

FRENCH MARINE HULL INSURANCE POLICY FOR ALL VESSELS

Other than fishing vessels, pleasure boats, sailing ships or vessels equipped with auxiliary engines.

(Policy Form dated 1st January 1979)

N° :

Broker :

Assured :

Vessel :

Duration of cover :

The present contract is governed by Articles L 171-1 to L 173-26 and by Articles R 171-1 to R 173-7 of the "Code des assurances" (in so far as the following conditions are not inconsistent with the non-obligatory provisions thereof). Attention is particularly drawn to the obligatory provisions set out in Article L 171-2 of the Code, and, in particular, to those of Articles L 172-2 and L 172-3 (non disclosure and misrepresentation by the Assured and declarations of aggravation of risk arising during the period of validity of the contract) ; Articles L 172-6 and L 172-8 (fraudulent over-valuation) ; Article L 172-9, Line 1 (obligation to disclose any additional insurances to Insurers to whom the claim is made) ; and Article L 172-28 (forfeiture of rights of an Assured having made in bad faith an inaccurate declaration relating to a loss).

GENERAL CONDITIONS

Article 1

Insurers are liable for loss or damage to the insured vessel, to the extent of its agreed value, arising from storm, shipwreck, stranding, collision, jettison, fire, explosion, pillage, and generally through all accidents and risks of the seas.

These risks remain covered in the event of forced deviation of course and change, of voyage, and in the event of negligence of the Master, seamen or pilots.

They remain covered in case of negligence of the land-based agents of the shipowner, and in case of latent defects of the hull or machinery.

Article 2 - third party claims

Insurers are further liable to the extent of an amount equal to the agreed value of the insured vessel, for third party claims exercised against the insured vessel following collision of the latter with a seagoing vessel, an inland navigation craft or a floating object not on a permanent mooring, or following contact of the insured vessel with any other property or installation.

Cover is also granted, in respect of third party claims against the insured vessel for damages caused by its tenders, hawsers, anchors and chains whilst they are attached to the insured vessel, being handled or used in the vessel's service.

The cover for third party claims relating to loss of part or all of the cargo or bunkers of any vessels, craft, units, properties or installations, is limited to reimbursement of losses incurred by the owners, representatives or beneficiaries of the properties lost. All other claims lodged against the insured vessel for damage or detriment as result of loss, jettison, spilling of all or part of the cargo or bunkers of the vessel or of any other vessels, craft, units, properties or installations are excluded from the cover granted by Insurers.

If a third party makes a claim against the insured vessel, and the shipowner does not invoke the limitation of liability to which he would be entitled to avail himself under the relevant legislation, the amount of the settlement for which Insurers are liable should not exceed that which they would have had to pay if such limitation had been invoked.

Article 3 – cargo

It is permitted to take on board persons, horses, equipment, ammunition, inflammable, explosive or corrosive substances, and generally goods of any nature whatsoever, either in the holds or on deck, within the conditions laid down by regulations or recognised commercial custom, or by permission of the competent authority.

II RISKS EXCLUDED

Article 4

A. Insurers are not liable for

**1. Any event of whatsoever nature resulting from the violation of a blockade, contraband or trade of a prohibited or clandestine nature ;
Any fine, confiscation, sequestration or requisition ;**

The consequences of

- fault on the part of the shipowner and his executives in the fleet management, that is : Managers, Branch Managers, Superintendents, Heads of Technical Departments ;**
- fault by the owners' land-based agents, either by fraud or by wilful misrepresentation**
- wilful misconduct of the Master.**

- 2. Loss or damage arising from an inherent vice or "Wear and Tear", as well as from the replacement or repair of parts affected by a latent defect ;**
- 3. Wormholes on parts of, the vessel not protected by metal sheathing, as well as damage caused to such parts by shipworms or other molluscs ;**
- 4. All expenses connected with winter lay-up, quarantine or lay-days, as well as consequences of all sanitary measures or disinfection ;**
- 5. Detriment other than physical loss or damage directly affecting the insured interest, such as lay-up, delay, variations in rates of exchange, and obstacles to the business of the Assured ;**
- 6. All consequences for the vessel of acts, of whatsoever nature, of the Master or the crew, when ashore ;**
- 7. All claims by any party for whatever cause, for damage or detriment relating to the cargo or to the commitments of the insured vessel ;**
- 8. All claims arising from loss of life or injury, or from personal accident or bodily harm ;**
- 9. Losses caused by the direct or indirect effects of explosion, release of heat, irradiation emanating from the transmutation of atomic nuclei or from radioactivity, as well as losses due to the effects of radiation caused by the artificial acceleration of particles.**

