

ARTICLES OF ASSOCIATION

PREAMBLE

The Federation of Afro-Asian Insurers & Reinsurers “FAIR” Central Office prepared a study on Oil and Energy Insurance, which highlighted the following:

- i) The countries of FAIR Members account for around 50% of worldwide oil production and more than three-quarters of proven oil reserves. The dominant position for gas is similar regarding production but not quite as overwhelming in respect of reserves.
- ii) The massive investments in the various oil and gas activities and that of its derivatives, including energy, present immense insurable risks with a commensurate premium base.
- iii) For various reasons, not least their limited financial capacity, local insurers in many of the producing countries have been unable to handle, unaided, these risks which are characterized by specialized technology, high values concentrated in limited areas and with an associated low loss frequency but high loss potential.
- iv) Cohesive cooperation at the technical and commercial level is absent among FAIR insurers and reinsurers who have succeeded to position themselves as active underwriters of oil and energy business.

The study therefore concluded that it would be best for FAIR Oil & Energy Underwriters to face the challenges collectively, to develop capacity and to promote an underwriting expertise capable to deal with the complex and sophisticated nature of Oil & Energy risk.

The Executive Committee in its 37th session unanimously adopted the following proposals:

- To establish the “FAIR Forum of Oil & Energy Underwriters” aiming at:
 - a) Streamlining relationships and strengthening cooperation at the technical and commercial levels among FAIR Insurers and Reinsurers who underwrite Oil & Energy business.
 - b) Developing FAIR capacity and promoting underwriting expertise.
- To establish a Sub-Committee to pursue the aims mentioned and to work in collaboration with the Central Office for the preparation and follow up of the Forum’s meetings.
- The FAIR Oil and Energy Underwriters Forum “FOEUF” held its first meeting on 23rd September 1997 in Bali – Indonesia and decided to form a Technical Committee to scrutinize the information presented by FAIR Central Office, and to prepare the feasibility study and documents required for formation of pooling system.
- The said resolution was adopted by the FAIR 15th General Meeting.
- The Technical Committee met in Bahrain on 13 & 14 March 1998. After having studied the presented documents, the Committee supported the establishment of a Syndicate for Oil & Energy business.
- The “Articles of Association” of the said Syndicate will be as follows and this preamble represents and integral part of it:

Article 1 - NAME

The Syndicate shall be known as the “**FAIR OIL & ENERGY INSURANCE SYNDICATE**” hereinafter referred to as the “**Syndicate**”.

Article 2 - OBJECTIVES

The principal objective of the Syndicate shall be to underwrite Oil and Energy related business from FAIR 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.

Furthermore, the Syndicate shall:

1. Take the necessary actions conducive to increase the retention capacity of the Afro-Asian Markets.
2. Cooperate with the national companies to develop their technical skills and to increase their commercial capacities.
3. Provide technical services i.e. risk surveys, loss prevention and control for Afro-Asian risks.
4. Act as a technical arm supporting the activities of FAIR. organs in particular FAIR Oil & Energy Underwriters Forum to secure the efficacy of its meetings and to enhance bilateral exchange of business.

Article 3 - 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, associate or correspondent Member of FAIR.
- b) Subscribe 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 and should offer the Syndicate Facultative shares of its Oil and Energy related business.

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.

Article 4 – ADMISSION

An applicant company shall be admitted to the Membership subject to the approval of the Technical Board in accordance with the guidelines set in Article (3). However the Technical Board shall have the right to decline Membership to any company after considering the merits and demerits of each case.

In addition to the full amount of the subscribed Unit/s deposited with the Syndicate, ~~At any time,~~ existing Members and/or new applicants may be requested to; top-up the initial deposit with the Syndicate with additional full or partial amount of their subscribed Unit/s at the sole discretion of the Technical Board.

Member companies will be subject to annual review of their Membership status by the Technical Board, to verify their ability to fulfil their undertaken financial obligations toward the Syndicate, and to verify their compliance with the Membership rules and regulations, in particular Items: “C & D” of “Clause 2” of the “Syndicate Agreement” and Items “C & D” of “Article 3” of the “Articles of Association”.

The newly admitted Member will be invited to attend the first General Assembly meeting held after the admittance effective date. Such attendance will be purely to discuss and vote, if decided during the meeting, on resolutions having an effect on the future business of the Syndicate.

The newly admitted Member will not have the power to vote on any Agenda item or resolution concerning the period during which the newly admitted Members was not a Member of the Syndicate.

The newly admitted Member will be invited to all subsequent General Assembly meeting with full voting power as set forth hereunder.

Article 5 – WITHDRAWAL & TERMINATION

Should a Member company wish to withdraw from the Syndicate it should submit to the Syndicate a notice of intended withdrawal, six months before the end of each underwriting year. However, in special circumstances, the six-month intention of withdrawal notice maybe waived and an immediate notice is accepted at the discretion of the Technical Board.

