



PAKISTAN PETROLEUM LIMITED

P.I.D.C. House , Dr. Ziauddin Ahmed Road,
P.O. Box 3942, Karachi-75530, Pakistan
Tel: 92-21-35681391-95, 35683853-57, 35657730-39
UAN: 92-21-111-568-568
Fax: 92-21-35680005 & 35682125
Website: www.ppl.com.pk

Our reference
CFO/INS/BLOWOUT/2021-22

Your reference

Dated:
August 3, 2021

National Insurance Company Limited
NIC Building,
Abbasi Shaheed Road
Karachi

Attention: **Mr. Abdul Qayyum / Hanif Hisbani**
South Zone / Reinsurance

RENEWAL OF PPL BLOWOUT POLICY FOR THE PERIOD OF 12 MONTHS WITH EFFECT FROM 01st NOVEMBER 2021.

We attach herewith the well schedule relating to the renewal of blowout insurance policy for 12 months commencing from 01 November 2021 (**Annexure-1**). Please note, updated well schedule for coverage period 2021-22 will be shared well before bidding process.

Kindly note that the subject information is based on the 100% participation from the respective JV partners in some fields, and is subject to their final consent following bid opening. The final sum insured will be adjusted accordingly.

We would also like to bring it in your kind attention the following:

1. The Company has an active expansion plan (both in exploration and production areas) for replenishment of the existing reserves; therefore, gross footage to be covered for the period 2021-22 is expected to be 3,234,932 feet. Actual activity / information for change of well plan will be intimated from time to time for the current renewal. In consideration of the above, appropriate footage discount should be appropriately increased for PPL.
2. Continuous improvements are also being made in the areas of Health, Safety and Environment. This aspect needs to be reflected through appropriate reduction in the premium rates.
3. PPL has been obtaining blowout policy from the London/Singapore market in previous years; therefore, continuity discounts need to be given to PPL.
4. PPL has excellent track record in past years except minor blowout incident at Noah X-1, which was controlled within span of one week. Therefore, No Claim Bonus needs to be given to PPL.

Keeping in view of the above, you are requested to kindly use your good offices in getting best renewals terms and rates for PPL well control programme for the coming year.



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The brokers may kindly be requested to submit the bids not later than **1st October 2021**, separately indicating the respective commission to NICL and PRCL.
Following integral conditions shall be followed in this regard:

- (i) Obtain quotations preferably from London and Singapore Markets or any other reputable market which NICL / PRCL find fit to cover the risk adequately for the period of 12 months commencing not later than November 01, 2021.
- (ii) Quotations shall be invited for the following insurance program options:

Operator's Extra Expense

Option	Particulars
Loss limits	Various Limits as per attached Well Schedule 2021-22.
Deductible for non-drilling wells	USD 750,000
Deductible for drilling wells	USD 1,000,000

Other coverage specifications will be same as expiring policies years, except to the extent of changes specifically instructed by the insured. Please note that PPL has not advised any change in risk and coverage for many years.

- (iii) The policy wordings for the year commencing from 01 November 2021 to 31 October 2022 should be received by PPL within 60 days of its renewal.
- (iv) The premium payment terms shall be as under:

Non Drilling premium	100% at inception;
Drilling/ Work over premium	Declaration basis, subject to premium payment within 90 days of the close of each quarter upon issuance of debit note by NICL.
Property Damage	100% at inception;

- (v) NICL/ PRCL commission shall be determined on competitive basis based on the independent discretion of the bidder. No threshold or indicative (minimum) commission rates to the effect shall be provided in the tender document.
- (vi) Premium shall be in USD, in case any restriction on transfer of premium in USD prevailing effective exchange rate would be used.
- (vii) The bids shall be evaluated on the total cost to PPL basis.



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Dated:

Non settlement of prior year advance premiums:

We would also like to advise that settlement of COW drilling wells advances for prior periods 2011 to 2020 are still outstanding despite significant lapse of time.

As such non settlement of advance premium, despite lapse of so many years, is against the norms of Insurance market best practice and, the same is also grossly in conflict with the statutory mandate of NICL for the arrangement of insurance of public sector entities in the most efficient manner.

We are of the view that such delays in routine operational matters would discourage brokers in the international market from seeking favorable business with NICL, which would invariably translate into adverse premium rates for public sector entities, such as PPL.

In view of the above, you are requested to please arrange to provide coverage for the period from 1 November 2021 to onward 31 October 2022 and ensure early settlement of outstanding premium relating to COW policies for the year 2011 to 2020 positively before **August 31, 2021.**

Yours faithfully,
PAKISTAN PETROLEUM LIMITED

(S.M FAYAZ IQBAL)
For MANAGING DIRECTOR

Enclosed: Well schedule 2021-22.