

SCHEDULE PART 21

Insurance Requirements

This is the Schedule Part 21 comprising the Insurance Requirements referred to in the Project Agreement relating to the design, financing and construction of and the provision of services at the Stobhill Local Forensic Psychiatric Unit
between

Greater Glasgow Health Board

and

Stobhill Healthcare Facilities Limited

SCHEDULE PART 21

Insurance Requirements

Part 1

Insurance During Design, Construction, Testing, Commissioning Phase

Project Co shall (subject to the terms of the Project Agreement) procure the following insurances:-

1. Construction "all risks" Insurance

1.1 The Insured

- Project Co;
- the Contractor and its sub-contractors and other contractors and their sub-contractors of any tier engaged in connection with the Works;
- the Service Provider;
- other manufacturers, suppliers and engineers, designers and consultants involved in connection with the Works, each for their site activities only;
- the Board;
- the Funders

each for its respective rights and interests.

1.2 The Insured Property

The Works whether permanent or temporary, materials (including free issue materials and consumables), equipment and goods, temporary and/or permanent, buildings and/or contents, and all other items connected with used or intended for incorporation within the Facilities.

1.3 Coverage

"All Risks" of physical loss or damage to any part of the Insured Property (as defined in paragraph 1.2) from any cause not otherwise excluded.

1.4 Sum Insured

The full replacement value of the Insured Property (as defined in paragraph 1.2) plus an amount to meet the requirements of all Required Extensions.

1.5 Territorial Limits

The Site and anywhere else in the European Union in connection with the Works, including Ro-Ro ferry transportation and inland transit and off site temporary storage.

1.6 Period of Insurance

From the date of execution of the Project Agreement until the Actual Completion Date plus 12 months defects liability period

1.7 Principal Exclusions

The insurers shall not be liable for (inter alia):-

- war risks
- radioactive contamination
- wear and tear
- unexplained shortages
- penalties for delay and consequential losses not otherwise specified
- sonic boom
- cyber/electronic data
- defective design, workmanship and materials cover (Design Improvement Exclusion, DE5)
- pollution unless caused by a sudden identifiable and unexpected event
- loss of or damage to contractors plant and equipment
- consequential (financial) losses not otherwise insured in accordance with Paragraph 2, Part 1

1.8 Maximum Excess

- £10,000 per event but increased to £150,000 per event in respect of DE5 exposures and 20% Co-insurance per event in respect of Additional Cost of Constructing Unbuilt Works

1.9 Required Extensions

- Additional Cost of Constructing Unbuilt Works - £1m limit per extension
- Automatic Increase of Sum Insured (as defined in paragraph 1.4) - 110% limit
- Debris removal - Limit 15% of loss subject to a maximum of £1m
- Expediting expenses - Limit 10%
- Professional fees for normal scale
- Temporary repairs
- Automatic reinstatement of Sum Insured (as defined in paragraph 1.4)
- Plans or specifications of the Insured Property (as defined in paragraph 1.2)

- 72 hour Clause
- Including inland transit and off Site-storage
- European Authorities Clause
- Terrorism cover in accordance with current market availability
- Fire Prevention Joint Code compliance clause
- Minimisation of loss clause
- Munitions of War Clause
- Taking into Use
- Marine 50/50
- 12 months guarantee maintenance
- Cash reinstatement option
- Board / Funders Endorsements
- Payment on account
- Interest of other parties as co insured where required by contract
- Testing and commissioning
- Toxic Mould
- Waiver of subrogation against Board Parties

2. **Loss of Anticipated Revenue Insurance**

2.1 The Insured

- Project Co; and
- the Funders

each for its respective rights and interests

2.2 **Period of Insurance**

As per the Construction "all risks" Insurance (paragraph 1.6) excluding defects liability period

2.3 **Indemnity**

In respect of loss of gross revenue (including senior debt service) and increase in cost of working arising from a delay in the commencement of commercial operation as a result of physical loss,

destruction or damage covered under the Construction "all risks" Insurance (or which would have been covered but for the application of the deductible) during the Indemnity Period.

2.4 Sum Insured

A sum sufficient to cover the sums the subject of the Indemnity for the Indemnity Period.

2.5 Indemnity Period

24 months

2.6 Principal Exclusions

The exclusions listed in paragraph 1.7 (other than consequential losses) and
Modifications

Public Authority requirements

Rectification of defects

Non-availability of funds

2.7 Maximum Time Excess

45 days in the aggregate

2.8 Required Extensions

The extensions listed in Paragraph 1.9 and

- Delay arising from loss or damage on a specified perils basis to the premises of specified suppliers (including suppliers to the Contractor) where materials/plant/equipment for incorporation into the Works is in the process of manufacture and/or storage - fire, lightning, earthquake, explosion and aircraft perils maximum limit GBP £500,000 in the aggregate
- Delay caused or contributed to by physical loss or damage to property in the vicinity of the Site which shall prevent or hinder access to or use of the Facilities
- Delay caused by damage to the supply of water, gas, electricity or telecommunications systems to the Facilities
- Terrorism cover in accordance with current market availability
- Waiver of subrogation against the Contractor
- Waiver of subrogation against the Board and Board Parties
- Contractors plant and equipment
- Board / Funders Endorsements

- Accountants Clause
- Automatic reinstatement of the sum insured

3. Public Liability Insurance

3.1 The Insured

- Project Co;
- the Contractor and its sub-contractors and other contractors and their sub-contractors of any tier engaged in connection with the Works;
- other manufacturers, suppliers and engineers, designers and consultants involved in connection with the Works, for their site activities only;
- Service Provider;
- the Board;
- the Funders.

each for its respective rights and interests.