Membership may be terminated by the Technical Board in accordance with “Article 4”

The withdrawal and/or termination shall take effect as from the inception date of the following underwriting year. However, the liability of the Member for its capacity before its withdrawal and/or termination shall continue until the actual expiration of the original insurance policies and the closure of the respective underwriting years.

The withdrawn and/or terminated Member will be requested to deposit with the Syndicate the full amount of its subscribed Unit/s, if not originally deposited in full, which will be released after a final

adjustment is made after the expiry of all the liabilities and the closure of the underwriting year/s in question.

The final adjustment of the deposit will include any amount/s of any kind due from the withdrawn and/or terminated Member, which will represent the full and final entitlement of the withdrawn and/or terminated Member, upon which the withdrawn and/or terminated Member and the Syndicate will release and discharge each other from any future liability related to the Membership.

The withdrawn and/or terminated Member is entitled to earn its proportion share of surplus and obliged to indemnify the Syndicate with its proportion share of loss realized at the close of each underwriting year of account during its Membership year/s.

The Syndicate shall timely adjust the account of the withdrawn and/or terminated Member with its portion share of the surplus and/or loss realized at the close of each underwriting year of account during its Membership year/s

Each underwriting year of account shall in general terms be closed 36 months after its inception unless special circumstances require otherwise.

However, should there still be outstanding liability attached to the withdrawn and/or terminated Member after the close of the underwriting year/s, the said liability shall then continue till natural expiry, or may be commuted to the Syndicate through a Commutation Agreement by which the withdrawn and/or terminated Member and the Syndicate release and discharge each other from any obligations, existing or may be arising in the future in connection with all acceptances and claims attached to the underwriting years during which the company was a Member of the Syndicate.

The withdrawn and/or terminated Member will be invited to attend the first General Assembly meeting held after the withdrawal effective date. Such attendance will be purely to discuss and vote on resolutions concerning issues for the period during which the withdrawn and/or terminated Member was an active Member.

The withdrawn and/or terminated Member will not have the power to vote on any Agenda item or resolution having an effect on the future business of the Syndicate.

The withdrawn and/or terminated Member will not be invited to attend any subsequent General Assembly meetings.

ORGANS

GENERAL ASSEMBLY

Article 6 – 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.

FAIR 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.

Article 7 – 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. This criteria shall include, but not limited to the followings:
 - The number of Units of capacity provided by the company Member to the Syndicate.
 - The volume of business ceded to the Syndicate.
 - The continuity of business relationship.
 - The experience of the nominated Representative in the field of Oil & Energy Business.
- 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 Technical Board.
- 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, or for any other purpose.
- i) Appoint the auditors annually and fix their remuneration.
- j) Amend the Syndicate Agreement and Articles of Association.
- k) Decide on any other matters that may be raised by the Technical Board and/or the Managers and/or Members.
- l) Dissolve the Syndicate and nominate a liquidator.
- m) Approve the remuneration/percentage of management fee of the Managers.

Article 8 – MEETINGS

The General Assembly shall meet at the Syndicate’s Head Quarter or any other venue as may be agreed once every year upon an invitation by the Technical Board, giving at least 30 days notice in writing.

The General Assembly may be called upon for an extraordinary meeting by the Technical Board or at the request of Members representing one third of the votes.

Article 9 – VOTING

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

Article 10 – QUORUM

The Quorum for meeting of the General Assembly will be attained if at least one third of the votes are present. Proxy is permitted between Members in the General Assembly meetings.

Article 11 – RESOLUTIONS

Resolutions of the General Assembly shall pass by simple majority of the votes of the attending Members except for resolutions concerning the amendment of the “Syndicate Agreement” and “Articles of Association” or the dissolution of the Syndicate where two-thirds majority of the total votes of the Syndicate Members shall be needed for such resolutions to pass.

TECHNICAL BOARD

Article 12 – ELIGIBILITY & COMPOSITION

The Membership of the Technical Board is on company basis and the eligibility of the company should be based on, but not limited to the followings:

- 1) Units of capacity subscribed in the Syndicate and/or
- 2) Premium volume ceded to the Syndicate and/or
- 3) Retrocession support to the Syndicate.

The Technical Board shall consist of at least four and a maximum of eight elected Member companies in addition to 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 from amongst its senior management staff, 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 services of any Technical Board Member Representative shall terminate if he or she is no longer working for the elected Member company, or becomes incapable to continue with his or her duties on the Technical Board, or does not attend two consecutive meetings without a valid reason accepted by the Chairman. In which case, the elected Member company shall replace its Representative upon submission of a written advice to the Chairman of the Technical Board providing the name of its new Representative who shall serve for the remainder of the 4-year term. Otherwise, the seat of the outgoing Technical Board Member Representative shall remain vacant.

