

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

Insuring _____
_____, as Mortgagee, for account of themselves, for the interest described below, said Mortgagee being herein referred to as "the Assured".

INTEREST Upon the interest of the Assured, as mortgagee of the vessel _____
(hereinafter referred to as "the Vessel").

LOSS PAYABLE Loss, if any, payable to Assured or order.

SUM INSURED _____ Dollars.
Part of _____ Dollars
insured this interest, being the unpaid principal amount of a valid mortgage held by the Assured on the Vessel, reducing pro rata to the extent of payments made on account of the mortgage indebtedness. This Policy also insures interest earned and unpaid to date of loss, which, however, with the unpaid balances, shall not exceed the sum insured hereunder.

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

PREMIUM These Underwriters to be paid in consideration of this insurance \$ _____,
being at the rate of _____ % per annum of the sum initially at risk hereunder.

CANCELLATION This Policy (other than for non-payment of premium) may be cancelled by either party on 30 days' notice in writing. Such notice, when given by these Underwriters shall be deemed to have been given at such time as written notice shall have been mailed to the Assured at its last known address or telegraphic notice sent thereto. A written or telegraphic notice sent through the brokers who negotiated this Policy or by them, at the request of these Underwriters, shall operate to effect cancellation of this Policy in the same manner as if sent directly by these Underwriters Net unearned premium to be returned in the event of cancellation by either party as aforesaid.

In the event of non-payment of premium 30 days after attachment, this Policy may be cancelled by these Underwriters upon five days' written notice being given the Assured in the form provided for above. Such proportion of the premium, however, as shall have been earned up to the time of such cancellation shall be due and payable; but in the event of payment by these Underwriters of the sum insured hereunder by reason of non-payment by underwriters of the Hull Policy of a claim asserted thereunder for any liability loss, damage or expense of, to or in respect of the Vessel occurring or arising prior to cancellation, the full annual premium shall be deemed earned.

TERMINATION Unless otherwise agreed to in writing by these Underwriters, the insurance afforded by this Policy shall terminate in the event that there has been a change, voluntary or otherwise in the ownership of the Vessel or it has been placed under new management or chartered on a bareboat basis or requisitioned on that basis.

CONDITIONS OF ATTACHMENT AND DURATION OF RISK

1. It is a condition of this insurance that during the term of this Policy:
 - (a) the Vessel is covered by policies of insurance on the form and in the amount specified below:

- (b) the Assured is named as a loss payee in the policies above described, which are herein referred to collectively and separately and defined as "the Hull Policy".

(Continued on following page)

**RISKS
INSURED
AGAINST**

2. This Policy insures only against the non-payment by underwriters of the Hull Policy, of a claim asserted thereunder for any liability, loss, damage or expense occurring or arising during the term of this Policy, which non-payment results from any act of, or omission by, the assured(s) named in the Hull Policy, or breach of any warranty, express or implied, in the Hull Policy other than breach of the warranty contained in the F. C. & S. Clause thereof;

PROVIDED that such act or omission or breach of warranty occurred without the consent or privity of the Assured.

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:
 - (i) collectible under the Hull Policy or which would be collectible thereunder except for the insolvency of the underwriters thereon; or
 - (ii) not recoverable under the Hull Policy by reason of any deductible or franchise included therein;
 - or
 - (iii) which has been satisfied, repaired or discharged prior to payment of a claim hereunder; or
 - (b) any claim of the Assured arising solely out of the insolvency of the owner of the Vessel.

In no event shall these Underwriters indemnify or contribute to, pro rata or otherwise, underwriters of the Hull Policy.

**CONDITIONS
PRECEDENT
TO CLAIM**

4. As a condition precedent to any claim hereunder, unless waived by these Underwrites;
- (a) the underwriters of the Hull Policy must have denied the claim for any liability, loss, damage or expense which is the subject of a claim hereunder, and
 - (b) the Assured shall have instituted suit against such underwriters to collect such claim.

**SUBROGATION
OF UNDER-
WRITERS**

5. (a) These Underwriters, upon payment of a loss under this Policy, shall, to the extent of such payment, be subrogated to all of the rights of the Assured under the Hull Policy the Mortgage on the Vessel and any note or bond secured thereby, and under any other instrument taken by the Assured as security for the repayment of the mortgage indebtedness. On the request of these Underwriters, the Assured shall execute and deliver all documents necessary to effect a valid assignment of the said policy, mortgage, note or bond, and any other instrument taken by way of security as aforesaid, and of all the right, title and interest of the Assured therein. Any net sum recovered by these Underwriters in excess of the amount due to them by reason of their rights of subrogation as aforesaid shall be held for the account of the Assured.

(b) If any event occurs which does or could give rise to a claim under this Policy, the Assured shall not in any way, whether by act or failure to act, impair these Underwriters' rights of subrogation as aforesaid. Any claim under this Policy shall be reduced to the extent that such rights of subrogation have been impaired.

**NOTICE OF
POSSIBLE
CLAIM AND
SURVEY**

6. (a) The Assured shall, as soon as practicable, report to these Underwriters any denial of liability by the underwriters of the policies described in Clause "I" hereof for a claim thereunder which denial could result in a claim under this Policy.

(b) Whenever requested, the Assured shall arrange for attendance at any hull survey of a surveyor appointed by these Underwriters.

The terms and conditions of this Policy 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 this Policy.

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