3.2 Period of Insurance

As per paragraph 1.6

3.3 Indemnity

To indemnify the Insured in respect of all sums that they may become legally liable to pay whether contractually or otherwise (including claimants costs and expenses) as damages in respect of:-

- accidental death, injury, disease, illness and mental anguish of any person
- accidental loss or damage to any property
- accidental obstruction, interference, loss of amenities, nuisance, trespass, stoppage of traffic, infringement of light, easement or quasi easement, or any like cause

happening during the Period of Insurance and arising out of or in connection with the Project

3.4 Geographical Limits

World-wide (excluding USA and Canada)

3.5 Limit of Indemnity

£25,000,000 for any one occurrence or all occurrences of a series consequent upon or attributable to one source or original source in the Period of Insurance but in the aggregate per annum in respect of each of Products Liability and Pollution or Contamination

3.6 Maximum Excess

£10,000 of each and every occurrence in respect of loss or damage to property, otherwise nil

3.7 Required Extensions

- Cross Liabilities Clause
- Legal Costs in addition to indemnity
- Health and Safety at Work etc Act 1974, Data Protection Act 1998, Defective Premises Act 1972, Food Safety Act 1990, Consumer Protection Act 1987
- World-wide jurisdiction Clause (excluding USA and Canada)
- Contingent Motor liability
- Contractual Liability
- the "the Insured" includes the respective officers, directors, agents, servants and employees of an Insured
- Munitions of War
- Canteen and welfare facilities
- Board / Funders Endorsements
- Libel and Slander - GBP500,000
- Infringement of privacy and wrongful arrest
- Social functions and activities
- Waiver of subrogation against Board Parties

3.8 Principal Exclusions

- Death or bodily injury to or illness or disease contracted by the employees of the Insured arising out of or in the course of their employment (excluding for the avoidance of doubt employees of the Board)
- Property belonging to or in the charge or under the control of the Insured but this does not apply in respect of third party premises or property being worked upon
- Liability arising out of technical or professional advice given for a fee by the Insured or by any person acting on behalf of the Insured other than in respect of injury or damage
- Liability arising out of the use of mechanically propelled vehicles for which compulsory insurance or security is required by legislation, except whilst in use as a tool of trade
- Liability arising from ownership, possession, use or control of any aircraft or watercraft
- The cost of making good loss or damage to property covered by the insurance referred to in paragraph 1 but this exclusion shall not apply to property damaged as a consequence

- Liability arising from pollution or contamination, unless caused by a sudden identifiable, unintended and unexpected incident
- Fines or penalties imposed by regulatory or statutory authorities or courts
- War risk
- Radioactive contamination
- Sonic bangs
- Liquidated damages
- Seepage, pollution or contamination unless caused by a sudden, unintended and unexpected happening
- Cyber/electronic data
- Asbestos
- Toxic Mould

Part 2: Insurance From the Actual Completion Date

Project Co shall (subject to the terms of the Project Agreement) procure the following insurances from the Actual Completion Date until the expiry of the Project Term:-

1 Material Damage "All Risks" Insurance

1.1 The Insured

- Project Co
- the Board
- the Service Provider
- Sub-contractors of the Service Provider whose contract stipulates that they will be insured
- the Funders

each for its respective rights and interests

1.2 The Insured Property

Property and interests of every description used for or in connection with the ownership and maintenance of the Facilities belonging to Project Co and/or for which Project Co is responsible

1.3 Sum Insured

The full replacement value of the Insured Property (as defined in paragraph 1.2) plus amount sufficient to meet the requirements of all Required Extensions.

1.4 Period of Insurance

From the actual completion date for the duration of the project agreement and renewable on an annual basis unless agreed otherwise

1.5 Coverage

"All Risks" of physical loss of or damage to the Insured Property (as defined in paragraph 1.2) (including mechanical and electrical breakdown) from any cause not otherwise excluded

1.6 Principal Exclusions

- war risks, and radioactive contamination
- wear and tear, gradual deterioration provided that for the avoidance of doubt this shall not exclude subsequent damage resulting from an ensuing cause which is not otherwise excluded
- unexplained shortages
- defects in design, materials or workmanship other than subsequent damage resulting from an ensuing cause which is not otherwise excluded
- Theft unless caused by forceful or violent entry or exit
- Consequential (financial) losses not otherwise insured in accordance with Paragraph 2, Part 2 of this Schedule Part 21
- Sonic boom
- Cyber/electronic data

