

HSBC Insurance Brokers Limited. Energy Division.

Product Summary Guides.

INTRODUCTION

HSBC Insurance Brokers, Energy Division, has prepared the following **Product Summary Guides** to allow other operational trading divisions of HSBC Group, to promote the insurance services of HSBC Insurance Brokers, Energy Division as well as supplementing existing financial services that HSBC Group delivers to our bank clients.

The following guides identify key coverages that are available to companies, organisations and investors in the Energy sector.

These guides also identify the relevant type of client groups that the insurance products are designed for.

The following guides are only intended to offer a brief overview of the various insurance products currently available, they are not designed to be a comprehensive review of the terms and conditions of each product.

The final terms conditions and exclusions of any insurance product will only be determined following negotiation between the buyer, their agent and underwriters, as evidenced by the policy.

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OPERATORS EXTRA EXPENSES

(OEE)

Summary

Provides cover for extra expenses incurred in respect of drilling or non-drilling wells (i.e producing, suspended or abandoned), when control of well is lost.

Type of buyers

The majority of buyers are the lease or license holder, who typically are the oil super majors, majors, national oil companies or companies with an exploration and production exposure.

In a few instances, the coverage is provided for the drilling contractor, who takes on the responsibility for insurance under a Turnkey contract.

What is covered

There are several types of cover within the scope of Operators Extra Expense.

Three standard or basic covers:

1. Cost of Well Control (**COW**) – cost incurred to recover control of the well flow or to shut the well down. Applies to incidents above water bottom or at the surface.
2. Redrilling Expenses to restore a well that can no longer be entered.
3. Cost for cleanup and containment of seepage and pollution (**S & P**) from the Well.

The standard or basic cover can be extended to include:

- a) Underground Blowout (**UGBO**), same as COW, but applies for incidents which take place below the surface or water bottom.
- b) Unlimited / Extended Redrilling.
- c) Deliberate Well Firing (**DWF**).
- d) Making Wells Safe (**MWS**).
- e) Evacuation Expenses (**EE**).
- f) Care, Custody and Control (**CCC**) for non owned equipment.
- g) Removal of Wreck / Debris (**ROW/D**).

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OFFSHORE CONSTRUCTION

(CAR)

Summary

Provides coverage for physical damage or physical loss to the subject matter forming a permanent part of the proposed property being constructed. Includes third party liabilities directly relating to the activities of the fabrication and/or installation work.

Type of Buyers

Any company (Field Operator) who has instructed and who is paying for building / fabricating contractor(s) to build on their behalf a property for offshore installation. Also can be provided directly to the contracting companies themselves, when the field operator or intended property owner does not buy a policy on behalf of all contractors involved in the construction project.

What is covered

Insuring against All Risks of physical loss or damage in respect of activities undertaken in the course of the project construction including procurement, construction, fabrication, load out, loading/unloading, transportation by land, sea or air, 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.

Will also cover:

Escalation in costs to re-build following loss.

Physical loss or damage to the property insured caused by any governmental authority acting to prevent or mitigate a pollution hazard.

Sue & Labour Expenses, General Average and Salvage charges.

Removal of Wreck, Wreckage and/or Debris.

Test, leaks and/or Damage search costs.

Stand – By Charges, stand-by time on vessels and/or equipment.

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ERECTION ALL RISK

(EAR)

Summary

Provides coverage for physical loss or damage to the subject matter forming a permanent part of the proposed property being constructed onshore. Including third party liabilities.

Type of Buyers

Any company who has instructed and who is paying for building / fabricating contractor(s) to build on their behalf a property for onshore or inshore use. Also can be provided directly to the Contracting companies themselves.

What is covered

Covers the scheduled works against any unforeseen and sudden physical loss or damage from any cause other than those items specifically excluded.

The Insurers will also reimburse the Insured for the cost of clearance of debris.

Will not cover (main exclusions)

War, civil war, rebellion, revolution, insurrection, mutiny, riot, strike, lock-out, civil commotion.