B. It is expressly agreed that Insurers shall at no time be liable for

- 1. All bottomry premiums as well as consignment brokerage and advances of funds incurred in any place other than a port of refuge ;**
- 2. Seizure or sale of the insured vessel in any place and for whatsoever reason, as well as costs of any bond which may be issued in order to obtain release from such seizure.**

Article 5

Insurers are exempt from liability for loss or damage arising from civil or foreign war, hostilities, reprisals, mines, torpedoes or other engines of war, and generally from all accidents and risks of war, as well as from acts of sabotage and terrorism having a political nature or being connected with war.

It is specifically provided that, if it is not possible to establish whether the origin of the loss is a war risk or a risk of the seas, it shall be regarded as resulting from a risk of the seas.

Article 6

Insurers are also free from liability for loss or damage arising from

- a) piracy ;**
- b) capture, prize, arrest, seizure, restraint, molestation or detention by any government or other authority whatsoever ;**
- c) riots, civil commotions, strikes, lock-outs or other similar events.**

III DURATION OF COVER

Article 7 - determination of voyage

The cover under voyage policies begins at the moment when the vessel casts off or weighs anchor and ceases at the moment when it moors or anchors at destination. However, if cargo has been shipped on board, the cover runs from the moment when loading of the cargo commences and it ceases as soon unloading is completed, or within a period of fifteen days after arrival at the port of destination, unless at such port it has loaded cargo for another voyage before the expiry of such period, in which case the cover ceases immediately.

The insurance cannot operate to the benefit of the Assured for any voyage policy relating to which risks have not commenced within two months from the date of underwriting, unless another period has been expressly agreed.

Article 8 - quarantine

Quarantine is considered as forming part of the voyage giving rise to it. Nevertheless, if the vessel insured under a voyage policy has to go into quarantine elsewhere than at its place of destination, Insurers are entitled to an additional premium of three-quarters per cent per month, from the date of departure for quarantine until the date of return from such quarantine.

The same additional premium is payable when the vessel insured under a voyage policy, finding its port of destination inaccessible, lies off such port or sails for other ports. In this event, the risks insured will be held covered during all such delays and deviations, but this extension is limited to a period of six months from the date of arrival off the closed port ; but Insurers are not liable for any costs or additional expenditure resulting from any such deviations or delays.

The Assured is always at liberty to terminate the risks at any time before the expiry of the above-mentioned period of six months.

In the case of a round voyage policy, a delay of four months is allowed without any increase in premium, from the time when the vessel reaches the first port where it should have commenced its operations. If the delay exceeds four months, Insurers will be entitled to an additional premium of two-thirds per cent for each additional month.

Article 9 - possible extension of cover

In time policies, Insurers' liability ceases on the fixed expiry date provided for in the policy, regardless of where the vessel is at the time.

However, if at such time the vessel is under repairs as a result of a loss covered by the policy, or is in the course of a voyage, having suffered a loss covered by the policy, cover will be extended in the former case until completion of the repairs certified by surveyors and, in the latter case, up to the completion of the voyage and, in either case, subject to an additional premium on a daily pro rata basis for the additional period of risk. In case of loss during this period of extension, premium for a further six- month period of cover shall be due to Insurers.

IV EXTENT AND LIMITS OF THE INSURANCE

Article 10

The vessel has leave to enter or be towed into ports, roads, rivers and canals and to sail out again without a pilot. It also has leave to navigate either under sail or engine simultaneously or separately, to carry out towing or salvage operations and to render assistance, it being understood that damage sustained during such towing, salvage or assistance operations is recoverable from Insurers only insofar as the Assured cannot secure recovery elsewhere.

The vessel is also covered during repairs, whilst in dock, on gridiron and in dry-dock, on slipway and generally in any place whatsoever within the navigational limits laid down in the policy.

