

SYNDICATE AGREEMENT

WHEREAS:

The Technical Committee established by the FAIR Oil and Energy Underwriters Forum, itself a creation of the F.A.I.R Executive Committee in its 37th session, has been entrusted with the task of undertaking a feasibility study into the possibility of establishing a pooling system comprising some or all of the insurers and reinsurers Members of F.A.I.R to underwrite collectively oil, gas, petrochemical and energy risks.

The Technical Committee in its meetings held in Bahrain on 13th and 14th March 1998 has supported, after due consideration of the information presented during the meeting, the establishment of a Syndicate for Oil and Energy business.

The insurance and reinsurance companies entering into this Agreement (hereinafter called "Members"), have decided to form a Syndicate and name it "FAIR OIL AND ENERGY INSURANCE SYNDICATE" (hereinafter referred to as "the Syndicate") which will be open also to subsequent adherence.

This preface shall form part of this agreement.

NOW IT IS HEREBY AGREED as follows:-

Clause 1 - OBJECTIVES

The principal objective of the Syndicate shall be to underwrite Oil and Energy related business from F.A.I.R Members and/or other sources, principally dealing with the Afro-Asian business for the account and benefit of the Members, including incidental and associated risks.

Clause 2 - MEMBERSHIP

The Membership of the Syndicate is open to insurance and reinsurance companies registered in an African or Asian country, provided the applicant company fulfills the following minimum conditions:

- a) Be an ordinary or associate Member of F.A.I.R
- b) Subscribes in the Syndicate with a capacity of at least one Unit, any one risk.
- c) A direct insurance company Member should offer the Syndicate Facultative shares of its Oil and Energy related business. .
- d) A reinsurance company Member should provide retrocession support to the extent required by the Syndicate.

Applicant companies shall be admitted as Members subject to:

- i) Signing the "Membership Application and Letter of Commitment".
- ii) Agreeing to be bound by the "Syndicate Agreement" and "Articles of Association".
- iii) The approval of the Technical Board.

Clause 3 - MEMBER'S SHARE IN THE SYNDICATE

The share of each Member in the Syndicate shall be the capacity offered to and accepted by the Syndicate, for any one risk or acceptance and shall be calculated at 1st January of each calendar year as a percentage of the total capacity subscribed by all Members.

Clause 4 - CAPACITY

The capacity of the Syndicate shall be comprised of the total Units of capacity provided by all the Members and may be enhanced by supplementary reinsurance capacity at the discretion of the Technical Board.

Clause 5 - MANAGEMENT OF THE SYNDICATE

A) THE GENERAL ASSEMBLY

Composition

The General Assembly is the supreme authority of the Syndicate. It is composed of all Members of the Syndicate. Each Member may be represented by one or more delegate during the meetings. Each Member may be represented by another Member, provided the other is duly authorized to do so.

F.A.I.R organization shall be represented in the General Assembly by its Secretary General in the capacity of "ex-officio" Member.

The Chairman of the Technical Board of the Syndicate shall preside over the meetings of the General Assembly.

Powers and Responsibilities:

The General Assembly shall have the following duties and responsibilities:

- a) Determine the general policy and guidelines of the Syndicate, including the minimum and maximum Unit/s which each Member may subscribe.
- b) Determine the monetary value of each Unit of capacity.
- c) Determine the criteria and procedures for electing the Technical Board.
- d) Elect the Technical Board Members.
- e) Appoint the Managers of the Syndicate ("the Managers") on the recommendation of the Technical Board.
- f) Receive the annual report of the Managers.
- g) Approve the annual audited accounts of the Syndicate.
- h) Consider the recommendations of the Technical Board and determine the proportion of surplus to be distributed to Members and that to be retained in the reserves or for future distribution.
- i) Appoint the auditors annually and fix their remuneration.

- j) Amend the Syndicate Agreement and the Articles of Association.
- k) Decide on any other matter that may be raised by the Technical Board and/ or the Managers and /or the Members.
- l) Dissolve the Syndicate and nominate a liquidator.
- m) Approve the remuneration / percentage of management fee of the Managers.

Voting:

Each Member represented in the General Assembly shall have one vote for each Unit of participation.

B) TECHNICAL BOARD

Composition

The Technical Board shall consist of six elected Member companies and the Managers. The elected Members shall serve for a period of 4 years, which may be extended for a further period/s at the discretion of the General Assembly.

Each elected Member shall name and appoint a sole Representative to sit in the Technical Board and shall serve throughout the 4-year term.

The Technical Board shall elect its Chairman from among its Members' Representatives for the same period.

The Secretary General of F.A.I.R. shall attend the meetings of the Technical Board by virtue of his office, but shall not be entitled to vote.

Powers and Responsibilities:

The Technical Board shall have the following duties and responsibilities:

- a) Implement the general policy of the Syndicate as determined by the General Assembly.
- b) Determine the general underwriting guidelines and policies of the Syndicate.
- c) Set the guidelines for reinsurance arrangements.
- d) Recommend to the General Assembly the monetary value of each Unit of capacity and the amount of the initial contribution to be paid by the Members for each subscribed Unit.
- e) Approve the annual share of each Member in the Syndicate in accordance to the subscribed Units of capacity allocated by the Managers.
- f) Admit or decline admittance of new applicants in accordance with the guidelines set in "Clause 2"
- g) Review and approve the business plans.
- h) Consider and approve any additional line of business to be written by the Syndicate and geographical scope expansion.
- i) Consider the annual audited accounts and recommend the same to the General Assembly for approval.