1.7 Required Extensions

- Reinstatement as new basis of claims settlement
- Pollution and contamination of the Insured Property (as defined in paragraph 1.2) arising from an event which itself is not otherwise excluded
- Incidental Contract works - (as and when applicable either by extension or separate policy)
- Terrorism cover in accordance with current market availability
- Goods in transit (as and when applicable either by extension or separate policy)
- Damage to buildings by thieves and theft of building fixtures or fittings for which the insured is responsible

- 15% escalator clause
- Debris removal costs
- Automatic reinstatement of Sum Insured (as defined in paragraph 1.3)
- Professional fees to normal scale
- European Authorities Clause
- 72 hour Clause
- Capital Additions
- Temporary loan - £10,000
- Temporary removal
- Payment on account
- Loss minimisation
- Temporary repairs
- Expediting expenses
- Trace and access
- Board / Funders Endorsements
- Waiver of subrogation against Board Parties

1.8 Maximum Deductibles

£10,000 per event

2. Business Interruption (including Mechanical & Electrical Breakdown) Insurance

2.1 The Insured

- Project Co; and
- the Funders

each for its respective rights and interests.

2.2 Indemnity

If any of the Property Insured under the Material Damage "All Risks" Insurance is lost, destroyed or damaged by any of the risks insured thereunder (or would be but for the application of the deductible) and the operations carried on by the Project Co are in consequence thereof interrupted or interfered with, then this insurance will indemnify the insured in respect of loss of gross revenue (including senior debt service) and increase in cost of working (being the additional expenditure necessary and reasonably incurred by the Insured to restore and maintain normal operations during the period of interruption for the sole purpose of avoiding or diminishing the amount for which the insurers are liable not exceeding the sum by which such amount otherwise payable is reduced)

2.3 Sum Insured

A sum sufficient to cover the sums the subject of the Indemnity (as defined in paragraph 2.2) for the Indemnity Period (as defined in paragraph 2.5)

2.4 Maximum Deductible

£10,000 each and every loss

2.5 Indemnity Period

In respect of each claim from the date of damage until 24 months thereafter

2.6 Principal Exclusions

The same as those for Material Damage "All Risks" Insurance (other than consequential losses) and

- Rectification of defects
- Public authority delay

2.7 Required Extensions

- Interruption caused or contributed to by physical loss or damage to property in the vicinity of the Facilities which shall prevent or hinder the use of the Facilities or access thereto
- Interruption, repair, replacement and cleaning costs incurred by the insured with the consent of the insurers in respect of the outbreak of any infectious or contagious disease, including but not limited to legionella

- Terrorism cover in accordance with market availability
- Interruption caused by damage to third party premises where property related to the Facilities is stored or worked on - limited to Specified Suppliers Premises only
- Interruption caused by damage to the supply of water, gas, electricity or telecommunications systems to the Facilities
- Injury or illness traceable to foreign or injurious matter in food and drink
- Payment on account
- Board / Funders Endorsements
- Accountants clause
- Waiver of subrogation rights against the Service Provider
- Waiver of subrogation against the Board and the Board Parties

3 Public Liability Insurance

3.1 The Insured

- Project Co;
- the Board;
- the Service Provider
- Sub-contractors of the Service Provider whose contract stipulates that they will be insured
- the Funders

each for its respective rights and interests

3.2 Indemnity

To indemnify the Insured in respect of all sums that they may become legally liable to pay whether contractually or otherwise (including claimants costs and expenses) as damages in respect of:-

- accidental death, injury, disease, illness and mental anguish of any persons
- accidental loss or damage to any property
- accidental obstruction interference, loss of amenities, nuisance, stoppage of traffic, infringement of light, easement or quasi easement, or any likely cause

happening during the Period of Insurance and arising out of or in connection with the Project

3.3 Geographical Limits

World-wide (excluding USA and Canada)

3.4 Period of Insurance

As per the Material Damage "All Risks" Insurance

3.5 Limit of Indemnity

£50,000,000 for any one occurrence or all occurrences of a series consequent upon or attributable to one source or original source in the Period of Insurance but in the aggregate per annum in respect of each of Products Liability and pollution or Contamination

3.6 Maximum Deductibles

£10,000 each and every occurrence in respect of loss of or damage to property, otherwise nil

3.7 Required Extensions

- Cross liabilities Clause
- The Insured includes the respective officers, directors, agents, servants and employees of each Insured
- To include cover for the following or their updated equivalent - Consumer Protection Act 1987, Data Protection Act 1984, Health and Safety at Work etc Act 1974, Food Safety Act 1990 - prosecution defence costs
- Defective Premises Act 1972
- Canteen and Welfare facilities
- World-wide Jurisdiction
- Legal Costs in addition to limit of indemnity (but inclusive in respect of USA and Canada)
- Contingent Motor Liability
- Contractual Liability
- Board / Funders endorsements
- Infringement of privacy and wrongful arrest
- Waiver of subrogation against Board Parties

