



## MEMORANDUM OF UNDERSTANDING

This MOU is made and entered into as of 21 March, 2012, by and between:

**The Korea Shipowner's Mutual Protection & Indemnity Association**, having its principal place of business at 26, Kyungheegung-Gil, (Sun Tower Bldg. 1-158 Shinmunno-2Ga), Jongno-Gu, Seoul, 110-062, Korea ("**KP&I**"); and

**Perkumpulan Proteksi Maritim Indonesia**, having its principal place of business at J1 R.P. Soeroso no 26, Cikini-Gondangdia, Jakarta Pusat, 10330, Indonesia (the "**PROMINDO**").

KP&I and PROMINDO are hereinafter collectively referred to as the "Parties" and individually, a "Party".

### Witnesseth:

**WHEREAS**, this MOU is to evidence the mutual intent and understanding of the Parties with respect to a strategic relationship between the Parties.

**WHEREAS**, the Parties wish to identify, develop, organize, construct and execute potential project(s) in collaboration of each other.

**NOW, THEREFORE**, in consideration of the premises and the undertaking of the parties herein contained, the Parties hereto agree as follows:

#### **1. Definition**

- 1.1 PROMINDO is the Club of Indonesian owners. KP&I is neither the re-insurer of PROMINDO nor the joint insurer. PROMINDO is not and shall not be deemed to be acting as an agent of KP&I and shall not represent KP&I as its re-insurer or joint insurer.
- 1.2 SPV is a special body who is designated by PROMINDO. Any notice or negotiation shall bind PROMINDO and owners.
- 1.3 KP&I shall pay the agreed commission as marketing expenses in respect of premium under the agreement.
- 1.4 PROMINDO guarantees that SPV must introduce all Indonesian flagged vessels who wish to buy P&I cover and who is acceptable to KP&I.



- 1.5 PROMINDO guarantees SPV's all duties and obligation for KP&I.

## **2. Mutual Cooperation**

Each of KP&I and PROMINDO shall make its best efforts in reaching definitive agreements in respect to any detailed, specific items in connection with the transactions contemplated hereunder.

KP&I shall assist PROMINDO staff to be trained in operating P&I business such as underwriting, claims handling, managing risks, marketing, etc.

## **3. Outline of Cooperation**

The intention of the Parties is to execute this MOU in such a way as to ensure that Indonesian owners become members of KP&I, for which PROMINDO shall give necessary instructions to SPV and SPV shall negotiate terms of KP&I for Indonesian owners, and PROMINDO/SPV/KP&I shall closely cooperate with each other in order for PROMINDO to be devoted to its role as early as possible.

## **4. Commencement of business**

Business shall be commenced upon signing of this MOU.

## **5. Procedure for becoming members of KP&I**

Indonesian owners who wish to be a member of KP&I shall contact SPV and SPV shall in turn contact KP&I with necessary information. KP&I shall negotiate with SPV in respect of underwriting terms and condition, such as whether to insure and price etc.

Once the underwriting terms and conditions are agreed, KP&I shall issue an invoice to Indonesian owners through PROMINDO, and PROMINDO shall receive premium from Indonesian owners and remit the same to KP&I. KP&I shall issue an entry certificate and forward the same to Indonesian owners through PROMINDO.

## **6. Risk selection of KP&I, underwriting and pricing**

Whether or not to insure a vessel and terms and conditions thereof shall be exclusively determined at the discretion of KP&I.

## **7. Contribution fund**

All Indonesian owners who wish to become a member of KP&I shall pay contribution fund designated by articles of incorporation/relevant laws. Dispose of contribution fund shall be determined in accordance with articles of incorporation.

**8. Inspection prior to joining and procedure for random inspection**

Inspection to be done prior to joining and status of vessels etc. shall be conducted in accordance with internal guidelines of KP&I.

**9. Negotiation for terms and conditions and procedures for pricing**

Negotiation for terms and conditions and procedures for pricing shall be determined in accordance with internal guidelines of KP&I.

**10. Procedure for renewal**

Procedure for renewal of membership shall be determined in accordance with internal guidelines of KP&I; provided that renewal terms and conditions shall be negotiated with SPV.

