ASSURED
To be attached to and form a party of Policy No. ........................................ of the ..........................................................

.......................................................... Insuring ..........................................................

.......................................................... (Mortgagee) and the United States of America, represented by the Secretary of Commerce, acting by and through the Maritime Administrator ("Assureds"), for account of themselves, as their respective interests may appear.

LOSSES PAYABLE
Losses payable to the Mortgagee and the United States of America, represented by the Secretary of Commerce, acting by and through the Maritime Administrator, as interest may appear, or order.

SUM INSURED
Part of $ ........................................ insures this interest, being the unpaid principal amount of a mortgage ("Mortgage") on the Vessel ..........................................................

("the Vessel") in respect of which a Contract of Insurance of Mortgage ("Mortgage Insurance Contract") was issued under Title XI, Merchant Marine Act, 1936, as amended, said sum insured reducing pro rata to the extent of payments made on account of the unpaid principal amount of the Mortgage unless paid with funds advanced by the Secretary of Commerce.

TERM
At and from the ........................................ day of ........................................, 19...........to the ........................................ day of ........................................, 19........... time.

PREMIUM
Underwriters to be paid in consideration of this insurance $ ........................................ being at the rate of ........................................ %.

.......................................................... ("Mortgagor") shall be directly liable to these Underwriters for all premiums under this Policy and there shall be no recourse against the Assureds for payment of premiums.

CANCELATION
This Policy may be cancelled:

(a) if payment of premiums as above provided is not made by the Mortgagor within thirty (30) days after such attachment, by these Underwriters giving to the Mortgagor and the Assureds five (5) days' notice of such cancellation. Written or telegraphic notice to said Assureds and the Mortgagor at their last known address (in the case of the United States of America: Attention Chief, Division of Insurance) shall constitute a complete notice as required under this clause and cancellation shall become effective five (5) days after receipt thereof by the United States of America. Such cancellation shall be without prejudice to claims and premiums earned and due for the period this Policy is in force and to any claim pending on the date of cancellation. A written or telegraphic notice sent through the brokers who negotiated the insurance or by the, at the request of these Underwriters, shall operate to effect cancellation in the same manner as if sent by these Underwriters direct, and

(b) by the Assureds giving to these Underwriters five (5) days' written notice of such cancellation.

TERMINATION
If at any time the liability of the Secretary of Commerce under the Mortgage Insurance Contract has terminated, other than by payment of the insurance provided for thereunder, this Policy shall automatically terminate, no notice to the Assureds being required. If practicable, the Assureds shall give prompt notice to these Underwriters of any such automatic termination.

In the event of cancellation or automatic termination of this Policy as above provided, net unearned premium shall be returned to the Mortgagor by these Underwriters.

CONDITIONS OF ATTACHMENT AND DURATION OF RISK
1. It is a condition of this Policy (subject always to the operation of the first proviso of Clause "2" hereof) that:

(a) the Vessel is insured under policies of marine Protection and Indemnity insurances and marine policies on Hull and Machinery, such policies being herein referred to, respectively, as "P & I Policies" and "Hull and Increased Value Policies", and collectively, as "Owner's Policies". All Owner's Policies shall be in form and amount satisfactory to the Maritime Administrator and the hull policy shall be no less comprehensive than the American Institute Time (Hulls) Form or similar clauses. Upon request of these Underwriters, full details concerning Owner's Policies will be furnished by the Maritime Administrator; and

(b) there shall be included in the Owner's Policies the Loss Payable Clause required under the terms of the Mortgage.

(Continued on following page)
2. This Policy insures only against the non-payment by underwriters on the Owner's Policies of a claim asserted thereunder for any liability, loss, damage or expense of, to or in respect of the Vessel, occurring or arising during the term of this Policy, which non-payment results from:

(a) any act of or omission by the Mortgagor or any agent thereof (other than non-payment of premium), or breach of any warranty, express or implied, in the said policies other than breach of the warranty contained in the F. C. & S. Clause thereof; or

(b) the fact that the accident or other occurrence out of which such liability, loss, damage or expense arose was caused by a peril not insured under the Hull and Increased Value Policies except for a peril insured against but excluded from said policies by the F. C. & S. Clause thereof; or

(c) the insufficiency in amount of the insurances described in Clause "1" hereof to satisfy claims of third parties against the Vessel resulting in a judicial sale of the Vessel, in which sale the lien of the Mortgage has been expunged in whole or in part;

Provided that notwithstanding the conditions of Clause "1 (a)" hereof it is agreed that should the Owner's Policies be rendered void from inception, or at any time during the policy term, by reason of an act or omission of the Mortgagor or any agent thereof, coverage hereunder shall not be affected and claims shall be payable hereunder as if the Owner's Policies had attached and remained in force during the policy term. Nothing in this provision, however, shall be deemed to require these Underwriters to assume any liabilities of underwriters under the Owner's Policies; and

Provided further that such act or omission or breach of warranty referred to in "(a)" and "(b)" above occurred without the consent or privity of the Assureds.