3.8 Principal Exclusions

- Death or bodily injury to or illness or disease contracted by the employees of the Insured arising out of or in the course of their employment

- Property belonging to or in the charge or under the control of the Insured but this does not apply in respect of third party premises or property being worked upon
- Liability arising out of the use of mechanically propelled vehicles for which compulsory insurance or security is required by legislation, except whilst in use as a tool of trade
- Liability arising from pollution or contamination unless caused by a sudden, identifiable, unintended and unexpected incident
- Medical/clinical malpractice/negligence
- Professional negligence but not excluding personal or bodily injury
- Trustees, Directors or Officers liability
- Fines or penalties imposed by regulatory or statutory authorities or courts
- Asbestos
- Cyber / electronic data
- War
- Radioactive Contamination
- Deliberate occurrences
- Seepage, pollution or contamination unless caused by a sudden, unintended or unexpected happening.

Part 3 - Insurance Cost Sharing

1. Definitions

For the purposes of this Part 3, the following words and expressions shall have the following meanings:

Actual Relevant Insurance Cost means the sum of the insurance premiums reasonably incurred by Project Co to maintain the Insurances during the Review Period but excluding, for the avoidance of doubt, insurance premium tax and all brokers fees and commissions;

Business Interruption Insurance shall bear the meaning ascribed to it in Part 2 of Part 21 of the Schedule to this Agreement;

Construction Period means the period from the date of this Agreement prior to the Actual Completion Date;

Construction Period Insurance means the Insurances in respect of the Construction Period;

Contract Period shall bear the meaning ascribed to it in the Project Agreement;

Contract Year shall bear the meaning ascribed to it in the Project Agreement;

Financial Model shall bear the meaning ascribed to it in the Project Agreement;

First Review Date means the date which is 3 years from the Services Commencement Date;

Insurance Cost Decrease means, subject to the Insurance Review Procedure, if the Actual Relevant Insurance Cost, and after taking into account any Portfolio Cost Saving, is less than the Modelled Relevant Insurance Cost the difference between the two to the extent that such difference is due to circumstances generally prevailing in the UK insurance market and to the extent that such difference has not been taken into account through adjustment to the Service Payment;

Insurance Cost Increase means, subject to the Insurance Review Procedure, if the Actual Relevant Insurance Cost, and after taking into account any Portfolio Cost Saving, is more than the Modelled Relevant Insurance Cost the difference between the two to the extent that such difference is due to circumstances generally prevailing in the UK insurance market and to the extent that such difference has not been taken into account through adjustment to the Service Payment;

Insurance Cost Index means any index introduced by the Government or the Office of National Certificate after the date of this Agreement and which is anticipated to be published annually to provide an independent and objective measure of changes in prevailing market insurance costs;

Insurance Review Procedure means the procedure set out in paragraph 6.

Modelled Relevant Insurance Cost means for the purposes of calculating any Insurance Cost Increase or Insurance Cost Decrease the nominal amount set out in the Financial Model as the sum of the nominal insurance premiums associated with maintaining the Relevant Insurance during the Review Period but, for the avoidance of doubt, excluding insurance premium tax and all brokers' fees and commissions.

Modelled Required Insurance Cost means for the purposes of Project Co's Statement submitted pursuant to clause 6.2 the nominal amount set out in the Financial Model as the sum of the nominal insurance premiums associated with maintaining the Insurances during the Review Period but, for the avoidance of doubt, excluding insurance premium tax and all brokers' fees and commissions.

Portfolio Cost Saving means any insurance cost saving attributable either:

- (a) to Project Co placing any of the Insurances within a policy or policies covering risks in other projects or matters which are outside the scope of the Project; or
- (b) a change in how that insurance is placed to that anticipated at financial close,

Project Co's Statement shall bear the meaning ascribed to it in paragraph 6.2;

Relevant Insurance means the Insurances other than:

- (a) Insurances to be maintained during the Construction Period;
- (b) Business Interruption Insurance except to the extent that it relates to fixed and unavoidable costs, including debt service; and
- (c) any professional indemnity cover;

Relevant Insurance Cost Review Date means:

- (a) the First Review Date; and
- (b) the date of further reviews of the Actual Relevant Insurance Cost which shall occur at two (2) year intervals throughout the Contract Period in accordance with paragraph 4.1;

Review Period means the period from the Service Commencement Date to the First Review Date and each subsequent period commencing on the previous Relevant Insurance Cost Review Date and ending on the present Relevant Insurance Cost Review Date;

Service Payment has the meaning ascribed to it in the Project Agreement;

2. Relevant Insurance Cost

2.1 Each of the Board and Project Co agree and acknowledge that the provisions of paragraphs 3 to 6 (and, if relevant, paragraph 7) shall apply in relation to the possible variation of the Modelled Relevant Insurance Cost during the Contract Period and in relation to who shall bear the cost of the same.

3. Review of Modelled Relevant Insurance Cost by reference to the First Review Date

3.1 On a date not sooner than sixty (60) days prior to the First Review Date Project Co shall commence the Insurance Review Procedure.