Article 11 - limits of trading

Notwithstanding the general trading limits covered by the policy, the vessel is not permitted to navigate within the following areas unless prior notice is given and an additional premium is paid.

However, if the insured vessel is obliged to enter the prohibited areas through "force majeure", or in order to render assistance or to carry out salvage operations, it will be held covered subject to the payment of an additional premium to be agreed

1. Waters situated north of Lat. 70" N. Greenland waters, except in the case of direct voyages to or from any port or place in Norway or Kola Bay.
2. Behring Sea, Eastern Asia north of Lat. 46" N, all points of the Siberia Coast except Nokhodka and Vladivostock.
3. From or to any port or place on the Atlantic Coast of North America, its rivers and neighbouring islands
 - a) at any time of the year, north of Lat. 52" 10' N. West of Long. 50" W,
 - b) between 1st December and 30th April (both dates inclusive) south of Lat. 52" 10' N, inside the quadrilateral bounded by lines drawn between
 - Battle Harbour and Pistolet Bay
 - Cape Ray and Cape North (Nova Scotia) - Port Hawkesbury and Port Mulgrave
 - Baie Comeau and Matane
 - c) between 16th November and 15th May (both dates inclusive) in the area comprised between Montreal in the west and a line drawn between Baie Comeau and Matane in the east.
4. All ports or places on the Great Lakes, or on the Saint Lawrence Seaway west of Montreal.
5. From or to any port or place on the Pacific Coast of America, its rivers and neighbouring islands north of Lat. 54" 30' N. or west of Long. 130" 50' W.
6. From or to the Islands of Kerguelen or Croset, or south of Lat. 50" S., except ports or places in Patagonia, Chile or the Falkland Islands ; but liberty is given to enter waters south of Lat. 50" S. for the sole purpose of reaching ports or places not excluded under this clause, or returning therefrom.
7. In the Baltic Sea and adjacent waters : north of a line from Mo (Lat. 63" 24' N.) to Vasa (Lat. 63" 06' N.) between 15th November and 5th May (both dates inclusive) ; east of a line from Viipuri (Vyborg) (Long. 28" 47' E.) to Narva (Long. 28" 12' E.) between 21st

November and 5th May (both dates inclusive) ; north of a line between Stockholm (Lat. 59° 20' N.) and Tallinn (Lat. 59° 24' N.) between 15th December and 15th April (both dates inclusive) ; east of Long. 22° E. and south of Lat. 59° N. between 15th December and 15th April (both dates inclusive).

8. When the vessel sails with Indian coal as cargo between 1st March and 30th September (both dates inclusive) ; however, between 1st July and 30th September (both dates inclusive), the vessel is covered for voyages to Asiatic ports situated between Aden and Singapore.

V DETERMINATION OF THE INSURED VALUE

Article 12 - agreed value

The agreed value of the vessel is fixed as is and is conclusive, the parties mutually agreeing to waive any other estimate except in case of excessive over-valuation, subject also to the terms of the first paragraph of article 26 and of the whole of article 27.

Such value includes jointly the Hull and Machinery, as well as all the vessel's fittings, in particular victuals, advances to the crew, outfit and equipment and all disbursements, unless it may be proved that any of these expenses were related to interests other than the shipowner's.

In the absence of such proof, the Insurers of the vessel are entitled, in the event of abandonment, to reduce the agreed value by the amount of any separate insurances on victuals, advances to the crew, outfit and equipment or disbursements effected before or after the insurance on the vessel.

Article 13 - additional insurances

Unless prior agreement has been obtained from Insurers, the Assured shall not effect any insurance in respect of Increased Value.

Any insurance effected by the shipowner or shipowners, by their order or on their account, contrary to the terms of this article, reduces proportionately the sum insured on the vessel in the event of total loss or abandonment.

VI. - RIGHTS AND ' DUTIES OF THE ASSURED

Article 14 - premiums, taxes, charges and duties

1. In voyage insurance, the premium is payable in cash and Insurers are not on risk until the premium has been paid in full.

2. In time insurance, the premium is payable within thirty days of the inception of the policy.

However, if the insurance is contracted for a period of twelve months, the Assured has liberty, provided he has opted for this method before the commencement of the risk, to pay the premium in four equal instalments, as follows The first instalment, within thirty days from the inception of the policy ;

The second instalment, within three months from the inception of the policy ; The third instalment, within six months from the inception of the policy ; The fourth instalment within nine months from the inception of the policy.

