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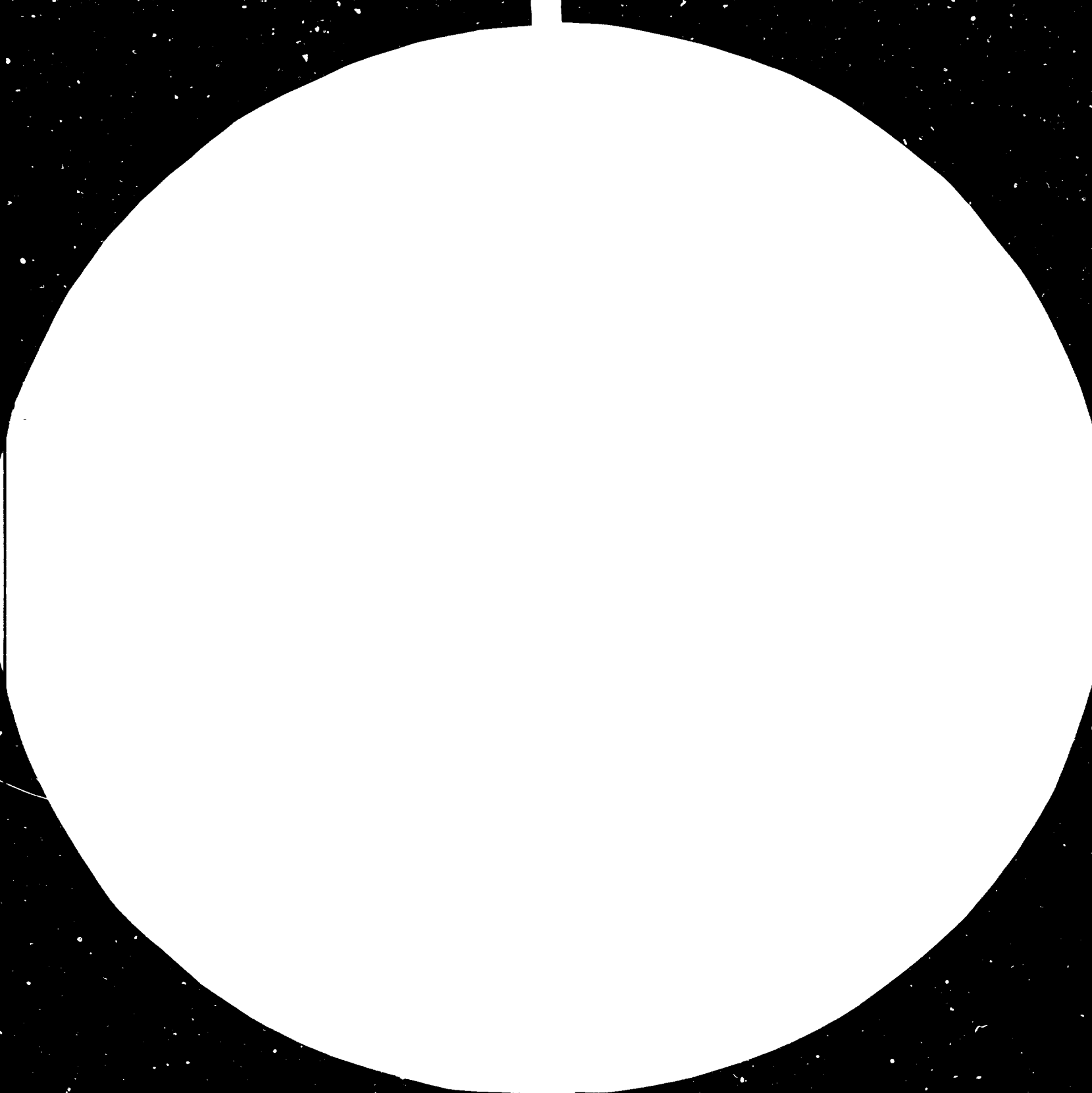
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UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

MULTILATERAL INSURANCE SCHEME .

SUGGESTED DRAFT POLICY .

proposed by

the UNIDO Secretariat

1305

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Whereas the Insured by a proposal and declaration which shall be the basis of this contract of insurance and is deemed to be incorporated herein has applied to the Insurers for the insurance expressed herein and has paid the Premium appearing on the Schedule in consideration of such insurance.

ARTICLE 1 - INSURING AGREEMENT

The Insured having entered into a Contract or Contracts for the purchase of the Plant described in the Policy Schedule the Insurers do hereby agree to indemnify the Insured in accordance with the Loss Settlement clause of this policy as a direct result of:

The failure of the completed Plant to fully perform in accordance with contract specifications and technical data during the Policy Period.