3.2 If, following the implementation and completion of the Insurance Review Procedure pursuant to paragraph 3.1 it is agreed or determined that there is an Insurance Cost Increase:

3.2.1 the Board and Project Co shall bear such increase in the proportions set out in the table contained at paragraph 5.1; and

3.2.2 to the extent Project Co bears such increase, no adjustment to the Service Payment shall be made and Project Co shall pay for such increase out of its own resources; and

3.2.3 to the extent that Project Co has the benefit of such increase, the Board shall within thirty (30) days of completion of the review make a one-off lump sum payment to Project Co to reflect the principle that Project Co shall have the benefit of such increase.

3.3 If, following the implementation of the Insurance Review Procedure pursuant to paragraph 3.1, it is agreed or determined that there is an Insurance Cost Decrease:

3.3.1 the Board and Project Co shall be entitled to the benefit of such decrease in the proportions set out in the table contained at paragraph 5.2; and

3.3.2 to the extent Project Co has the benefit of such decrease, no adjustment of the Service Payment shall be made in respect of such decrease; and

3.3.3 to the extent that the Board has the benefit of such decrease, Project Co shall within thirty (30) days of completion of the review make a one-off lump sum payment to the Board to reflect the principle that the Board shall have the benefit of such decrease.

4. Further Reviews of Relevant Insurance Cost

4.1 Following the review of Modelled and Actual Relevant Insurance Cost and any one-off lump sum payment by reference to the First Review Date pursuant to paragraph 3, further reviews of the Modelled and Actual Relevant Insurance Cost shall occur at two (2) year intervals throughout the Contract Period and the procedure set out in paragraph 3.1 shall equally apply to all Relevant Insurance Cost Review Dates as though they were the First Review Date.

5. Cost Sharing Mechanism

5.1 Project Co and the Board shall bear any Insurance Cost Increase which is agreed or determined to exist pursuant to paragraph 3 or paragraph 4 as follows:

Insurance Cost Increase	Authority's share of Insurance Cost Increase	Project Co's share of Insurance Cost Increase
Less than or equal to 30 %	0%	100%
Greater than 30%	85%	15%

5.2 Project Co and the Board shall be entitled to the benefit of any Insurance Cost Decrease which is agreed or determined to exist pursuant to paragraph 3 or paragraph 4 as follows:

Insurance Cost Decrease	Authority's share of Insurance Cost Decrease	Project Co's share of Insurance Cost Decrease
Less than or equal to 30 %	0%	100%
Greater than 30%	85%	15%

6. The Review Procedure

6.1 This procedure shall apply when reviewing the Actual and Modelled Relevant Insurances Cost pursuant to paragraph 3 and paragraph 4.

6.2 Project Co shall, with the assistance of its insurance broker, and in the case of a review pursuant to paragraph 3.1 or paragraph 4.1, no later than the date which is fifteen (15) days prior to the next Relevant Insurance Cost Review Date, (at the cost of Project Co) deliver to the Board at least two copies of an insurance cost report which should, as a minimum, contain the following information:

6.2.1 The Actual Relevant Insurance Cost and any Portfolio Cost Saving for each year of the relevant Review Period;

6.2.2 Reasons for any premium variation from the Modelled Relevant Insurance Cost in the Actual Relevant Insurance Cost, including variations arising from:

6.2.2.1 claims history arising from acts, omissions, neglect or default of Project Co or any Project Co Related Party;

6.2.2.2 the effect of placing some or all of the Insurances within a policy or policies covering risks in other projects or matters which are outside the scope of the Project;

6.2.2.3 the effect of a change in how some or all of the Insurances is placed to that anticipated at financial close;

6.2.2.4 any other reasons that Project Co believes may have caused a change (by way of increase or decrease) in the Actual Relevant Insurance Cost;

6.2.2.5 the opinion of Project Co's insurance broker as to the reasons why the premium of the Actual Relevant Insurance Cost has varied from the Modelled Relevant Insurance Cost, specifying the impact of each of the factors and quantifying the amount attributable to each factor specified above; and

6.2.2.6 evidence satisfactory to the Board (acting reasonably) that the relevant Insurance Cost Increase or Insurance Cost Decrease is, with the exception of any Portfolio Cost Saving, due solely to circumstances generally prevailing in the UK insurance market.

6.2.3 The difference between the Modelled Required Insurance Cost and the Actual Relevant Insurance Cost in the relevant Review Period. (together the "Project Co's Statement").

6.3 Following notification to the Board under paragraph 6.2, the Board shall notify Project Co in writing within ten (10) days whether or not it accepts Project Co's Statement including full details of any disagreement. If the Board does not provide such notification and/or details of any disagreement to Project Co within such ten (10) day period, the Board shall be deemed to have accepted Project Co's Statement. In the event that the Board disagrees with any item in Project Co's Statement, the Parties shall use their respective reasonable endeavours acting in good faith to agree the contents of Project Co's Statement by the next Relevant Insurance Cost Review Date. If the Parties fail to agree the contents of Project Co's Statement within thirty (30) days from the date it was delivered to the Board, the matter shall be resolved in accordance with the Dispute Resolution Procedure.

