

Sales Literature

Oil and Energy Insurance

Offshore/Onshore Oil and Gas Package Policy has been designed by USGIC in order to cater to the requirement of Oil Contractors/Oil Operators covering physical loss/damage to Onshore drilling units (viz. fixed land rigs, mobile land rigs and work –over land rigs), Offshore drilling units (viz. Jack-up rigs, Semi-submersible rigs, Drill barges, Drill ships and fixed platforms like S.B.M.) and also risk related to Offshore construction project.

Details of coverage and exclusions under Offshore/Onshore Oil and Gas Package Policy are given as under:

Section I- Physical Damage:

(A) Oil & Gas Well Drilling Tools Floater Form (All Risks):

The above Section covers Onshore drilling units like fixed land rigs, mobile land rigs and work-over land rigs against All Risks of direct physical loss or damage to the insured property provided such loss /damage arises from any external cause only except for the following exclusions:

- (a) wear and tear, mechanical or electrical breakdown or failure, inherent vice, latent defect, gradual deterioration, corrosion, rust, dampness of atmosphere, freezing or extremes of temperature;
- (b) infidelity or any dishonest act on the part of the Insured or other party or interest, its or their employees or agents or any person or persons to whom the property may be entrusted (carriers for hire excepted);
- (c) any alterations and/or repairs and/or construction and/or re-construction and/or additions and/or maintenance and/or fabrication and/or modifications and/or installation and/or erection and/or similar work, except where covered under General Conditions to Section I Clause 10, “Minor Works”;
- (d) unexplained loss, mysterious disappearance, nor loss or shortage disclosed upon taking inventory;
- (e) loss of use or delay, loss of hole, loss of contract or income or profits, or any loss of a consequential nature;
- (f) the neglect of the Insured to use all reasonable means to save and preserve the property at time of and after any disaster insured against and when the property is in danger by fire in neighbouring premises;
- (g) explosion of steam engines, steam boilers, steam slush pumps, steam pipe or connections, steam water heaters, internal combustion engines, power

slush pumps, fly wheels, pulleys, abrasive wheels or moving or rotating parts of machines unless fire ensues, and then only for loss or damage directly caused by ensuing fire.

(B.) London Standard Drilling Barge Form (All Risk):

The above section covers Offshore drilling units like Submersible rig, Jack up rig, Semi Submersible rig, Drill Ship/Barge against All Risks of direct physical loss or damage to the insured property provided such loss/damage does not arise out of following exclusions:

- a) Loss, damage or expense caused by or attributable to earthquake or volcanic eruption, or fire and/or explosion and/or tidal wave consequent upon earthquake or volcanic eruption.
- b) Loss, damage or expense which arises solely from the intentional sinking of the barge for operational purposes; such sinking shall not constitute a collision, stranding, sinking or grounding within the meaning of this insurance.
- c) Loss, damage or expense caused whilst or resulting from drilling a relief well for the purpose of controlling or attempting to control fire blowout or cratering associated with another drilling barge, platform or unit unless immediate notice be given to Underwriters of said use and additional premium paid if required.
- d) Any claim, be it a Sue and Labour Expense or otherwise, for moneys, materials or property expended or sacrificed in controlling or attempting to control blowout or cratering or in fighting fire associated with blowout.
- e) Loss, damage or expense caused by or resulting from delay detention of loss of use.
- f) Wear and tear, gradual deterioration, metal fatigue, machinery breakdown, expansion or contraction due to change in temperature, corrosion, rusting, electrolytic action, error in design: nor does this insurance cover the cost of repairing or replacing any part which may be lost, damaged, or condemned by reason of any latent defect therein.
- g) Loss of or damage to dynamos, exciters, lamps, motors, switches and other electrical appliances and devices, caused by electrical injury or disturbance, unless the loss or damage be caused by a peril not excluded hereunder originating outside the electrical equipment specified in this clause. Nevertheless this clause shall not exclude claims for physical loss or damage resulting from fire.
- h) Liabilities to third parties except as specifically covered under the terms of the Collision Liability Clause contained herein.
- i) Claims in connection with the removal of property, material, debris or

obstruction, whether such removal be required by law, ordinance, statute, regulation or otherwise.

- j) Loss of or damage to drill stem located underground or underwater unless directly resulting from fire, blowout, cratering, or total loss of the Drilling Barge caused by a peril insured hereunder. There shall be no liability in respect of drill stem left in the well and through which an oil or gas well is completed.