Caused by or resulting from:

- 1.1 faulty engineering, research or process; faulty technology.
faulty project or construction management or technical assistance.
faulty manufacture, installation, erection, construction, repair or rectification.
faulty workmanship or materials.

All undertaken or provided by and within the control of the Contractor(s) appearing in the Policy Schedule or his Sub-Contractors, Suppliers or Manufacturers.

Subject always to the terms, exclusions and conditions of this policy.

ARTICLE 2 - LOSS SETTLEMENT CLAUSE

2.1 Under Insuring Agreement (A) the Insurers will indemnify the Insured at the rate stated herein after the Waiting Period described below should the Plant be unable to commence commercial operations as of the agreed date for such operations appearing in the Contract or Contracts.

2.2 The Insurers will also indemnify the Insured under Insuring Agreement (A) in respect of "X"% of all additional costs expenses and commitments necessarily incurred by and for the account of the Insured in order to:

- obtain contractual completion of the Plant
- avoid or reduce delays or further delays in completion of the Plant
- achieve total performance of the Plant in accordance with contract specifications and technical data.

The Limit of the Insurers Liability under Article 2.2 shall be _____.

2.3 Under Insuring Agreement (B) the Insurers will indemnify the Insured at the rate stated below after the Waiting Period described below should the completed Plant be subject to Total Interruption of Business.

In the event of Partial Interruption of Business the Insurers shall be liable for such proportion of the indemnity as the proportion of reduction in business bears to the total business which would, but for such partial interruption, have been obtained during the period of partial interruption

2.4 Waiting Period shall mean:

Under Insuring Agreement (A) _____ working days commencing from the agreed date for commencement of Commercial Operations under the Contract or Contracts.

Under Insuring Agreement (B) _____ working days commencing from the date upon which the total or partial interruption of business commenced.

2.5 Definition:

The agreed date for commencement of Commercial Operations shall be either:

- (a) The date resulting from the application of the Contract or Contracts.
- (b) Any other reasonable date notified by the Insured and agreed to by the Insurers.

2.6 Indemnity Period:

Under Insuring Agreement (A) - the period beginning with the agreed date upon which but for a delay or delays in completion of the Plant caused by a peril insured under this policy the Commercial Operation of the Plant would have commenced and ending on the date upon which commercial Operation of the Plant is commenced but in no case shall such Indemnity Period exceed _____ months.

Under Insuring Agreement (B) - the period beginning with the date upon which the Plant fails to fully perform during normal operations and ending with the date upon which full operational performance is subsequently obtained but in no case shall such Indemnity Period exceed _____ months.

2.7 Rate of Indemnity shall be _____ for every day of delay in commencement of Commercial Operations or of Total Interruption of Business of the completed Plant. The Insurers shall not be liable during the Waiting Period defined herein. The total limit of the Insured's liability under Articles 2.1 and 2.3 shall be _____.

The Insurers shall not be liable for days on which the construction or operation of the Plant are not normally performed by the Insured, the Contractor(s), his Sub-Contractors, Suppliers or Manufacturers.

2.8 Payment of Indemnity: The indemnity payable under Article 2.7 (Rate of Indemnity) shall be paid in monthly instalments after the expiration of the Waiting Period but in no event shall such indemnity exceed the total limit of indemnity appearing in the said Article 2.7.

2.9 The Indemnity Period for which the Insured may obtain indemnity shall not be limited by the date of expiration of this policy.

2.10 Other Facilities

In the event of loss as defined for Total Interruption of Business (Article 2.3) herein it is agreed that should the Insured obtain other suitable facilities with which to operate, then upon resumption of commercial operations with such other facilities such loss shall be adjusted in accordance with the Partial Interruption of Business clause.

Additional costs and expenses necessarily incurred by the Insured in obtaining other suitable facilities shall be insured under this policy to a maximum limit of _____.

ARTICLE 3 - EXCLUSIONS

No coverage shall attach under this policy in respect of:

3.1 Risks which are insured under any other policy of insurance or which are the subject of indemnity under any other policy of insurance.

3.2 Any additional costs, expenses, commitments and consequential losses which are the responsibility of the Contractor(s) or his Sub-Contractors, Suppliers or Manufacturers under contract(s) or purchase orders.

3.3 Losses resulting from:

- Financial failure or default
- Currency exchange fluctuations
- The choice of an unsuitable location of the Plant
- Any actions or inactions of the Insured which prevent the Contractor(s) or his Sub-Contractors, Suppliers or Manufacturers from performing their contractual obligations
- War, invasion, act of foreign enemy, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection or military or usurped power, riot, civil commotion, or sabotage
- Strikes or labour disturbances
- Any restrictions on construction, reconstruction, repair or operation of the Plant imposed by the Insured's Government or any other Public Authority
- Any consequence of nuclear reaction, nuclear radiation or radioactive contamination.