Nuclear reaction, nuclear radiation or radioactive contamination.

Wilful act or wilful negligence of the insured or of his representatives.

Cessation of work whether total or partial.

Consequential loss.

Loss or damage due to faulty design, defective material or bad workmanship.

Wear and tear, corrosion, oxidation, incrustation.

Loss of or damage to files, drawings, accounts, bills, currency etc.

Loss discovered only at the time of taking an inventory.

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OFFSHORE PROPERTY (Mobile)

(Off PD Mobile)

Summary

Covers the hull and machinery of the offshore unit, including all their equipment, tools, machinery, caissons, lifting jacks, materials, supplies, appurtenances, drilling rigs and equipment, derrick, drill stem, casing and tubing while onboard and/or vessels moored alongside.

Type of Buyers

Owners of Offshore Operating properties that are not fixed to the sea bed.

What is covered

All risks of direct physical loss of or damage to the property insured, provided such loss or damage has not resulted from want of due diligence by the Assured, the Owners or Managers of the property insured.

The Vessel if in collision with any other ship or vessel, and the Assured or the Surety in consequence of the Vessel.

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DRILLING EQUIPMENT / DOWN HOLE TOOLS (OGWDTFF)

Summary

This is an onshore cover only. Covers all risk above the surface, named perils only for equipment whilst below ground. Including anything from the Land Rig to the smaller items for down hole purposes. Includes transits of such equipment between well sites, at the well site and if in storage or laid up not in use.

Type of Buyers

Owners or Operators of onshore drilling equipment that is either on the surface or is used in hole underground.

What is covered

This insures against all risks of direct physical loss of or damage.

Hole salvage expense with respect to drill stem lost or damaged as a result of a peril insured against.

This policy also covers expenses incurred in the removal of debris of the property covered.

Property situated below the earth's surface will only be covered for:

Fire, lightning, windstorm, flood, explosion above the surface of the ground, aircraft or falling objects, strikes, riots, civil commotion, vandalism, malicious mischief.

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HULL AND MACHINERY

(H & M)

Summary

Provides coverage for physical loss or damage and certain liabilities arising out of the ownership and/or use of marine vessels, whether on a Time (12 month) basis or Voyage basis.

Type of Buyers

Any company who owns, charters, operates or has a financial interest (mortgagees) in marine vessels of whatsoever description.

What is covered

Physical loss and or physical damage to the hull of the vessel and/or the machinery and equipment installed on or in the vessel.

Sue and Labour. Reasonable expenses incurred by the Assured to avert or minimise a loss.

General Average.

Pollution Hazard.

Salvage Charges.

Collision Liability.

The cost of repairing or replacing any boiler, which bursts or shaft which breaks.

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BUSINESS INTERRUPTION

(BI)

Summary

Provides for the Assured suffering a reduction in expected revenue when their operations are interrupted by a peril insured to an extent where normal operations prior to the loss can no longer be maintained.

Type of Buyers

Any Owner of a business operation generating revenue to their balance sheet.

What is covered

Necessary interruption of business caused by damage to or destruction of real or personal property, on premises occupied by the Assured.

For only such length of time as would be required with the exercise of due diligence and dispatch to restore the business to the same level of production as prior to loss.

Loss resulting from interruption of or interference with the business in consequence of damage to property in the vicinity of the premises which shall prevent or hinder the use of Assured facilities.

"Extra Expense", which is defined as the excess (if any) of the total cost during the period of restoration chargeable to the conduct of the Assured's business over and above the total cost that would normally have been incurred to conduct the business during the same period had no loss occurred;

Extra Expense incurred in obtaining property for temporary use during the period of restoration necessarily required for the conduct of the Assured's business.

Extra expense incurred by reason of damage to or destruction of off premises, utility plants (public or private), transformers or switching stations, sub-stations or transformers furnishing heat, light, power or gas to the premises, including extra expense caused by damage to or destruction of off-premises transmission and/or distribution lines.