7. Insurance Cost Index

If at any time an Insurance Cost Index is published and intended for use in PFI contracts of a similar nature to this Agreement, the Parties shall meet with a view to agreeing:

7.1 its application to the Project, taking into account any relevant guidance issued by the HM Treasury Corporate and Project Finance Team; and

7.2 how a Portfolio Cost Saving may be accounted for when the index is in use.

Part 4: Base Insurance Premiums

Part 5: Insurance Policy Endorsements

INSURANCE POLICY ENDORSEMENTS

Notwithstanding any other provision of this Policy, the following endorsement shall take effect immediately:

Section I: Definitions

1. In this endorsement:

Board means Greater Glasgow Health Board;

Borrower means Stobhill Healthcare Facilities Limited;

Facilities Agreement means the agreement dated on or around the date of this Agreement between, amongst others, the Borrower, the Facility Agent and Security Trustee;

Facility Agent and Security Trustee means Dexia Crédit Local, London Branch and Dexia Management Services Limited in its capacity as agent and trustee for the Finance Parties and includes its successors in that capacity;

Finance Parties has the meaning given to it in the Facilities Agreement and includes any assignee, transferee, successor or novated, replacement or additional creditor of or in relation to any of the foregoing;

Operating Account means the account in the name of the Borrower with The Royal Bank of Scotland plc with account number 11108582 and sort code 83-06-08.

Joint Insurance Proceeds Account means the account in the name of the Borrower and the Board with The Royal Bank of Scotland plc with account number 11108620 and sort code 83-06-08

Insured means those parties so described in the Policy Schedule;

Insurers means the insurer or insurers underwriting this Policy;

Project has the meaning given to it in the Facilities Agreement;

Section II: Policy formation / basis

2. Separate Policy

All the provisions of this Policy (except for those relating to limits of liability) shall operate as if there were a separate policy covering each Insured. Accordingly, the liability of the Insurers under this Policy to any one of the Insured shall not be conditional upon the due observance and

fulfilment of any other Insured of the terms of this Policy and of any duties imposed upon it relating thereto and shall not be affected by any failure in such observance or fulfilment of any such other Insured.

3. Interest of the Finance Parties and the Board

The Insurers acknowledge that the Finance Parties and (in respect of third party liabilities) their respective officers, directors, employees, secondees and assigns are each additional co-insureds under this Policy and that the premium specified in this Policy provides consideration for their being co-insured parties.

The Insurers acknowledge that the Board and (in respect of third party liabilities) their respective officers, directors, employees, secondees and assigns are each additional co-insureds under this Policy and that the premium specified in this Policy provides consideration for their being co-insured parties.

4. Liability for premium

Neither the Facility Agent, the Finance Parties nor the Board shall be liable for the payment of any premium or any other obligation owed to the Insurers under this Policy although the Facility Agent, the Finance Parties or the Board may choose to pay the premium. This shall not relieve the Borrower from its obligations to pay any premium under this Policy.

5. Disclosure

The Finance Parties shall have no duty of disclosure to Insurers in relation to the Policy. Nevertheless, on the written request of the Insurers, the Finance Parties shall provide the Insurers with access to any relevant due diligence report(s) commissioned by the Finance Parties relating to the Project and the Insurers shall keep such report(s) confidential and shall accept such information without rights of recourse against the policy / parties that prepared the said reports.

The Insurers acknowledge to the Finance Parties that (i) they have received adequate information in order to evaluate the risk of insuring the Borrower in respect of the risks hereby insured on the assumption that such information is not materially misleading, (ii) there is no information which has been relied on or is required by Insurers in respect of their decision to co-insure the Finance Parties or their directors, officers, employees or agents, and (iii) in agreeing to enter into this Policy, they have not relied upon or taken into account any information supplied to them by any Finance Party.

Non-disclosure or misrepresentation by one Insured shall not be attributable to any other Insured who did not actively participate in that non-disclosure or misrepresentation. Without prejudice

to the protections afforded to the Insured by this endorsement, no one Insured represents or warrants the adequacy or accuracy of any information provided or representation made by or on behalf of any other Insured.

Section III: Rights to avoid / cancel or change Policy terms

6. Non-vitiating

The Insurers undertake to each Insured that the Policy will not be invalidated as regards the rights and interests of such Insured and that the Insurers will not seek to avoid any liability under this Policy because of any act, neglect, error or omission made by any other Insured, including any failure by any other Insured to disclose any material fact, circumstance or occurrence, any misrepresentation by any other Insured or any breach or non-fulfilment by any other Insured of any condition, warranty or provision contained in the policy.

