

(2) The Insurer is liable, however, up to the separate sum insured pursuant to § 196 of the Plan, for loss through measures to avert or minimize damage or total loss exceeding the sum insured for such loss, to the extent the separate sum insured is not consumed by liability for collision or striking and for loss through measures to avert or minimize such liability.

6. Loss through measures relating to other interests.

To § 68 to § 73 and § 96 of the Plan:

(1) Where measures taken to avert or minimize a loss which would have been recoverable from another insurer or third party, have affected an interest covered under this insurance, the Insurer shall be subrogated to the Assured's claim against the other insurer.

(2) Loss through measures taken to control or in attempting to control blowout or cratering or in fighting fire associated with blowout is not covered under § 68 to 73 of the Plan.

7. Venue.

To § 88 of the Plan:

The Insurer cannot be sued in the courts of the venue mentioned in section 29 of the Civil Procedures Act of 13 August 1915, but only in the courts of venue mentioned in sections 17 and 21 of said Act.

8. Area of operation.

To § 117 of the Plan:

The area of operation for this unit is as stated in the Policy. Prior advice shall be given to the Insurer in the event of a move from the area of operation to other areas within the trading limits of this insurance. The Insurer shall have the right to charge an additional premium if the area of operation is changed. Notice of such additional premium shall be given to the Assured within 7 days from the time the Insurer receives advice of the new area of operation.

9. Insurance of the interest of third parties.

To § 127 and 138 of the Plan:

This insurance is effected for the benefit of the owners, charterers, drilling contractors, and operators of the insured unit. The Insurer shall be notified of their names. The Insurer agrees to waive his right of subrogation against these Assureds.

The limit stated in § 138, subsection 2 of the Plan shall be as stated in the Policy.

10. Other insurances against total loss.

The Assured shall be permitted to effect hull-interest insurance or gross earnings insurance or any other insurance against total loss of the insured unit in excess of hull insurance covering 100 per cent of the insurable value stated in the Policy, but the total sum insured on such excess covers must be limited to 25 per cent of the said insurable value.

If the Assured receives any compensation under an insurance effected in breach of the provisions of the preceding sentence, the Insurer's liability shall be reduced correspondingly.

11. Unrepaired damage.

Instead of § 174 of the Plan the following shall apply:

Even though the repairs have not been effected, the Assured as well as the Insurer may claim compensation for damage when:

- (a) the unit is sold to be broken up, or
- (b) the unit passes from the Assured's ownership by sale, forced auction or seizure or requisition which does not give rise to a claim in accordance with § 169.

The claim shall be calculated on the basis of the estimated cost of repairs at the time when the vessel passes from the Assured's ownership, but shall be limited to the reduction in the proceeds which is attributable to the damage.

Failing proof of the contrary, the damage shall be deemed, in the case mentioned under (a), not to have reduced the proceeds, and in the cases mentioned under (b), to have reduced the proceeds by the estimated cost of repairs.

If a claim for unrepaired damage is assigned in connection with the transfer of ownership to the unit, the Insurer's liability shall be limited in accordance with the provisions of subsection two of this clause. The Insurer may settle the claim in accordance with the provisions of subsection two of this clause with the party to whom the claim has been assigned.

12. Damage.

To § 175 and § 176 of the Plan:

The Insurer is not liable for:

- (1) loss of or damage to drillstring located underground or underwater, unless directly resulting from fire, blowout or cratering.
- (2) loss of or damage to drillstring left in the well for purposes other than drilling.
- (3) the scraping and painting of the insured unit's bottom.

Otherwise § 175 and § 176 of the Plan shall apply, except for § 176 (j).

13. Motor cylinder liners.

To § 176 (1) of the Plan:

This provision shall not apply.

14. Costs incurred in expediting repairs.

§ 178, subsection 2, § 179, and § 183, subsection 2 of the Plan shall not apply where a part of the unit or the equipment is renewed in order to save time for the Assured.

15. Removal of the unit.

To § 184 of the Plan:

By "crew" is meant the maritime crew of the unit and its portion of the catering personnel.

16. Deductible.

To § 187, § 189, and § 197 of the Plan:

Instead of § 187, subsection 1, § 189, subsection 1, and § 197, subsection 1 of the Plan:

The deductible shall be the amount stated in the Policy.