**11. Procedure for making payment of premium**

11.1 KP&I shall issue an invoice (prepared in USD) and forward the same to Indonesian owners through PROMINDO. KP&I's invoice shall contain a disclaimer stating that the PROMINDO is not a representative of KP&I and does not act for and on behalf the name of KP&I.

11.2 Indonesian owners shall pay premiums to PROMINDO and PROMINDO shall remit the same to KP&I.

11.3 It is not that PROMINDO collects premiums for KP&I but the intention of the Parties is that PROMINDO shall remit premiums to KP&I for and on behalf of Indonesian owners.

11.4 Effect of non-payment of premiums shall be determined in accordance with terms and conditions of KP&I's membership agreement as well as Korea Commercial Code.

11.5 In case where Indonesian owners paid premiums to PROMINDO but PROMINDO failed to remit the same to KP&I, it shall be deemed that the premiums are not paid.

**12. Procedure for settling commissions**

KP&I shall pay commissions to SPV which shall be determined pursuant to the amount of premiums paid to KP&I. Rates of commissions shall be determined in accordance with the rate separately agreed. Commissions shall be settled on the following dates:

20 February Insert the relevant year, 1 May Insert the relevant year, 1 August Insert the relevant year, and 1 November Insert the relevant year.





### **13. Procedure for issuing an entry certificate**

Upon receipt of premium, KP&I shall issue an entry certificate. Those entry certificates issued by KP&I shall be provided to Indonesian owners through PROMINDO.

### **14. Cover note**

14.1 PROMINDO can issue a cover note to Indonesian owners in the name of PROMINDO. However, such a cover note, if issued, should reflect the exact terms and conditions of the contract between the owners and KP&I and content of the agreement between PROMINDO and KP&I.

14.2 Notwithstanding the above, in case where a cover note is issued, PROMINDO shall not issue such a cover note as an agent of KP&I, and all cover notes issued by PROMINDO shall have a disclaimer stating that the PROMINDO is not a representative of KP&I and does not act for and on behalf of KP&I.

### **15. Deleted**

### **16. Claim control right of KP&I**

16.1 KP&I reserve all rights in respect of claim handlings. KP&I have rights to appoint, if necessary, lawyers, surveyors, adjustors at its own discretion and may take necessary measure, such as commence a settlement/litigation/arbitration (or otherwise defend), at its own discretion.

16.2 A guarantee shall be issued at the discretion of KP&I, but KP&I do not have any obligation to issue such a guarantee.

16.3 However, in case where a guarantee is issued by KP&I, a counter-guarantee or cash deposit may be demanded to Indonesian owners.

### **17. Duties and liability in respect of processing accidents, appointing experts and notification**

17.1 In case where an accident occurs, Indonesian owners must notify KP&I (or KP&I Indonesia: see below for establishment thereof) of a summary of the accident in accordance with terms and condition of the agreement. Indonesian owners should collect necessary information and evidence in accordance with recommendation of KP&I or KP&I Indonesia and collected information /evidence should be passed to KP&I. PROMINDO may do the above for and on behalf of Indonesian owners. Whether or not to cover the accident shall be determined at the sole discretion of KP&I according to the terms and conditions.

17.2 Neither PROMINDO nor Indonesian owners (nor any other third parties) shall have the right to restrict KP&I in respect of handling claims.



17.3 KP&I have the sole right to approve a claim, and neither PROMINDO nor Indonesian owners (nor any other third parties) shall have such right to approve a claim.

17.4 Neither PROMINDO nor Indonesian owners (not any other third parties) shall have the right to force KP&I to issue a payment guarantee or right to demand for such a payment guarantee.

18. In the event that PROMINDO breaches of Articles 16 and 17 of this MOU (including any of sub-paragraphs thereunder), KP&I shall not be liable for loss of or damages to any Indonesian owners or any other third parties and shall under no circumstance be responsible for any loss, damages or liability which PROMINDO may incur, including but not limited to any payments made (or to be made) by PROMINDO to Indonesian owners or any other third parties.

