

Offshore Insurance Requirements For Activities under the Mineral Resources Act

Version III – Effective as of January 1, 2012
Mineral Licence and Safety Authority, Greenland

Appendix D, Insurance Requirements for offshore hydrocarbon activities

The insurance broker company Willis has advised the Mineral Licence and Safety Authority (MLSA) with regard to insurance cover.

1.0 General Conditions

- 1.1 The MLSA must assess and approve insurance cover for the Licensee, technical operators and sub-suppliers (and other enterprises with responsibility for operations that are subject to approval under the Mineral Resources Act). Insurance policies and certificates must be submitted to the MLSA for all vessels and drilling units operating in Greenland's exclusive economic zone (EEZ) in connection with the exploration activities planned. The MLSA must approve insurance policies before activities included in an approval commence. The MLSA may require that further insurance cover is taken out.
- 1.2 The insurance policies submitted must be valid for the whole period in which exploration activities are planned, and an additional four months in order to compensate for any delays.
- 1.3 The minimum requirement for rating of insurance companies is Standard & Poor's A- throughout the entire period involving activities in Greenland's EEZ. Alternatively the insurance company must be approved by the MLSA.
- 1.4 Captive insurance companies

The licensee's activities under the Licence shall be covered by insurance, including third-party liability insurance which shall always provide reasonable cover for any reasonable insurance risks and be in accordance with any requirements under applicable law.

Insurance provided by a captive insurance company cannot be used unless approved by the MLSA. An approval may be made on any terms. An approval will not be granted unless the Licensee documents to the MLSA that the security and insurance coverage provided by the captive insurance company are at least as good as security and insurance coverage provided by an independent third party insurance company with a rating deemed satisfactory by the MLSA. In assessing whether to approve use of a captive insurance company, the MLSA will take into consideration all relevant matters, including (but not limited to) the total security provided by guarantees, insurances and other security arrangements.

The MLSA shall approve that the Licensee is able to fulfil the minimum requirement level for parent company guarantee without including the value of the captive.

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However, the MLSA reserve the right to decline approval of, or demand insurance lines reduced of any captive, should the MLSA have reason to believe that the captive might not meet its obligations related to the insurance requirements hereunder.

- 1.5 If the insurance limits (as set out below) are covered on an aggregated basis, the Licensee should reinstate limits in the event of claims eroding such limits in order to have such required insurance limits available at all times throughout the approved period and an additional four months.
- 1.6 The Licensee must ensure that trading areas for vessels and drilling units are extended and agreed by insurers to include areas for operations offshore Greenland.
- 1.7 The Licensee must subscribe to and then remain party in the agreement on operators' liability for offshore oil pollution ('Offshore Pollution Liability Agreement' as of 1. October 2010), which is administered by the English association; The Offshore Pollution Liability Association Ltd (OPOL) and has been entered into, or subscribed to, by the members of the association. The operator must be party in the agreement with full effect during as well as four months after the Licensee commences activities covered by this approval. The Operator's OPOL liabilities should be included and covered under their insurance programme.

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2.0 Specific Conditions

2.1 Vessels involved in the activities listed in ‘Activities included’ of chart 2.1 below. Insurance requirements related to shallow coring vessel drilling activities see 2.5.

2.1		Activities included:	
Survey Vessel Seismic Support Vessel / Chase Boat Supprt Vessel Emergency and Rescue Vessel (ERRV) Standby Vessel Supply Vessel Shallow Coring Vessel Icebreaker (non-nuclear powered)		Seismic (2D, HR2D, 3D) Magnetic Gravity Environmental Study Noise Measurement Geochemical Sampling Grab Samples Support to Survey Vessel activities Ice Management Rescue man over board from MODU Rescue MODU crew Cargo to MODU Stratigraphic Coring / Shallow Coring / Shallow Borehole (Drilling not oil or gas reservoir) Icebreaking Other activities approved by the MLSA	
Policyholder: Owner / Charterer		Activities excluded: All activities not defined as activities included	
Insurance		Limit (Vessel < gross tonnage: 1,000)	Limit (Vessel ≥ gross tonnage: 1,000)
1. Hull & Machinery and Hull Interest		Hull Value	Hull Value
2. War Risks		Hull Value	Hull Value
3. P&I	Pollution Crew / passengers War Risks Wreck Removal	USD 50,000,000	Coverage and sub-limits as per Rules and Conditions of P&I-clubs being a member of the International Group of P&I-clubs (IG): a. Pollution (USD 1,000,000) b. Crew / passengers (USD 3,000,000) c. War Risks (USD 100,000,000 combined with point 2. War Risks)
4. P&I Specialist operations To the extent that such activities are excluded from the standard P&I-club Rules & Conditions		USD 10,000,000	USD 25,000,000

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5. P&I-club Blue Card or equivalent	No requirement	Blue Card form P&I-club or Bunker Oil Certificate from flag state
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2.2 Vessels transporting and storing cargo outside the safety zone of Mobile Offshore Drilling Unit (MODU).

