

**DRAFT
SCHEDULE 8
INSURANCE**

PART I: CONSTRUCTION PERIOD

1. Marine and Air Cargo

Cover: All materials, equipment, machinery, spares and other items for incorporation in the Complex against all risks of physical loss or damage while in transit by sea or air from country of origin anywhere in the world to the Site in Pakistan, from the time of the insured items leaving warehouse or factory for shipment to the Site. Cover to institute Cargo Clauses (Air), institute War Clauses (Air), (Sendings By Post), institute Strikes Clause (Cargo, Air Cargo) or equivalent.

Sum insured: An amount equal to cost and freight of any shipment

Deductible: Not to exceed US\$ 100,000 each loss.

Insured: The Seller, the Contractors and suppliers to the Seller and to the Contractors.

2. Loss of Revenue Profits (following Marine incident)

Cover: Against loss of revenue following delay in start of Commercial Operation as a direct result of physical loss or damage to the materials, equipment, machinery and other items in transit by sea or air to the Site, to the extent covered under the Marine Cargo insurance.

Sum insured: An amount equal to the estimated continuing expenses, including, debt servicing during the indemnity period.

Indemnity Period: Not less than 6 Months.

Deductible: Not to exceed 60 Days.

Insured: The Seller and the Lenders.

3. Contractors' All Risks

Cover: The contract Works executed and in the course of execution, materials and temporary works, while on the Site, against all risks of physical loss or damage other than war and kindred risks, nuclear risks,

unexplained shortage, cost of replacing or repairing items which are defective in workmanship, material or design; penalties; consequential losses; cash; vehicles; vessels; aircraft. Cover shall provide the equivalent terms, conditions and perils/causes of loss provided under an Erection All Risks insurance policy.

Sum insured: The Contract Price.

Deductibles: In relation to Contract Works, Materials etc.

- (a) arising during the Construction and Testing period:
- (i) from Storm, Tempest, Flood, Water Damage, Earthquake, Tsunami, Subsidence and Collapse Not to exceed US\$ 500,000
 - (ii) from any other cause, other than in (a)(i) above Not to exceed US\$ 150,000
- (b) arising out of operational testing or Commissioning: Not to exceed US\$ 150,000

Period of Cover: Actual construction, testing and Commissioning until expiry of the warranty period.

Insured: The Seller, the Contractors and all suppliers and consultants, Purchaser and the Lenders.

General: During the warranty period, cover shall be limited to the loss or damage for which the Construction Contractor is liable under the warranties of the Construction Contract. Cover shall include transit within Pakistan of locally procured materials. Cover shall cease, and be transferred to Operating Period insurance, on the day following the Commercial Operations Date.

4. Loss of Revenue (following C.A.R.)

Cover: Against loss of revenue following delay in start of Commercial Operation as a direct result of physical loss of or damage to the Works during construction or operational testing to the extent that such loss or damage is covered under the Contractors' All Risks policy.

Sum insured: An amount equal to the estimated continuing expenses, including debt servicing during the indemnity period.

Indemnity Period: Not less than 15 Months.

Insured: The Seller, Purchaser and Lenders.

Deductible: Not to exceed 60 Days.

Period of Cover: Actual Construction, testing and Commissioning periods of the Project from mobilization of the Contractors until the day following Commercial Operations Date.

5. Public Liability

Cover: Against legal liability to third parties for bodily injury or damage to property arising out of the construction, testing and Commissioning of the Complex in Pakistan.

Sum insured: For any one claim: US\$ 5,000,000.

Deductible: Not to exceed US\$ 50,000 for each claim for damage to property.
None for injury to persons

Insured: The Seller, Lenders, Contractors, all suppliers and consultants and Purchaser.

Period of Cover: The actual construction, testing and Commissioning of the Complex from mobilization of the Contractors until the day following Commercial Operations Date.

6. Miscellaneous

Other insurance as is customary, desirable, expedient or necessary for the smooth implementation/operation of the Complex (including any insurances desired or to be obtained by the Seller in connection with or under any of the Project Agreements) and / or to comply with local or other requirements, such as Workmen Compensation Insurance in relation to all workmen employed in the construction of the Project and Motor Insurance on any vehicle.

PART II: OPERATING PERIOD

1. All Risks Insurance - Fixed Assets

Cover: All building contents, machinery, stock, fixtures, fittings and all other personal property forming part of the Complex against "All Risks" of physical loss or damage, including (but not limited to) those resulting from fire, lightning, explosion, spontaneous combustion, wind, storm,

tempest, flood, hurricane, water damage, riot, strikes, malicious damage including act of terrorism and sabotage, earthquake, tsunami, collapse.

Sum insured: Full replacement value of the Complex.

Deductible: Not to exceed US\$ 500,000 each loss.

Insured: The Seller, the O&M Contractor, Purchaser and the Lenders.

2. Consequential Loss Following All Risks

Cover: Loss of revenue due to loss of capacity and/or loss of output as a direct consequence of loss of or damage to the Complex and caused by a peril insured under paragraph 1 above.

Sum insured: An amount equal to the estimated continuing expenses, including debt servicing during the indemnity period.

Indemnity Period: Not less than 12 Months.

Deductible: Not to exceed 60 days.

Insured: The Seller, Purchaser the O&M Contractor and the Lenders.

General: Rights of recourse against the Purchaser shall be waived.

3. Machinery Breakdown

Cover: All machinery, equipment and ancillary equipment forming part of the Complex against sudden and unforeseen physical loss or damage resulting from mechanical and electrical breakdown or derangement, electrical short circuits, vibration, misalignment, excessive current or voltage, abnormal stresses, centrifugal forces, failure of protective or regulating devices, impact, collision and other similar causes.

Sum insured: Full replacement value of all machinery, Complex etc.

Deductible: Not to exceed US\$ 300,000 each loss.

Insured: The Seller, the Lenders, Purchaser and the O&M Contractor.

4. Consequential Loss following Machinery Breakdown

<u>Cover:</u>	Loss of revenue due to loss of capacity and/or loss of output as a direct consequence of loss or damage to the Complex caused by a peril insured under paragraph 3 above.
<u>Sum insured:</u>	An amount equal to the estimated continuing expenses, including debt servicing during the indemnity period.
<u>Indemnity Period:</u>	Not less than 12 Months.
<u>Deductible:</u>	Not to exceed 60 days.
<u>Insured:</u>	The Seller, the Purchaser the O&M Contractor and the Lenders.
<u>General:</u>	Rights of recourse against the Purchaser shall be waived.

5. Public Liability:

<u>Cover:</u>	Legal liability of the insured for damage to property of third parties or bodily injury to third parties arising out of the ownership, operation and maintenance of the Complex.
<u>Sum insured:</u>	US\$ 5,000,000 for any occurrence.
<u>Deductible:</u>	Not to exceed US\$ 50,000 each claim for property. None for injury to persons.
<u>Insured:</u>	The Seller, the O&M Contractor, the Lenders and Purchaser.

6. Miscellaneous

Other insurance as are customary, desirable, expedient or necessary for the smooth implementation/operation of the Complex (including any insurances desired or to be obtained by the Seller in connection with or under any of the Project Agreements) and / or to comply with local or other requirements, such as Workmen Compensation Insurance in relation to all workmen employed in the Complex or in connection with its operation and Motor Insurance on any vehicle.