ARTICLE 4 - SPECIFIC OBLIGATIONS OF THE INSURED

Compliance by the Insured with the following shall be a condition precedent to the settlement of any claim(s) under this policy.

(a) The Insured will obtain from the Contractor(s), Sub-Contractor(s), Suppliers and Manufacturers (as the case may be) performance bond(s) or financial guarantee(s) in accordance with the Contract(s) (and shall maintain or extend such bonds or guarantees in accordance therewith) and shall take action to recover the proceeds thereof in the event such Contractor(s), Sub-Contractor(s), Suppliers or Manufacturer(s) fails to undertake and complete his contractual obligations.

(b) The Insured will pursue all his rights under relevant contract(s) to obtain rectification and reimbursement in accordance with the terms and conditions of such contract(s).

(c) The Insured will perform and complete all his obligations in accordance with the contract(s) and project specifications and shall pursue the completion of the project with due diligence and dispatch.

(d) The Insured will ensure that the insurances described in the schedule for the liabilities and for the periods stated in the schedule shall be purchased and maintained.

ARTICLE 5 - GENERAL CONDITIONS

5.1 Subrogation

The Insurers, upon making any payment or assuming any liability therefore under this policy, shall be subrogated to all the rights and remedies of the Insured arising out of such claim against any person or parties (other than those insured under this policy) and the Insured shall at the expense of the Insurers do and concur in doing and permit to be done all such acts and things as may be necessary or required by the Insurers in order to exercise such rights and remedies whether such acts and things are or become necessary or required before or after the Insured's indemnification by the Insurers.

5.2 Maintenance of records

The Insured shall maintain or cause to be maintained full operational and production records and shall make these available to Insurers upon request.

5.3 Inspection by Insurers

The Insured shall permit the Insurers to make such inspections of the Plant as the Insurers deem appropriate either during erection, testing or operation of the completed Plant.

5.4 Due diligence

The Insured shall use due diligence and does and concurs in doing all things reasonably practicable to pursue completion of the Plant and to ensure full operation of business as early as possible.

The Insured shall comply with all reasonable recommendations of the Insurers.

5.5 Material alterations in the risk

No material variation shall be made to the Contract or Contracts described in the Schedule without the written consent of the Insurers.

5.6 Reporting of claims

In the event of any occurrence which gives rise or is likely to give rise to a claim under this policy the Insured shall give prompt notice to _____ by telex, telegram or telephone and send them written confirmation thereof within 48 hours of the occurrence.

5.7 Fraud and dishonesty

If any fraudulent or dishonest means or devices be used by the Insured or anyone acting on his behalf to obtain any benefit under this policy or if any loss be occasioned by the wilful act or with the connivance of the Insured all coverage under this policy shall be void and of no effect.

5.8 Settlement of disputes

All differences arising out of this Policy shall be referred to an Arbitrator to be appointed by both parties or if they cannot agree upon a single Arbitrator to the decision of two Arbitrators one to be appointed in writing by each party and in the case of disagreement between the Arbitrators to the decision of an Umpire who shall have been appointed in writing by the Arbitrators before entering on the reference. The Umpire shall sit with the Arbitrators and preside at their meeting. Should the Arbitrators fail to agree to the appointment of an Umpire within one calendar month arbitration will be undertaken by the International Chamber of Commerce at _____. The making of an award shall be a condition precedent to any right of action against the Insurers.

Arbitration will be in accordance with the laws of _____.

5.9 Applicable law

This policy shall be governed by the laws of _____.

5.10 Due observance and fulfillment

The due observance and fulfillment of the terms of this policy insofar as they relate to anything to be done or complied with by the Insured and the truth of the statements contained in the proposal and declaration made by the Insured shall be a condition precedent to any liability of the Insurers.

SCHEDULE

The Insured -----

The Contract -----

Location of Plant -----

The Contractor(s), Sub-Contractors, Suppliers and Manufacturers -----

Project General and Operational Insurances (to be purchased and maintained in accordance with Warranty D of this Policy).

- Contractors/Erection All Risks Insurance including testing/breakdown coverage and Loss of Advance Profits extension.
- Transit Insurance (Marine, Land or Air) extended to include Loss of Advance Profits insurance.
- Machinery Breakdown Insurance (Completed Plant) extended to include Loss of Profits insurance
- Property Insured (Completed Plant) extended to include Loss of Profits insurance.
- General Liability (Third Party) Insurance.
- Liability Insurance (during completion of Project) automobiles, aircraft and marine liabilities (as appropriate).
- Professional Indemnity Insurance of Contractor(s).

The Premium -----

Period of Insurance: From -----

To -----

Signed on behalf of Insurer(s) -----

At -----

Dated -----