The Insurers agree that no Insured shall be penalised or prejudiced in any way by any unintentional or inadvertent misrepresentation, non-disclosure, want of due diligence or breach of any declaration, terms, condition or warranty of this Policy (together "the Relevant Matter"), but that this shall not apply as regards the individual Insured responsible for the Relevant Matter if that Insured fails to notify the Insurers or the brokers through whom the Policy was placed as soon as reasonably practicable after the management or managers of that Insured become aware or are made aware of the Relevant Matter.

7. Cancellation

- 7.1 The Insurers agree that they shall not seek to cancel or suspend the construction phases of this insurance except: (i) for non payment of premium; or (ii) where an insured party consistently fails to comply with Insurers' requirements relating to survey or loss control action points; or (iii) a breach of the Joint Fire Code of Practice. Each of these subject to the advance notification provisions in 7.2 below.
- 7.2 The Insurers shall promptly notify the Facility Agent and Security Trustee and the Board in writing in the event of any suspension or cancellation of this Policy by the Insurers or by the Insured or in the event of termination, expiry or lapse; and the cover provided by this Policy shall continue in force and unaltered for at least 30 days after written notice of such suspension, cancellation, termination, expiry or lapse is given to the Facility Agent and Security Trustee and the Board. Nothing in this clause shall give the Insurers any right to suspend, cancel or terminate this Policy which the Insurers do not otherwise have under this Policy.
- 7.3 The Insurers shall promptly notify the Facility Agent and Security Trustee and the Board in writing of any default in the payment of premium and shall give the Facility Agent and Security Trustee and the Board at least 30 days notice in writing before voiding this policy for non payment of premium, in order to give an opportunity for that premium to be paid within the notice period.

8. Changes in cover

The Insurers shall give the Facility Agent and Security Trustee and the Board at least 30 days notice in writing before any reduction in cover or increase in excess or deductible under this Policy takes effect. Nothing in this clause shall give the Insurers any right which they do not otherwise have to reduce cover or increase any excess or deductible under this Policy.

9. Amendments to Endorsement

During the term of this Policy, the provisions of this endorsement may only be amended by written agreement between the Borrower, the Insurers and the Facility Agent and Security Trustee, such amendment to be endorsed on the Policy.

Section IV: Claims

10. Notice of claims

Notice of claim by the Board or the Finance Parties or any other party entitled to indemnity under the Policy shall, in the absence of manifest error, be accepted by Insurers as a valid notification of claim on behalf of all other Insureds subject to the full terms of the Policy.

11. Claim Payments / Loss Payee

Payments made in accordance with this Clause 11 shall, to the extent of the payment, discharge the Insurers' liability to pay the Borrower or any other claimant Insured.

In respect of the Construction All Risks, Property All Risks and Machinery Breakdown Insurances

All claim payments below £250,000 or return premium shall be paid into the Insurance Account or to such other account as the Facility Agent as loss payee may specify in writing.

All claim payments above £250,000 or return premiums shall be paid to the Joint Insurance Proceeds Account or such other account as the Facility Agent directs in writing.

In respect of the Third Party Liability Insurance

All claim payments in respect of a third party liability shall be paid to person(s) whose claim(s) constitute the risk or liability insured against except in the case where the Insured has properly discharged its liability to such person(s), in which case the claim payment shall be paid to the Operating Account or such account as the Facility Agent directs in writing.

Any return premiums shall be paid to the Operating Account or such other account as the Facility Agent directs in writing.

In respect of Delay in Start Up, Business Interruption and Machinery Breakdown Interruption Insurances

All claim payments or return premiums shall be paid to the Operating Account or such other account as the Facility Agent directs in writing.

12. Waiver of subrogation

Except as provided for Insurers under Clause 13

- 12.1 The Insurers hereby agree to waive all rights of subrogation howsoever arising which they may have or acquire against any Insured described within the appropriate Schedules arising out of any Occurrence in respect of which any claim is admitted and is insured hereunder for the benefit of such Insured except against any:
- 12.2 such Insured (or officer, director, employee, agent or assign) who has caused or contributed to such an occurrence by fraud, deliberate misrepresentation, deliberate non-disclosure or deliberate breach of policy condition; or
- 12.3 consultant or equivalent professional party to the extent that their professional errors, omissions or activities not covered by this Policy have caused or contributed to a loss covered under this Policy; or
- 12.4 supplier or manufacturer to the extent that their errors, omissions or activities not covered by this Policy have caused or contributed to a loss covered under this Policy.

13. Primary insurance

The Insurers agree that this insurance provides the primary cover for risks insured under this Policy. In the event that any risk insured under this Policy is also insured under any other policy of insurance effected by any Insured, the Insurers agree to indemnify the Insured as if such other policy of insurance did not exist except in respect of:

- (a) layers of third party cover effected specifically for the Project;
- (b) any public liability claim against the Insured which exceeds the applicable limit of indemnity under the Policy, in which case the liability of the Insurers for additional legal costs and expenses shall be limited to the proportion that the applicable limit of indemnity bears to the total claim against the Insured;

- (c) any claim under the Policy to which a Marine 50/50 Clause applies;
- (d) any claim made under a Contingent Motor Liability extension to the Policy;
- (e) circumstances where there is a potential overlap of policy liability between the operational or construction project coverage effected for this Project.