(C). London Standard Platform Form (All Risks):

The above Section covers Offshore Fixed Platform against All Risks of direct physical loss or damage to the property provided such loss/damage does not arise out of following exclusions:

- (a) Loss or damage resulting from want of due diligence by the Insured, the Owners or Managers of the property insured.
- (b) Loss, damage or expense caused whilst or resulting from drilling a relief well for the purpose of controlling or attempting to control fire blowout or cratering associated with another platform or unit unless immediate notice be given to Insurers of said use and additional premium paid if required.
- (c) Any claim, be it a sue and labour expense or otherwise, for monies, materials or property expended or sacrificed in controlling or attempting to control blowout or catering or in fighting fire associated with blowout.
- (d) Loss, damage or expense caused by or resulting from delay detention or loss or use.
- (e) Wear and tear, gradual deterioration, metal fatigue, machinery breakdown, expansion or contraction due to change in temperature, corrosion, rusting, electrolytic action, error in design; nor does this insurance cover the cost of repairing or replacing any part which may be lost, damaged, or condemned by reason of any latent defect therein.
- (f) Loss of or damage to dynamos, exciters, lamps, motors, switches and other electrical appliances and devices, caused by electrical injury or disturbance, unless the loss or damage be caused by a peril not excluded hereunder originating outside the electrical equipment specified in this clause. Nevertheless this clause shall not exclude claims for physical loss or physical damage resulting from fire.
- (g) Liabilities to third parties.
- (h) Drilling and/or servicing rig(s) including drill pipe and drill collars and all other components forming part of a drilling or servicing rig(s).
- (i) Well(s) and/or hole(s) whilst being drilled or otherwise.
- (j) Drilling mud, cement, chemicals and fuel actually in use, and casing and tubing in the well.
- (k) Unrefined oil or gas or other crude product.

(l) Blueprints, plans, specifications or records, personal effects of employees or others.

Section II. Operator Extra Expenses:

A- Control of Well Insurance:

This Section covers actual costs and/or expenses incurred by the Insured in :

- (i) regaining or attempting to regain control of all wells insured which get out of control including wells that may get out of control as a direct result of an insured well getting out of control.
- (ii) in extinguishing or attempting to extinguish fire in or from such wells.

Following losses are excluded under this Section:

- (i) Loss/ damage to any drilling or production equipment.
- (ii) Loss/damage to any well/well hole or holes.
- (iii) Loss/damage/expenses caused by or arising out of delay, loss of use, loss or damage to production and loss/damage to any reservoir or reservoir pressure.

B-Redrilling /Extra Expenses:

This Section covers:

- (i) costs and expenses incurred to restore or redrill a well employing the most prudent and economical methods.
- (ii) wells that cannot be completed through drill stem left in the insured well or through relief wells.
- (iii) expenses for redrill only upto the depths reached by the original well before it is out of control.
- (iv) costs reimbursable only upto 130% of cost incurred to drill the original well.
- (v) insurer's liability restricted to 130% of costs incurred for original well plus 10% P.A. compound interest since original drilling of the well subject to maximum of 250% of original cost for producing shut in or work over well.

Following losses are excluded under this section:

- (i) Loss/damage to any drilling or production equipment

- (ii) Loss/damage/expenses caused due to delay /loss of use /damage to production and/or damage to reservoir pressure.
- (iii) Cost/expenses for redrilling /restoring any relief well.
- (iv) Redrilling/recompletion expenses in respect of any well that may have been plugged or shut in prior to the accident.

C- Seepage and Pollution, Clean-up and Contamination

This Section covers cost :

- (i) that the Insured may be liable to pay for the remedial measures and /or damages for bodily injury(fatal/non-fatal), damage and/or loss of use of property caused directly by seepage, pollution or contamination arising from wells insured.
- (ii) whether voluntarily or otherwise incurred in removing, nullifying or cleaning-up seeping, polluting or contaminating substances emanating from the well.
- (iii) incurred in respect of the defence of any claim or claims resulting from actual or alleged seepage, pollution or contamination arising from wells insured including costs and expenses of litigation awarded to any claimant against the insured.

Following losses are excluded under this Section:

- (i) Loss/damage to any drilling or production equipment at the site of the well insured.

Section III-Loss of Hire/Production:

This Section covers loss of earnings, hire and /or fixed standing charges on account of loss or damage to property due to any peril insured under physical damage cover and is on the basis of an agreed daily amount of indemnity for any period agreed upon. Indemnity under the cover is admissible only if a claim is payable under the Physical Damage Section due to operation of any of the perils insured under that Section.