In the event of non-payment of any one of the above instalments, cover will be suspended eight days after Insurers have sent final notice of the amount to be paid to the Assured by registered letter at his latest domicile known to them. Suspension of cover will take effect automatically at expiry of this period and will last until 0 hour on the day following payment of the outstanding premium. Insurers, in consequence, whilst expressly reserving all their contractual rights against the Assured, in particular their right to recovery of the entire premium as laid down, are not obliged to pay any indemnity for any casualty occurring during such period of suspension of cover. In the above circumstances, Insurers may also demand, if they prefer, that the insurance be cancelled on the above conditions and with the above period of notice, waiving, however, that proportion of the premium relating to the unexpired period of the policy.

3. In the event of total loss or abandonment for which they are liable, the premium due to those Insurers who have paid the full amount in respect of such loss will be, in time insurance, irrespective of its duration, the premium for twelve months' navigation. If Insurers are not liable for the loss or abandonment, the premium due to them will be that for the period from the inception of the risk until the date of the loss or notice of abandonment, provided the premium due to Insurers is not less than that which is due for three months.

In voyage insurance, the whole premium is always due to Insurers except in the case provided for in the last part of this paragraph.

In the event of total loss before the inception of the risks, the entire premium will be returned without deduction ; but if the contract is cancelled by the Assured before its inception for any cause other than the total loss of the vessel, Insurers will be entitled to a forfeit amount equal to one-half per cent of the sum insured, provided that this forfeit does not exceed the agreed premium.

4. The cost of the policy and taxes, charges and duties existing or liable to be imposed shall be paid by the Assured. They are always payable in full and in cash, without any deduction, when the premium falls due.

5. The premium, cost of the policy, taxes, charges and duties, are payable at the place where the policy is underwritten, directly to Insurers or, at the request of the Assured, to such person or organization designated by Insurers.

Article 15 - staying in port - time insurance

1. If, at the inception of the period of insurance, the vessel stays in port for at least fifteen consecutive days, a return of $1/24$ (one twenty-fourth) of the annual navigating premium will be made, after deduction of the premium fixed in the policy for staying in port. If the stay in port exceeds fifteen days, a return of premium will be made as provided for above for each period of fifteen consecutive days following the first period of fifteen days.

2. If, during the period of insurance, the vessel stays in port for at least thirty consecutive days, a return for this period - the vessel being held covered by Insurers - of $1/12$ (one twelfth) of the annual premium will be made, after deduction of the port risks premium provided for in the policy. If the stay in port is extended beyond thirty days, returns of premium will be made for each period of fifteen consecutive days after the first period of thirty days.

However, if during stay in port, the vessel undergoes repairs for which Insurers are liable under the policy, the number of days required for such repairs will be deducted from the total of days of lay-up, in order to establish the periods giving right to returns.

It is understood that the balance of such number of days shall in all cases reach the minimum periods provided for above, before a return of premium shall be due.

If repairs are carried out simultaneously for account of both the Insurers and the Assured, the exact period of each category of repairs will be determined by surveyors appointed with the Insurers' agreement.

3. The days of arrival and departure, as well as the days on which repairs are started and completed, will not be counted as days giving right to returns.

4. The premium returns provided for in the above paragraphs 1 and 2 are only payable to the Assured, if the vessel has not been the object of a settlement due to total loss or abandonment. Such returns will be calculated only at the expiry of each six-month period of insurance.

Article 16 - measures of safeguard and for the purpose of averting or minimising a loss

I. In the event of any casualty liable to give rise to a claim against Insurers without prejudice on either part, the Assured must and Insurers may take or require all measures of safeguard or salvage which the situation may demand. The Assured must furnish Insurers with all documents or information within his power in order to assist in the execution of measures of safeguard. In case of loss or damage caused by third parties, the Assured must also take all necessary measures to preserve, for the Insurers' benefit, the legal right of recovery that he may have against such third parties, and give full co-operation to Insurers in any proceedings which may be necessary.

The Assured is responsible for neglecting to advise Insurers or their representatives, or for impeding any action on the part of Insurers as well as for taking himself all measures of safeguard, or giving the Master instructions to such effect.