Section V: Miscellaneous

14. Notice of Security Interest

The Insurers acknowledge that by an assignment contained in a debenture dated [] (the "Assignment"), the Borrower assigned by way of security to the Finance Parties all benefits and rights in respect of this insurance and all claims and returns of premiums in respect thereof to which the Insured is or may at a future time become entitled. The Insurers confirm that they have not been notified of any other assignment of or security interest in the Borrower's interest in this insurance.

15. Notice

All notices or other communications under or in connection with the Policy will be given by fax and post. Any such notice given by Insurers will be deemed to be given on the earlier of:

if by fax, when transmitted but only if the sender's fax machine confirms successful transmission; and

if by post, within 2 business days of release from the relevant Insurer's office.

The address and fax number of the Facility Agent and Security Trustee and the Board for all notices under or in connection with the Policy are those notified from time to time by the Finance Parties for this purpose to the insurance broker at the relevant time. The initial address and fax number of the Facility Agent and Security Trustee and the Board are as follows:

The Facility Agent and Security Trustee: Dexia Crédit Local, London Branch

Address: 55 Tufton Street
Westminster
London
SW1P 3QF

Fax No: (020) 7976 0976

Attention: Head of Project Finance

The Board

Address: NHS Greater Glasgow Primary Care Division
Division Headquarters
Gartnavel Royal Hospital
1055 Great Western Road
Glasgow G12 OXH

Fax No: 0141 211 3790

Attention: Head of Estates and Property Management

16. Role of the Facility Agent

The Facility Agent is not the agent of any party other than the Finance Parties for receipt of any notice or any other purpose in relation to this insurance.

17. Governing law & Jurisdiction

The Policy shall be governed and interpreted in accordance with English law. The Insurers submit to the jurisdiction of the English courts for the determination of any and all issues arising out of or in connection with this Policy (including its validity and enforceability).

APPENDIX 1

FORM OF BROKER'S LETTER OF UNDERTAKING

To: [Board]

[date]

Dear Sirs,

We confirm in our capacity as insurance broker to Project Co that the insurances (the "Insurances") specified in Part 1 to the Schedule Part 21 of the Project Agreement (the "Project Agreement") dated [] between the Board and [] ("Project Co") are as at today's date in effect on and in respect of the risks as set out in the attached cover notes, that all requirements of the Schedule Part 21 of the Project Agreement are satisfied in respect of the Insurances and that all premiums due at the date hereof in respect of the Insurances have been paid in full. We also confirm that the relevant endorsements set out in the appendix to this letter are in full force and effect in respect of the Insurances. Terms defined in the Project Agreement shall have the same meaning in this letter.

Pursuant to instructions received from the Project Co and in consideration of your approving our appointment or continuing appointment as brokers in connection with the Insurances, we hereby undertake in respect of the interests of the Board and the other insured parties in the Insurances referred to in the attached cover notes:

- 1 to use our reasonable endeavours to have endorsed on each and every policy evidencing the Insurances when the same is issued endorsements substantially in the form attached to this letter;
- 2 to pay all proceeds from the Insurances received by us in accordance with the relevant loss payable clauses set out in paragraph [] of the appendix of endorsements attached to this letter;
- 3 to advise the Board in advance of any change to the terms of, lapse, non-renewal and/or cancellation of the cover notes;
- 4 forthwith upon request, to supply to you and/or your insurance advisers (or your or their authorised representatives) copies of all placing slips;
- 5 promptly upon request to make available to you the originals of certificates, cover notes, renewal receipts and confirmations of renewal and payment of premiums and all policy documents in respect of the Insurances and/or all such documents held by us and not to dispose of or deliver these to any person without:
 - (a) keeping a true and certified copy of the same; and
 - (b) giving at least 10 Business Days' prior written notice of the intent to do so to you.
- 6 to disclose to the Insurers any fact, change of circumstance or occurrence material to the risks insured against under the Insurances promptly when we become aware of such fact, change of circumstance or occurrence;
- 7 to treat as confidential all information marked as or otherwise stated to be confidential and supplied to us by any person for the purposes of disclosure to the Insurers under the Insurances and not to disclose, without the written consent of that person, such information to any third

party other than the Insurers under the Insurances in satisfaction of our undertaking in paragraph 4; and

- 8 to notify the Board at least 90 Business Days prior to our ceasing to act as brokers to Project Co, unless impracticable because of circumstances beyond our control, in which case we shall notify the Board promptly upon becoming aware that we shall cease, or have ceased, so to act.

The above undertakings are given:

- (a) subject to any Insurers' right of cancellation following default in excess of 30 Business Days in payment of premiums due and owing in respect of the Insurances, but we undertake to give you a reasonable opportunity of paying such premiums before notification of cancellation on behalf of the insurers; and
- (b) subject to our continuing appointment for the time being as insurance brokers to Project Co.

This letter shall be governed by and construed in accordance with the laws of Scotland.

Yours faithfully,