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ADVANCED LOSS OF PROFIT

(ALOP)

Summary

Provides coverage when there has been an Interference in the erection work and/or testing schedule resulting in a delay to the scheduled date of commencement of the insured business

Type of Buyers

Any company who will own a new building being fabricated and wishes to protect the anticipated earnings they would have secured if the new building were to have started at the scheduled date other than for the insured loss.

What is covered

Loss of gross profit due to the reduction in turnover and increased cost of working.

Includes the increased cost of working; the additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in turnover.

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DELAY IN START UP

(DSU)

Summary

Intended to indemnify the Assured for an agreed daily amount in respect of loss of gross profit and additional costs and expenses sustained following postponement of the start-up date of a Project.

Type of Buyers

Any Company who anticipates receiving income or payment from revenues expected at completion of new build facility.

What is covered

Delay in start up as a result of the new build facilities being lost or damaged as a result of a peril insured under a construction all risks policy.

Delay in Start up as a result of physical blockage and/or obstruction of ports.

Delay in start up due to loss of and/or damage to Contractor's and/or Sub-contractor's property and equipment not insured under the Owner's Project

Delay in start up as a result of loss or damage to vessels, craft, aircraft and/or helicopters, and Liabilities thereof, when such loss, damage or liability is covered wholly or in part by the Owners' or Charterers' current hull and liability insurances.

Delay as a result of illness, death or injury to any person or persons.

Delay as a result of withdrawal or non-issuance of certification by the Project certifying authority by reason of loss and/or damage covered.

Contingent delay in start-up.

Extends to indemnify the Assured for any loss incurred in respect of postponement of the start-up date arising from and/or consequential upon loss and/or damage to associated facilities that are not part of the Project Construction.

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GENERAL THIRD PARTY LIABILITY

(TPL)

Summary

To protect a company for liabilities assumed under contract or awarded in court in respect of bodily injury and/or death and/or property damage to third parties, in contract or common law.

Type of Buyers

Any company whose operations of whatsoever description could possibly incur liability to third parties.

What is covered

To indemnify the Assured for all sums which the Assured shall be obligated to pay by reason of;

- i) Liability imposed upon the Assured by law,
- or
- ii) Express (i.e written) Contractual Liability

for damages arising out of accidents occurring during the terms of this insurance on account of Bodily Injury and/ or Property Damage.

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WAR RISKS

(WAR)

Summary

Provides war, including left over weapons of war coverage, which otherwise excluded in other "marine" Interest policies in this series of Product Lists, such as Hull and Machinery, Cargo, Offshore Construction. Can be purchased as a stand alone policy or attached to one of the aforementioned policies.

Type of Buyers

Any company that has an interest in a "marine" Interest.

What is covered

War, civil war, revolution, rebellion, insurrection or civil strife arising therefrom, or any hostile act by or against a belligerent power.

Capture seizure arrest restraint or detainment, arising from risks above, and the consequences thereof or any attempt thereat.

Derelict mines torpedoes bombs or other derelict weapons of war.

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TERRORISM

(TERR)

Summary

Insurance for buildings and contents against physical loss damage by an Act of Terrorism.

Type of Buyers

Any company or organisation that owns interests or properties that might be lost, damaged or rendered inaccessible due to terrorism.

What is covered

Acts of terrorism includes the use of force or violence, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organisation(s), committed for political, religious or ideological purposes including the intention to influence any government and/or to put the public in fear for such purposes.

Also covers expenses incurred in the removal of debris of property.

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SOCIAL RESPONSIBILITY

(SocRep)

Summary

Intended to reimburse the Assured for costs incurred to remedy a situation where the Corporate image needs to be maintained to prevent consequential financial loss following a peril insured under normal insurance policies

Type of Buyers

Large companies or corporations who have by size a “branding” or social position which ethically would place burdens on them to take remedial actions to correct a situation which materially disadvantaged the socio-economic wellbeing of those people or organisations within the area of their operations.

What is covered

Normal and reasonable costs incurred to remedy a situation to the state that immediately existed prior to the event.