- j) Recommend to the General Assembly the proportion of surplus to be distributed to Members and that to be retained in the reserves or for future distribution.
- k) Recommend the appointment of the Managers.
- l) Sign the Management Agreement with the Managers.
- m) Terminate the Membership of any non-complying Member and notify the General Assembly accordingly.

The Technical Board may assign any part of its duties and responsibilities to the Chairman or any Member of the Board.

C) SYNDICATE MANAGERS

Appointment

Upon the recommendation of the Technical Board, the General Assembly shall appoint the Syndicate Managers for a period of four years, which can be extended further for a similar period.

Powers and Responsibilities

The Managers shall have the following duties and responsibilities:

- a) Give effect to the resolutions and decisions of the General Assembly and the Technical Board.
- b) Have authority to represent the Syndicate in its relations with third parties and before authorities and duly sign documents on its behalf in accordance with the resolutions of the General Assembly or the Technical Board.
- c) Undertake all the technical and administrative work necessary for the proper functioning of the Syndicate including acceptance of business on the basis prescribed by the Technical Board.
- d) Arrange reinsurance covers in accordance with the guidelines approved by the Technical Board.
- e) Maintain proper accounts and registers on behalf of the Syndicate.
- f) Process the applications for Membership or for changes in the subscription of Unit/s for the consideration of the Technical Board.
- g) Circulate the approved audited financial accounts and annual reports to Members.
- h) Render reports on the Syndicate's operations to the Technical Board meetings, and the Executive Board of F.A.I.R.
- i) Do all such things as are laid down in the Management Agreement.

Clause 6 - RETROCESSION

The Managers may arrange reinsurance protections to enhance the total capacity of the Syndicate provided by Members as may be directed or approved by the Technical Board and may protect the retention of the Members, on a collective basis, as may be directed or approved by the Technical Board.

Clause 7 - AUDITORS

The auditors shall be entrusted with the duty of examining the Syndicate's books and records in accordance with the appropriate auditing guidelines and generally accepted accounting principles and shall report through the Technical Board to the Members as to the truth and fairness of the Syndicate's financial statements.

The services of the same external auditors should, in general, not exceed a consecutive period of five years.

Clause 8 - BINDING CLAUSE

Members signing this agreement bind themselves to accept, abide by and comply with all the provisions of this agreement and the Syndicate Articles of Association.

Clause 9 - JOINT LIABILITY

The liability of the Members for the Syndicate's obligations in each underwriting year shall be joint in proportion to their share in the Syndicate in the relevant underwriting year and shall continue in full force and effect until the natural expiry of all business in force at the end of each underwriting year. In the event of default by any Member, the Members not in default will be liable jointly for the share of the defaulting Member, in proportion to their shares in the Syndicate in the relevant underwriting year between themselves i.e. excluding the defaulting Member.

Clause 10 - COMMENCEMENT, DURATION, REFORMATION AND DISSOLUTION

The Syndicate shall start operation on the 1st April 1999.

The Syndicate shall exist for an indefinite period, and may be reformed as a Pan Afro-Asian Corporation or may be dissolved by a resolution of two thirds of the votes. However, in any case, the orderly realization, conservation, preservation of the assets of the Members held by the Syndicate and the settlement of its obligations shall be considered as priority.

Clause 11 - LEGAL ENTITY

The Syndicate is incorporated under the laws of the Kingdom of Bahrain with liability limited to the total Units of capacity subscribed by the Members during each respective year of underwriting.

Clause 12 - ARBITRATION

Any dispute or difference arising out of or in connection with this Agreement, including any question regarding its existence, validity, interpretation or termination shall be settled amicably. If an amicable settlement cannot be reached within the period of two months, the dispute or difference shall be resolved by arbitration by three arbitrators who shall be appointed as follows:

Each party shall appoint an arbitrator within one month from the date of referring the matter to arbitration. Should any one party fail to appoint its arbitrator within the one month period, the Secretary General of F.A.I.R shall appoint an arbitrator on behalf of the failing party. The Two arbitrators shall appoint an umpire within two weeks from the date of naming the last arbitrator.

If the two arbitrators fail to agree upon the choice of an umpire, the matter shall be referred by any one of the two arbitrators by way of a registered letter to the Secretary General of F.A.I.R who shall name the umpire within 30 days from the date of such notification by one of the parties.

The arbitration committee, chaired by the umpire shall meet within 30 days from the day the umpire was appointed and shall reach a final decision within 3 months of its first session, and shall reach a final decision within 3 months of its first session.

Should a decision prove difficult to reach, the period of 3 months can be extended by the approval of both parties.

Each arbitrator and the umpire shall be and remain independent and impartial of each party, and no arbitrator shall be of the same nationality as any party.

The seat of arbitration shall be in the country of the Syndicate's Manager and the decision of the arbitration shall be final and binding.

The arbitration shall be conducted in the English language.

The Governing Law of this Agreement shall be the substantive Law of the Kingdom of Bahrain.