EXCLUSIONS

3. The insurance afforded by this Policy does not cover:

(a) the non-payment of a claim for any liability, loss, damage or expense, or any part thereof, of, to or in respect of the Vessel;

(i) collectible under the Owner's Policies or which would be collectible thereunder except for the insolvency of the underwriters thereon; or

(ii) not recoverable under the Owner's Policies by reason of any deductible or franchise included therein; or

(iii) which has been repaired or made good by the Mortgagor prior to payment of claim hereunder unless such repairs have been made or liabilities or expenses paid with funds advanced by the Secretary of Commerce

(aa) pursuant to any terms of the Mortgage providing that the lien thereof shall attach to and cover such advances which shall be added to the outstanding indebtedness under the Mortgage, or

(bb) with respect to which the Assureds will obtain the note or other evidence of such advance described in Clause "(b)" hereof; or

(b) any claim of the Assureds arising solely out of the insolvency of the Mortgagor.

In no event shall these Underwriters indemnify or contribute to, pro rata or otherwise, underwriters on the Owner's Policies.

As a condition precedent to any claim hereunder, unless waived by these Underwriters, the Assureds must have

(i) received from the underwriters on the P & I Policies or the Hull and Increased Value Policies, as the case may be, denial of claim for any liability, loss, damage or expense which is the subject of a claim hereunder, and

(ii) the Assureds or either must have instituted suit against such underwriters to collect such claim.

SUBROGATION OF UNDERWRITERS

4. (a) These Underwriters, upon payment of a claim under this Policy, shall, to the extent of such payment, be subrogated to the rights of the Assureds

(i) against the underwriters on the Owner's Policies,

(ii) against the Mortgagor under the Mortgage,

(iii) under any other instrument taken as security for the repayment of the principal amount of the Mortgage (except for the Mortgage Insurance Contract) and

(iv) under any note or other evidence of indebtedness taken by the Assureds in exchange for the advance by the Assureds of funds paid by these Underwriters.

Provided that such subrogation rights of these Underwriters as are herein provided

(i) shall be subordinate to all claims of the Assureds in respect of their rights and interest referred to in Clause "4(b)" hereof, whether existing at or after the time of payment of a claim hereunder.

(ii) shall not prevent the taking of any action referred to in Clause "4(b)" hereof and,

(iii) without the prior written consent of Assureds, shall not be exercised until the Assureds are made whole. The Assureds agree to cooperate with these Underwriters in the exercise of their subrogation rights provided the Assureds shall have first received indemnity satisfactory to them to protect against all cost, expenses and liability which may cause therefrom.
(b) It is further agreed that any action which the Assureds may take in respect of their rights and interest

(i) in the Mortgage,

(ii) in any other instrument evidencing the indebtedness secured thereby,

(iii) in any collateral or security or policies of insurance held by the Assureds (unless in conflict with the terms of Clause "I" hereof) or

(iv) in the Mortgage Insurance Contract, or any action taken in accordance with Title XI of the Merchant Marine Act, 1936, as amended, shall not be deemed to affect the insurance under this Policy;

PROVIDED that if any such action entails the advance of funds by the Assureds to the Mortgagor, the Assureds will obtain from the Mortgagor, at least to the extent that such advance is equal to claims paid or to be paid by these Underwriters, a promissory note or other written evidence of such advance stating the obligation of the Mortgagor to repay the indebtedness evidenced thereby. These Underwriters shall, subject to the terms hereof, be subrogated to all rights of the Assureds under said note or evidence of indebtedness.

NOTICE OF CLAIMS

5. The Assureds shall, as soon as practicable, report to Underwriters on this Policy

(a) any denial of liability by the underwriters on the Hull and Increased Value Policies for a claim thereunder, which denial could result in a claim under this Policy,

(b) any occurrence which may result in a loss under the P & I Policies or under the running-down clause of the Hull and Increased Value Policies in an amount in excess of the sums insured thereunder, and

(c) any accident or occurrence which could give rise to a claim under Clause "2(b)" hereof.

The terms and conditions of this form are to be regarded as substituted for those of the Policy to which it is attached, the latter being hereby waived, except provisions required by law to be inserted in the Policy.

Marginal captions are inserted for purposes of convenient reference only and are not to be deemed part of this Policy.