2.2		Activities included:	
Cargo Vessel Warehouse vessel		Cargo between harbors Cargo between vessels Other activities approved by the MLSA	
Policyholder: Owner/charterer		Activities excluded: All activities not defined as activities included	
Insurance		Limit (Vessel < gross tonnage: 1,000)	Limit (Vessel ≥ gross tonnage: 1,000)
1. Hull & Machinery and Hull Interest		Hull value	Hull value
2. War Risks		Hull value	Hull value
3. P&I	Pollution Crew / passengers War Risks Wreck Removal	USD 50,000,000	Coverage and sub-limits as per Rules and Conditions of P&I-clubs being a member of the International Group of P&I-clubs (IG): a. Pollution (USD 1,000,000) b. Crew / passengers (USD 3,000,000) c. War Risks (USD 100,000,000 combined with point 2. War Risks)
4. P&I Specialist operations		No requirement	No requirement
5. P&I-club Blue Card or equivalent		No requirement	Blue Card form P&I-club or Bunker Oil Certificate from flag state

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2.3 Nuclear-powered icebreakers.

2.3		Activities included:
Icebreaker (Nuclear-powered)		Icebreaking Other activities approved by the MLSA
Policyholder: Owner/charterer		Activities excluded: All activities not defined as activities included
Insurance		Limit
1. Hull & Machinery and Hull Interest		Hull value
2. War Risks		Hull value
3. P&I	Pollution Crew / passengers War Risks Wreck Removal	Coverage and sub-limits as per Rules and Conditions of P&I-clubs being a member of the International Group of P&I-clubs (IG): a. Pollution (USD 1,000,000) b. Crew / passengers (USD 3,000,000) c. War Risks (USD 100,000,000 combined with point 2. War Risks)
4. P&I Specialist operations To the extent that such activities are excluded from the standard P&I-club Rules & Conditions		USD 25,000,000
5. P&I-club Blue Card or equivalent		Blue Card form P&I-club or Bunker Oil Certificate from flag state
6. An insurance or a financial responsibility guarantee approved by the MLSA is required for all costs and liabilities related to nuclear risks including (but not limited to): a. Costs related to the prevention of further pollution b. Costs of clean up c. Liability insurance cover		

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2.4 Insurance requirements related to Mobile Offshore Drilling Unit (MODU). Insurance requirements related to blowout from MODU drilling activities see. 2.6.

2.4	Activities included:
Mobile Offshore Drilling Units (MODU): Semi-submersible Drill Ship Jackup Rig	Defined by the MLSA
Policyholder: Owner / Charterer	Activities excluded: All activities not defined as activities included
Insurance	Limit
1. Hull & Machinery and Hull Interest	Hull value of drilling unit
2. War Risks	Hull value of drilling unit
3. P&I	USD 500,000,000 per claim
4. P&I War Risks	USD 150,000,000 per claim
5. P&I-club Blue Card or equivalent	Blue Card form P&I-club or Bunker Oil Certificate from flag state

2.5 Insurance requirements related to risks associated with stratigraphic coring.

2.5	Activities included:
Risks associated with stratigraphic coring	Stratigraphic Coring / Shallow Coring / Shallow Borehole (Drilling – not for reservoir) Other activities approved by the MLSA
Policyholder: Owner / Charterer	Activities excluded: All activities not defined as activities included
Insurance	Limit
1. Control of Well	Minimum USD 50,000,000 Costs covered in connection with the following three sections: a. Costs to bring the well under control b. Costs of drilling relief wells/Extra Expenses c. Costs of clean up after seepage and pollution
2. Liability insurance cover	Minimum USD 250,000,000

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2.6 Insurance requirements related to blowout from exploration drilling including plugged and/or abandoned wells.

2.6	Activities included:
Blowout	Exploration drilling (Drilling for reservoir) Other activities approved by the MLSA
Policyholder: Owner / Charterer	Activities excluded: All activities not defined as activities included
Insurance	Limit
1. Control of Well	The required limit is to be approved by the MLSA on an individual project basis Costs covered in connection with the following three sections: a. Costs to bring the well under control b. Costs of drilling relief wells/Extra Expenses c. Costs of clean up after seepage and pollution
2. Liability insurance cover	The required limit is to be approved by the MLSA on an individual project basis