The following losses are excluded under this Section:

- i. Loss due to fines or damages for breach of contract, for late or non- completion of orders, or for any penalties of whatever nature;

- ii. Loss due to the suspension, lapse or cancellation of any lease or license, contract or order, which may affect the Insured's production income after the period following any loss during which indemnity is payable;
- iii. Loss of production income due to a limitation of oil and/or gas production by governmental or state action, law decree, order, regulation or injunction : however this exclusion (iii) Shall not apply to exclude loss otherwise recoverable hereunder to the extent that such loss would have occurred irrespective of the governmental action, law, decree, order, regulation or injunction referred to above.

Section IV-Offshore Construction Project:

A- Physical Damage:

This Section covers works executed in the performance of all contracts relating to the Offshore Construction Project including materials, components, parts, machinery, fixtures, equipment or any other property forming a part of this project against all risks of physical loss/damage subject to following exclusions:

- 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 the Insurers 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 Insureds and are not for incorporation in the contract work, unless separately scheduled hereunder and agreed by the Insurers 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 Sub-Section I;
- f. loss of use or delay in "start up" of the property insured howsoever

- caused;
- g. liability assumed under contracts or otherwise for "Performance Guarantees" given by suppliers;
 - h. infidelity of a Principal Insured or with the knowledge of a Principal Insured;
 - 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 Sub-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 Sub-Section I of Section IV 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.

(B)- Liability:

This Sub-section covers liability imposed upon the Insured by law and/or Express Contractual Liability for Bodily Injury or Property Damage caused by an Occurrence, provided the Occurrence takes place during the Project Period and arises out of the activities described in Scope of Insurance subject to following exclusions:

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 Insured;
5. arising out of the use or operation of watercraft, whether owned, time chartered, bareboat chartered or operated by any Insured, or for which any Insured may be responsible other than as declared hereto;

6. to an Insured's employees, whether the Insured 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 Insured arising out of the bodily and/or personal injury to or illness or death of said employee, whether the Insured may be liable as an employer or in any other capacity whatsoever;
8. arising out of Bodily Injury to any employee of the Insured, 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 Insured with respect to Bodily Injury to another employee of the Insured sustained in the course of such employment;
10. which any director, officer, partner, principal, employee or stockholder of the Insured may have to any employee of any Insured;
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 Insured, or
 - ii. which is in the care, custody or control of the Insured, or
 - iii. in connection with which the Insured 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 Insured, or
 - ii. which is in the care, custody or control of the Insured, or
 - iii. in connection with which the Insured 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 Insured 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 to Section IV;
- c. the event was first discovered by the Insured within 14 days of such commencement;
- d. The Insurers received written notification of the event from the Insured within 60 days of the Insured's first discovery of the event; and
- e. the event did not result from the Insured's intentional violation of any statute, rule, ordinance or regulation.

Even if the above conditions a) to e) are satisfied, this Section IV of the 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 Insured, or which is or was at any time in the care, custody or control of any Insured (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 Insured of oil (other than fuel or other substances used in furtherance of the Insured'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 Insured or any other person or organisation acting for or on behalf of the Insured;
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 Insured;
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 Insured 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 Insured;
 - ii. property used by the Insured; or
 - iii. property in the care, custody or control of the Insured or over which the Insured is for any purpose exercising physical control;
 22. for the costs of removal, recovery, repair, alteration or replacement of any product (or 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 Insured in the normal course of the Insured's operations;
 23. 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 Insured in the conduct of any of the Insured'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;
 24. 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;
 25. 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;
26. assumed under a warranty for the fitness or quality of the Insured's products or a warranty that work performed by or on behalf of the Insured will be done in a workmanlike manner.

Claim Assistance- for claim assistance please call at our toll free no. 1-800-22-4030, or email us at USGIClaims@universalsompo.com, for any other query please call at our toll free no. or email us at contactus@universalsompo.com

Following documents are generally called for from the Insured in case of a claim:

- Claim form duly completed and signed.
- Accident/damage report from an eye-witness &/ or In charge of the site.
- Log extracts of all incidents/activities.
- Copy of repair specification and rough estimate of cost of repairs.
- Copy of statutory certificates/documents(Towage approval certificate for warranty / surveyor approval certificate) wherever applicable.
- Copy of departmental enquiry report on the cause, nature and extent of damage.

*Please note that the above only mentions the salient features of the Policy, for complete details please refer to the Policy wordings.