

FORM B

THE OFFSHORE POLLUTION LIABILITY ASSOCIATION LIMITED RULES FOR ESTABLISHMENT OF FINANCIAL RESPONSIBILITY

Each Operator shall submit to The Offshore Pollution Liability Association Limited (hereinafter referred to as "the Association") acceptable evidence of financial responsibility to meet obligations to Claimants assumed under Clause IV of the Offshore Pollution Liability Agreement dated 4th September 1974 as amended from time to time.

Evidence of financial responsibility may be provided by any one or a combination of the means set out below, and shall be for an amount of not less than U.S. \$250,000,000 any one incident and U.S. \$500,000,000 in the annual aggregate.

Submission by the Operator to the Association of the relevant Form specified below will constitute a confirmation and undertaking on the part of the Operator that it has verified evidence of financial responsibility in respect of all other interests, if any, in a venture.

Evidence of financial responsibility shall be submitted by the Operator to the Association before the designation of any Offshore Facility becomes effective, and where the financial responsibility is limited in time or is terminated, further evidence shall be submitted at least 30 days prior to the expiry or termination.

(1) Insurance (Forms FR-1 or FR-2)

Verification of Insurance from an Insurance Company or an Insurance Broker or Agent acceptable to the Association. A maximum deductible of U.S. \$1,000,000 in respect of any one occurrence will be permitted by the Association.

(2) Surety (Form FR-3)

Surety Bond issued by a Surety Company acceptable to the Association.

(3) Guaranty (Form FR-4)

Guaranty issued by a Guarantor acceptable to the Association.

(4) Qualification as a Self-Insurer (Form FR-5)

To qualify as a Self-Insurer an Operator must demonstrate financial responsibility by meeting the following requirements:

- (i) Furnishing its latest audited annual financial statements which meet the following criteria:
 - (a) Ratio of sum of net income and depreciation, depletion and amortization to the sum of interest expense and retirement of long term debt must be at least 1.5 to 1.
 - (b) Ratio of either (i) current assets to current liabilities or (ii) current assets plus unused committed lines of credit to current liabilities plus self-insured limit must be at least 1.25 to 1.
 - (c) Interest expense must not exceed 33 1/3% of the sum of the net income before extraordinary items and depreciation, depletion and amortization.

(d) The ratio of total capitalization (i.e. shareholders' funds and long term debt) to long term debt must be at least 2.5 to 1.

(e) The amount self-insured in the annual aggregate must not exceed 10% of the net income before extraordinary items, plus depreciation, depletion and amortization.

If the Company is a subsidiary of another Corporation it may utilise the consolidated financial statements of its parent company to demonstrate financial responsibility, provided the parent company executes an Acknowledgement of Commitment of Subsidiary.

- (ii) Submitting a computation indicating how its audited annual financial statements meet the criteria set out in paragraph (i) above.
- (iii) Indicating when its next audited annual financial statements will be available, and undertaking to submit these statements for consideration at that time. Additional financial information shall be submitted more frequently if requested by the Association.

The Association shall have complete discretion to reject a company as self-insured if it considers that the financial statements or other financial information do not provide adequate evidence of financial responsibility.

It is recognised that the form in which financial statements are presented and the accounting principles on which they are based may differ significantly and that the criteria listed in paragraph (i) above are most readily applicable to financial statements expressed in U.S. Dollars and prepared under accounting principles generally accepted in the United States. In any particular case the Association shall have discretion to decide whether the computation submitted shows that the financial statements reasonably meet the requirements of paragraph (i) above without any relaxation of the security required.

Notwithstanding the foregoing, the Association may accept a company as self-insured for a sum not in excess of U.S. \$500,000 any one occurrence where its financial statements meet all but one of the criteria set out in paragraph (i) above, provided the amount to be self-insured is less than 0.5% of the total capitalization (as defined in paragraph (i) (d) above) shown by its latest annual financial statements.

Typed or Printed)