Damage due to heavy weather, arising out of the same atmospheric disturbance within any period of seventytwo (72) consecutive hours commencing during the period of this insurance, shall count as one casualty.

17. Collision liability.

To § 194 to § 196 of the Plan:

(1) The Assured's liability for collision or striking is covered according to the Plan. However, the Insurer is not liable in respect of liability for damage to or loss of a fixed platform or an offshore loading installation.

(2) Liability imposed on the Assured arising from loss caused by cargo on board the colliding vessels or units and loss through pollution or fire or explosion caused by oil or gas is covered by the Insurer only insofar as such loss is caused to the other colliding vessel or unit, its equipment and cargo. § 194, subsection 2(i) of the Plan shall apply correspondingly.

Otherwise §§ 194 to 196 of the Plan shall apply.

18. Different currencies.

Where, in the insurance conditions, amounts have been stipulated in currencies other than the currency of the Policy, the conversion to this currency shall, unless otherwise agreed, be based on the official bankrate of exchange for sale latest ruling prior to the attachment of the insurance.

19. Interest.

1. To the first sentence of the first subsection of § 86 of the Plan:

The Assured may claim interest as from the expiry of one month from the day on which notification of the casualty was sent to the Insurer.

2. To the third subsection of § 86 and the first sentence of the third subsection of § 90 of the Plan:

In insurance contracts where the sum insured is stated in Norwegian Kroner, the rate of interest shall be 7 % p.a., otherwise the rate of interest shall be 5 % p.a.

3. To the third subsection of § 112 of the Plan:

The rate of interest shall be determined in accordance with the rule in subsection one of section 3 of the Interest Act of 17 December 1976.

20. Termination of the insurance.

To § 133 of the Plan:

The insurance automatically terminates

- a) if the unit is transferred to a new owner by sale or in any other manner,
- b) if there is a change in the technical, maritime or commercial management of the unit.

If more than half of the stocks or shares in the company that owns the unit are transferred to a single new owner during the period of insurance, the Insurer is to be informed as soon as possible and at the latest 14 days after the Person effecting the insurance or the Assured became aware of or ought to have become aware of the

transfer. In the event of such a transfer the Insurer may terminate the insurance by giving 14 days' notice. In the event of a breach of the duty to give notice and provided that the Insurer has not otherwise become aware of the transfer of the stocks or shares, a deduction of 25 % of the sum insured - but not more than NOK 1000 000, or the equivalent in another currency - is to be made in the settlement of any subsequent claim.

21. Loss of class or transfer to another classification society.

Instead of § 31, second subsection of the Plan, the following shall apply:

At the commencement of the insurance period the unit must be classed by a classification society approved by the Insurer, unless otherwise agreed.

The insurance shall terminate if the unit loses its class or is transferred to another classification society, unless the Insurer explicitly agrees to uphold the insurance. If the unit loses its class while at sea, the insurance cover shall not lapse until the unit has reached the nearest port.

The unit's class shall be regarded as lost if the Assured or someone on his behalf requests that the class be cancelled, or if the classification society suspends or withdraws the class for other causes than an occurred casualty. The unit shall within fixed time limits be subject to periodic surveys set by the classification society. If this is not done and a casualty occurs, § 49, first subsection of the Plan, first sentence and second subsection shall apply correspondingly.

22. Time limit for carrying out repairs.

Instead of § 177 of the Plan the following shall apply:

The Insurer is not liable for the costs of repair work carried out later than five years after the casualty occurred.

23. Time limit for notification of casualty.

Instead of § 107 of the Plan the following shall apply:

The Assured forfeits his right to claim compensation if he has failed to notify the Insurer of the casualty within six months of the Assured, the master or the chief engineer of the unit becoming aware of it, or of when the Assured ought to have become aware of it.

The right to claim compensation for anything other than hull damage under the light ship water line will under any circumstances be forfeited if the casualty is not reported within 24 months of its occurrence.