2. Insurers will repay the expenses incurred relating to a risk covered in the policy, with a view to saving the vessel from any material loss or damage covered by the policy, or limiting such loss or damage.

Article 17 - waiver of recovery rights

Insurers waive all personal recourses against the Master or any person for whom the Assured is responsible under Civil Law, in the event of alleged negligence on the part of such persons, unless the Assured himself is involved with such persons.

Article 18 - mortgages

Any marine mortgage affecting the insured interest at the time of signature of the policy or contracted during the period of cover must be notified to Insurers and the premium must be paid immediately, unless the mortgagees guarantee the payment on due date ; failure to comply will render the insurance void.

However, the policy will not be void in accordance with this article if the mortgage which was not declared to Insurers was contracted after the signature of the policy, always provided that the amount of such mortgage together with that of other mortgagees (if any) attaching to the vessel is less than 50 % of the agreed value of the vessel ; in consideration of which, the Assured shall pay to Insurers, if he has not declared the mortgage to Insurers within fifteen days of its registration, a sum equal to one-half of the agreed premium.

Article 19 - voidness or cancellation of the insurance

1. Any insurance which is taken out after the arrival of the vessel or after a loss affecting the vessel, even on a "lost or not lost" basis is void if it is proved that such news had arrived, by whatsoever means, before the conclusion of the contract, either at the place where the policy was signed, or where the Assured or the Insurers were, even if third parties unknown to Insurers or the Assured were aware of such news, unless the Assured can prove his good faith.

2. In the event of the bankruptcy, legal liquidation or insolvency of the Assured, Insurers may cancel the policy by sending to the Assured, at his last address known to them, by registered post, a formal notice of what is to be paid. Such cancellation will become effective automatically eight days after the sending of this letter, and Insurers will waive their right to that proportion of the premium which relates to the unexpired period of cover.

In the event of bankruptcy, legal liquidation or insolvency on the part of an Insurer, the Assured shall have the same rights with regard to this Insurer.

In the event of complete withdrawal of governmental licence, the policy will cease to have effect under the terms of articles L 326-12 and R 326-1 of the "Code des Assurances" in relation to the company concerned.

3. Public sale of the vessel automatically terminates the insurance as from the date of the sale.

In the event of change of ownership of the vessel, or of at least fifty per cent of the insured interest, the insurance automatically terminates as from the date of change of ownership, unless otherwise agreed in advance.

In the event of chartering of the vessel, the insurance continues in full force unless otherwise agreed, subject to the payment of an additional premium if required.

4. In time insurance, the policy may be cancelled by mutual agreement before expiry of the period of insurance, subject to a pro rata return of premium in respect of each uncommenced period of fifteen days ; however, the net premium payable can never be less than half the agreed premium for the period of cover.

The policy may be cancelled by Insurers subject to one month's notice at any time after the expiry of the first period of three months, if the cost of repairs in France has increased by more than 20 % compared to the cost at the time the policy was taken out ; in this event, a return of premium will be made proportionally to the unexpired period of cover. The coefficient of price increase shall, in case of dispute, be submitted to arbitration by the "Chambre Syndicale des Constructeurs de Navires".

Article 20 - time bar

The time limit for notifying claims shall be barred after two years, in accordance with the provisions of article L 172-31 and article R 172-6 of the "Code des Assurances".

VII SETTLEMENT OF CLAIMS

Article 21 - separate settlement per voyage

In time insurance or round voyage insurance, each voyage will be the object of a separate settlement ; each settlement being established as though there were as many separate policies as voyages.

A voyage effected by a vessel in ballast in order to collect cargo is considered as a separate voyage.

Whenever cargo is loaded for one or several ports, there is only one voyage from the commencement of the loading operations until the completion of the unloading operations, provided that the time required for unloading does not exceed a period of fifteen days from arrival at the port of destination.

3. During the period spent by the vessel in a port outside the limits of a voyage such as defined as above, each accident for which Insurers are liable is to be the object of a separate settlement.

Article 22 - abandonment

1. Abandonment may only be declared in the following cases

a) Missing ship or total destruction of the vessel.

Abandonment by reason of absence of news may be made thus : for a deep-sea voyage, after three months ; for a coastal, voyage, after two months.

