It is agreed that the following changes are made to the policy to which this ADDENDUM is attached:

1. Lines 61-62 of the attached policy are hereby deleted and the following substituted therefore:

Subject to the provisions of exclusion (B) of the following paragraph, in the event that faulty design of any part or parts should cause physical loss of or damage to the vessel this insurance shall not cover the cost or expense of repairing, replacing or renewing such part or parts, nor any expenditure incurred by reason of a betterment or alteration in the design. Faulty design shall include, but not be limited to, errors, omissions or deficiencies in plans, drawings, specifications or calculations.

Further, Underwriters shall not pay for any loss, damage or expense caused by or arising in consequence of:

(A) Faulty workmanship, or the installation or use of improper or defective materials, unless resulting in destruction, deformation, breaking, tearing, bursting, holing or cracking of the vessel, or any other like condition, and which loss, damage or expense is not otherwise excluded under the terms and conditions of the war, strikes and other exclusions clause of the attached policy; provided that Underwriters in no event shall respond for the cost or expense of repairing, replacing or renewing any improper or defective materials;

(B) Faulty production or assembly procedures even if constituting faulty design.

2. The following clause shall apply to “PART II – LIABILITY SECTION”:

Combined Single Limit

Regardless of the number or types of liabilities insured against hereunder, or the number of risks involved, these underwriters shall not be liable for more than $_________ including costs, expenses, and legal fees, for any one accident or occurrence, or series of accidents or occurrences, arising out of the same event.

3. Line 147 shall be deleted and replaced with:

Loss of life of, or bodily injury to, or illness of, any person, excluding, however, liability under any Compensation Act to any employee of any Assured (other than a seaman) or in case of death to such employee’s beneficiaries or others.

Provided, however, that the insurance hereby afforded against loss of life, bodily injury or illness as aforesaid, shall attach only from the moment the Vessel becomes waterborne and shall terminate at the same time as the other insurances afforded by this Policy.

4. POLLUTION

Notwithstanding lines 161 — 166 of the Protection and Indemnity clauses, and subject to all of the terms, conditions, warranties and exclusions, expressed or implied, contained in the Policy, the insurance hereby afforded is extended to cover any loss, damage, cost, liability or expense of any kind or nature whatsoever, as the Assured, as owner or operator of the Vessel, shall become liable to pay and shall pay, directly or indirectly, in consequence of or with respect to, the actual or potential discharge, emission, spillage or leakage upon or into the seas, waters, land or air, of oil, fuel, cargo, petroleum products, chemicals or other substances of any kind or nature whatsoever; provided, however, that notwithstanding anything to the contrary contained in this addendum or in the Policy, the Underwriters shall not be liable to indemnify the Assured for:

(A) any such loss, damage, cost, liability or expense unless proximately caused by fault on the part of the Assured, or
(B) any loss, damage, cost, liability or expense incurred by or imposed on the Assured, or any other person, under the provisions of any federal, state or local legislation regulating or controlling the discharge, emission, spillage or leakage of oil or any other substance into navigable waters or elsewhere and/or the removal of or liability for such discharge, emission, spillage or leakage. The phrase “federal, state or local legislation” shall include laws or regulations of any foreign nation or political subdivision thereof, or of the District of Columbia, the Commonwealth of Puerto Rico, The Canal Zone, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands, or

(C) any fine or penalty arising out of the actual or potential discharge, emission, spillage or leakage upon or into the seas, waters, land or air, of oil, petroleum products, chemicals or other substances of any kind or nature whatsoever.

The insurance afforded by this section 4 shall not increase the limit of the Underwriters’ liability under the Protection and Indemnity clauses of the Policy with respect to any one accident which limit shall be such proportion of sums paid by the Assured as Underwriters’ subscriptions bear to the Agreed Value of the Vessel not exceeding the Amount Insured Hereunder. A series of accidents arising from the same event shall be treated as due to one accident.

5. The following provision is added after line 205 of the attached policy:

In case of any agreement or act, past or future, by the Assured whereby any right or recovery of the Assured against any person or entity is released or lost to which the Underwriters on payment of loss would be entitled to subrogation but for such agreement or act, this insurance shall be vitiated to the extent that the right of subrogation of the Underwriters has been impaired thereby; and in such event the right of the Underwriters to retain or collect any premium paid or due hereunder shall be not affected.

ALL OTHER TERMS, CONDITIONS, LIMITATIONS AND EXCLUSIONS REMAIN UNCHANGED.