The Technical Board elects its sub-committees in the first meeting after its election, which will serve for the same period of the Technical Board, and each subcommittee, will elect its Chairman.

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

Article 13 – 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) Approve the general underwriting guidelines and policies of the Syndicate.
- c) Approve the guidelines for reinsurance arrangements.
- d) Recommend to the General Assembly the monetary value of each Unit of capacity.
- 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 "Article 3"

- 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.
- k) Recommend the appointment of the Managers.
- l) Sign the Management Agreement with the Managers.
- m) Annually review the Membership status of each Members as set in “Article 4”, terminate the Membership of any non-complying Member, and notify the General Assembly accordingly.
- n) Whenever deemed necessary, the Technical Board may seek consultation and/or legal services and/or outsource any other service.

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

Article 14 – MEETINGS

The Technical Board shall meet regularly at least twice a year at the Managers’ office or any other convenient venue as may be agreed.

The meeting will be convened by the Managers, in consultation with the Chairman of the Technical Board and the Secretary General of FAIR.

Also a special meeting may be convened by the Managers or by two Members of the Technical Board upon a notice in writing given at least thirty days in advance.

Article 15 – QUORUM

The quorum of the Technical Board shall be more than Fifty percent of the elected Members including the Chairman and the Managers.

Attendance of the Technical Board meetings should be personally by the named Member and proxies are not permitted.

Article 16 – RESOLUTIONS

The Technical Board’s resolutions shall be passed by majority of the attending Members where each Member shall have one vote. In case of equality in votes, the presiding Chairman shall have a casting vote.

SYNDICATE MANAGERS

Article 17 – APPOINTMENT

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

Article 18 – POWER 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 the 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 guidelines approved by the Technical Board.
- e) Open, maintain, operate, and close bank account/s on behalf of the Syndicate.
- f) Maintain proper accounts and registers on behalf of the Syndicate.
- g) Process the applications for Membership or for increase in the subscribed Unit/s for the consideration of the Technical Board.
- h) Circulate the approved audited financial accounts and annual reports to Members.
- i) Render reports on the Syndicate's operations to the Technical Board meetings, and the Executive Board of FAIR.
- j) Do all such things as are laid down in the Management Agreement.

Article 19 - AUDITORS

The auditors are entrusted with the duty of examining the Syndicate's books and records in accordance with 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. However, if found necessary, the General Assembly may consider extending the five-year period at the recommendation of the Technical Board, provided the concerned partner is replaced.

GENERAL RULES

Article 20 – 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.

Article 21 - MEMBER'S SHARE IN THE SYNDICATE

The share of each Member shall be the capacity offered to and accepted by the Managers on behalf of 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

Article 22 – 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 collective basis, as may be directed or approved by the Technical Board.

Article 23 - AMENDMENTS

A proposal to amend the “Syndicate Agreement” and “Articles of Association” shall be communicated in writing to the Managers of the Syndicate who shall bring the proposal before the Technical Board. The adoption of any amendment of, addition to, or deletion from the Agreement or Articles of Association shall be a majority decision of two-thirds of the total votes of the Syndicate Members.

Article 24 - 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.

Article 25 - 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.

Accordingly, the defaulting Member's deposited Unit/s and financial rights will be transferred to the remaining non-defaulting Members to cover all or part of the assumed liability.

Article 26 - 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.

Article 27 – WINDING UP

The Syndicate shall be wound up for any of the following reasons:

- 1) The massive withdrawal of Members which reduces the number of Member companies to four or below.
- 2) The loss of 75% of the total net capacity subscribed by its Members.
- 3) The loss of the whole or major part of its reinsurance protection to the extent that would, in the opinion of Technical Board, impair its ability to operate as intended.
- 4) Insolvency.
- 5) The issue of a court order winding up the Syndicate.
- 6) A decision by the General Assembly to dissolve the Syndicate and nominate the liquidator.

The liquidation of the Syndicate after its dissolution shall be in accordance with the following provisions:

- 1) The General Assembly or the Court in case of orderly liquidation, shall appoint the liquidator and fix their remuneration.
- 2) The authority of the Technical Board and the Managers terminate upon the appointment of the liquidator but the General Assembly shall continue to perform its duties during the period of liquidation with its powers being limited to the acts not falling within the powers of the liquidator.
- 3) The Syndicate shall maintain its legal entity during liquidation to the extent necessary for the liquidation proceedings.
- 4) The liability of the Members for the Syndicate obligations shall continue in force until discharged by the liquidator.

Article 28 - 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 FAIR 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 FAIR 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.

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.

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