24. Extension of time limit on account of hindrance on the part of the Assured.

Instead of § 109 of the Plan the following shall apply:

The Insurer cannot invoke §§ 107 and 108 of the Plan if the Assured proves that he has not been able to notify the Insurer of the claim, or prevent the statute of limitations from running because of Norwegian or foreign law, or some other insurmountable obstacle not attributable to him, and that he has exercised his rights as soon as this became possible for him.

25. Fraud in connection with the settlement of claims.

Instead of § 83, subsection 2 of the Plan the following shall apply:

If the Assured has fraudulently or dishonestly neglected his duties under § 83, subsection 1 of the Plan, the Insurer's liability will lapse.

III. Safety regulation.

The provisions of clauses 1 and 2 below shall be considered a special safety regulation in relation to § 49 of the Plan.

1. Blow-out preventer.

In all operations the well and/or hole shall be equipped with blow-out preventers of standard make, installed and tested in accordance with usual practice.

2. Approval of location and moves.

All operating locations shall be approved by an institution accepted by the Insurer and all recommendations shall be complied with. The same applies to moves of the unit insured:

- (a) between areas of operation;
- (b) within the area of operation by a semisubmersible which is not self-propelled;
- (c) on or off location by a jack-up;
- (d) while moving any self-propelled semisubmersible within 25 n.m. off any coast.

IV. The trading area.

The trading area under the insurance comprises all waters with the following limitations:

A. The Northern Hemisphere.

1. European Arctic waters.

The waters north of 72°N. and the waters of East Greenland and Jan Mayen.

However, this limitation shall not apply to voyages to Longyearbyen and Sveagruven at Svalbard, provided that the unit passes 72° N. not earlier than 15 May and departs from the said places not later than 31 October.

2. Euro-Asiatic Arctic waters.

The waters north of the Euro-Asiatic continent east of 35° E.

3. East-Asiatic waters and the Bering Sea.

East-Asiatic waters north of 46° N. to 170° E. and the Bering Sea, including voyages to the Aleutian Islands.

However, this limitation shall not apply to passages of these waters on voyages between places within the trading area, with respect to the Bering Sea passages through Unimak Pass and west of Buldir Island, provided that the unit is equipped with modern aids to navigation in these waters.

4. North-and Northeast-American waters and West-Greenland waters.

The waters north of 60° N. and waters approachable only by the passing of this latitude.

B. The Southern Hemisphere.

The waters south of 50° S. and the waters of Kerguelen, Crozet Islands and Prince Edward Islands. However, this limitation shall not apply to voyages to Patagonia, Chile and the Falkland Islands or to passages through the waters south of 50° S. on voyages between places north of this latitude.

V. Return of premium.

To §§ 122-126 of the Plan:

1. Conditions for return of premium.

If, during the period of insurance, the unit is located at a place for at least 30 consecutive days under safe conditions, the assured has a right to claim a reduction of the premium (return).

Whether the unit is staying under safe conditions shall be decided by Sjøassurandørenes Fellesutvalg ("the Committee"). Upon request, the Assured shall make full disclosure of all circumstances which are of importance to the Committee. The Committee may require that the opinion of a competent expert shall be submitted. The unit is not considered to be staying under safe conditions during the time it is staying at a place at which it could then only call against additional premium.

2. Rate of return and minimum premium.

If repairs are carried out during the stay the Insurer shall return 80% of the premium pertaining to the time consumed by the repairs, always provided that the premium for such time shall not be lower than 0.7% p.a. In all other cases the Insurer shall return 90% of the premium pertaining to the stay, always provided that the said premium shall not be lower than 0.35% p.a., and provided that:

- (a) there shall always be a watchman on board,
- (b) there shall be no shifts during the lay up period, and
- (c) there shall be no movement of legs or variation of buoyancy during the lay up period.

If the unit is used for storage while laid up, the Committee shall decide whether a claim for reduction of premium shall be granted, and if granted, the rate to be applied.

3. Calculation of the duration of the stay.

Instead of subsection 2 of § 124 of the Plan, the following shall apply:

If a unit (without cargo on board) is moved to another place in the vicinity in order to continue the stay under safe conditions the stay shall not be deemed to be interrupted, but two days shall be deducted in calculating the duration of the stay.

Whether the place in question is in the vicinity shall be decided by the Committee. The Committee may approve removal of the unit to a more distant place, against payment of additional premium for the shifting if so required.