**19. Procedure for payment of insurance proceeds**

Insurance proceeds by KP&I shall be paid after a member has completed his payment in respect of any liabilities, costs and expenses incurred by him and finalized the relevant case. Insurance proceeds are paid directly to injured parties (or to owners) at the sole discretion of KP&I. In any circumstances, the deductible should be paid by Indonesian owners in the first instance.

**20. Procedure and requirement for establishing KP&I Indonesia**

KP&I shall take process for establishing its office at Jakarta within six (6) months from the date when it is confirmed that the annual premium can exceed USD5,000,000.

**21. Minimum business**

SPV and PROMINDO shall make their best efforts in reaching the first year/second year/third year annual premium for an amount exceeding USD2,000,000/USD3,500,000/USD5,000,000 respectively or shall make their best efforts to reach the number of joined vessels to be at least 200/350/500 vessels for the first/second/third year respectively.

KP&I may terminate this MOU in case where (i) PROMINDO breaches this MOU or (ii) PROMINDO is prevented under Indonesian laws from performing any of its obligations under this MOU or (iii) any other circumstances arise which may effectively prevent the business of KP&I.

**22. Guarantee of exclusivity**

PROMINDO and SPV shall guarantee that they shall provide KP&I with an exclusive right to provide P&I services to Indonesian owners for seven (7) years from execution of this MOU. KP&I will act as a P&I Club or reinsurer or





co-insurer of PROMINDO during such period. However, PROMINDO shall have the right to control those vessels that were not approved by KP&I (i.e., failed to become members of KP&I due to KP&I's disapproval).

This clause may be re-discussed subject to Clause 29 hereunder.

## **23. Exchange of Information**

- 23.1 Each Party shall exchange with the other Party all information reasonably required and requested by the other Party so as to affect the smooth performance of this MOU.
- 23.2 If any Party receives from its client(s) or the other source any useful information related to potential project(s), such Party shall, without liability for correctness thereof, forthwith share the same with the other Party.

## **24. Term; Termination**

This MOU shall be effective upon signing by the Parties.

As stated in Article 20 above, KP&I retain the right to terminate this MOU in case where the amount of business is significantly less than expected.

In the absence of termination by KP&I pursuant to Article 20 of this MOU, this MOU will remain valid for seven (7) years. The Parties may extend the period of this MOU by mutual agreement in writing.

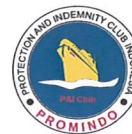
## **25. Mutual Consultation and Goodwill**

For all the matters not specifically provided for in this MOU which may relate to potential project(s) and require the decision of the Parties shall be discussed by the Parties in good faith and mutually agreed between the Parties.

## **26. Confidentiality**

The Parties shall keep in confidence and undertakes to require its Agents (as defined below) to keep in confidence all information in connection with the transactions contemplated hereunder unless (i) the disclosure of such information to the advisors of the parties is necessary to evaluate potential project(s), provided that they agree to keep in confidence all information, and the advisors shall include, but not limited to, legal counsel, accountant, financial advisor, and consultants (the "Agents") and (ii) the disclosure of such information is required by applicable laws or regulatory requirements.

## **27. General Provisions**



- 27.1 Unless otherwise specified herein, each Party shall be responsible for its own expenses and costs.
- 27.2 This MOU shall be governed by and interpreted in accordance with the English laws.
- 27.3 All disputes, controversies, or differences which may arise between the Parties, out of, or in relation to, or in connection with this MOU, or for the breach thereof, shall be finally settled by arbitration in Singapore in accordance with the rules of the Singapore Chamber of Maritime Arbitration (SCMA). The award rendered by the arbitrator(s) shall be final and binding upon both parties concerned.

**28. Original**

There shall be two originals of this MOU prepared in English. Any translations shall not be deemed to be an original.

**29. Revisions to be made to this MOU**

In the event that PROMINDO becomes a P&I insurer under Indonesian laws, a revised MOU reflecting such changes shall be executed between KP&I and PROMINDO.

**IN WITNESS WHEREOF**, the Parties hereto have caused this MOU to be duly executed by their respective authorized representatives on the day and year first above written.

 **The Korea Shipowner's Mutual  
Protection & Indemnity Association**

 **Perkumpulan Proteksi Maritim  
Indonesia**

Youn Jae Lee / Chairman

Ir. Bambang Ediyanto / Chairman