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LENDERS INTEREST

(LI)

Summary

Lenders to overseas projects are exposed to the potential of Government action interrupting or preventing loan repayments made by the Project owners in that overseas company.

Type of Buyers

Banks, other lenders, venture capitalists.

What is covered

Can pay up to 100% of the Loan Agreement, following:

Confiscation, Expropriation, Deprivation or Nationalisation of the project.

Forced abandonment of the project

Forced divestiture of the project

Selective discrimination against the project

Currency inconvertibility

Exchange Transfer prevention

Physical Damage as a result of War, Civil War Political Violence or Terrorism.

Failure of host government to fulfil obligations given under guarantees for the Project.

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TRADE DISRUPTION

(TD)

Summary

Companies have exposures to potential loss where key supplies / components are not supplied.

Type of Buyers

Any company that is reliant on key supplies and/or with no alternative supply source.

What is covered

Non-delivery due to cancellation of import or export licence.

Border closures.

Blockades.

Sanctions.

Political risks.

Severe weather disruption.

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LENDERS ADVISORY

(LA)

Summary

Loan covenants associated with major projects set out minimum insurance requirements. We report on or specify the project insurances in the light of available coverages and the requirements of the various loan covenants with a view to certifying compliance with the various covenanted requirements.

Type of Buyers

Banks, other lenders, venture capitalists.

What is covered

Loan agreement / covenant review.

Insurance specification and policy coverage review.

Insurer security review.

Reviewing cancellation, non vitiation and loss payee clauses.

Certification of compliance with covenant requirements.

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PETROCHEMICAL AND GAS PLANT INSURANCE (PG)

Summary

Provides coverage for physical damage or physical loss to onshore petrochemical and gas plants.

Type of Buyers

Integrated Oil Companies, petrochemical plant owners and gas / LNG suppliers.

What is covered

All Risks of Physical Loss or Physical Damage Cover.

Reinstatement cost or actual cash value basis of indemnity.

Fire Fighting Charges, Professional Fees.

Denial of Access cover.

Provision of insurance related Engineering and Risk Management services.

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OFFSHORE PLATFORMS, PIPELINES AND LOADING SYSTEMS

(OF)

Summary

Provides coverage for physical damage or physical loss to offshore platforms, pipelines and loading systems.

Type of Buyers

Integrated Oil Companies, Petrochemical plant owners and Gas / LNG suppliers.

What is covered

All Risks of Physical Loss or Damage Cover.

Agreed value basis of indemnity.

Salvage, Professional Fees, General Average charges.

Removal of Wreck cover, Sue and Labour expense cover.

Collision liability with respect to floating property.

Terrorism and piracy / acts of refugees type cover.

Provision of insurance related Engineering and Risk Management services.

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WIND AND WAVE POWER SYSTEMS (CONSTRUCTION) (PC)

Summary

Provides coverage for physical damage or physical loss that may occur during the construction, testing and commissioning of windfarms or wave power systems.

Type of Buyers

Electricity generators, clean power companies.

What is covered

All Risks of Physical Loss or Damage Cover.

Reinstatement basis cover – at time and place of loss.

Salvage charges, Professional Fees, General Average charges.

Can be extended to cover loss of revenue arising from delay, loss of tax credits and incentives etc.

Provision of insurance related engineering and risk management services.

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WIND AND WAVE POWER SYSTEMS (Operation) (PO)

Summary

Provides coverage for physical damage or physical loss and financial loss which may occur during the operation of windfarms or wave power systems.

Type of Buyers

Electricity generators, clean power Companies.

What is covered

All Risks of Physical Loss or Damage Cover.

Reinstatement basis – at time and place of loss.

Including mechanical and electrical derangement and loss of balance.

Can be extended to cover loss of revenue, loss of tax credits and incentives etc arising from damage to owned or non-owned property / substations etc.

Can be extended to cover losses arising from lack of wind.

Can be extended to cover terrorism, malicious damage and political violence.

Provision of insurance related Engineering and Risk Management services.

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