Such periods received. Are based on the place of destination of the last voyage undertaken and the date on which the last news was

The Assured must prove the non-arrival of the vessel.

As far as the Insurers of this policy are concerned, the loss of a vessel without news on the date of the last news. will be considered as having occurred

b) Unseaworthiness resulting from any of the risks enumerated in article 1 of the General Conditions.

If the total cost of repairing damage, assessed in accordance with article 23, paragraphs 1 and 2 (after deduction of the value of the old materials) reaches or exceeds the agreed value, and if, as a result, it is decided that the vessel should be condemned, the vessel shall be regarded as unseaworthy for the purposes of this insurance and may be abandoned to Insurers.

When assessing the total cost of repairs, only those repairs of damage resulting from a risk provided for in article 1 of the General Conditions and prescribed by the surveyors to put the vessel back into a good state of seaworthiness shall be taken into account. In particular, no amount for unforeseen expenses, wages and maintenance of the crew, bottomry premiums, survey fees and those of proceedings, salvage, etc. shall be included therein, nor the cost of temporary repairs.

If the vessel, after having been repaired, arrives at its destination, notice of abandonment is not acceptable, even though the cost of repairs may have reached or exceeded the agreed value. In this event, the only claim open to the Assured is for Average, subject to the deductible and deductions provided for in articles 23 and 24. A similar course of action is open to the Assured on Free of Particular Average terms.

Likewise, the vessel is regarded as unseaworthy and may be abandoned to Insurers when it has been condemned due to lack of appropriate materials for repairs, but only when it is established that the vessel could not safely sail, if necessary after having been lightened or taken in tow, in order to proceed to another port where such facilities were available and, furthermore, should the owners be unable to despatch to the port of refuge any spare parts unavailable there.

On the other hand, the vessel cannot be regarded as unseaworthy nor be abandoned to Insurers, if it has been condemned simply because of lack of funds to pay the costs of repairs or other expenses.

2. When giving notice of abandonment, the Assured is bound to declare all policies of insurance which he has contracted or of which he is aware.

3. In all cases giving rise to abandonment, Insurers to whom the insured property has been abandoned, always have the option of accepting the abandonment or of settling a total loss without transfer of ownership. They are obliged, however, to notify the Assured of their decision within thirty days from the date on which the Assured has provided them with all documentary evidence of his right to abandonment.

In the event of abandonment, the vessel's Insurers are not entitled to advanced freight nor state subsidies.

Wages and maintenance which may be due to the crew by the owners, as well as repatriation expenses, extra maintenance and other expenses for the crew, will never be borne by Insurers in the salvage apportionment ; should they have been deducted from the proceeds of the vessel or its wreck, they will be claimed from the Assured.

This provision will apply even when no freight has been advanced nor prepaid, or when no state subsidy has been granted.

Article 23 - particular average - survey - repairs

The Assured is bound to arrange a survey of any damage jointly with the Insurers' representatives within thirty days from the time of arrival of the vessel at its port of call after completion of the voyage during which such damage occurred ; if the damage occurred in the port itself, the survey should take place within thirty days of its occurrence.

The role of the surveyors appointed by mutual agreement or, failing that, by the Court, will be to establish the cause of the damage, to ascertain the nature and extent thereof, and to draw up the specification of any repairs which they deem necessary, as provided for in paragraph 1 below.

The Assured shall have such repairs carried out without delay. If, for any reason whatsoever, even in case of "force majeure", repairs are not undertaken at the latest six months after the damage has occurred, the amount for which Insurers are liable will not exceed that amount which they would have had to pay if the repairs had been undertaken within the said period.

For this purpose, it is agreed that the surveyors must evaluate what the cost of the repairs would have been if they had been undertaken within the prescribed period. To this end, they will collect all relevant information and, in particular, the price of raw materials, cost of wages and general expense factors in force at the time, all such information being recorded in their report.

Settlements in Average are, furthermore, subject to the following provisions

1. In settlement of average, only the cost of replacements and repairs regarded as necessary by the surveyors to make the vessel seaworthy, duly evidenced by receipted invoices, will be accepted. The Assured will not be entitled to any other indemnity due to depreciation or loss of earnings or to any other cause.

2. Insurers are entitled to require that repairs or replacements be carried out through public or private tender.

3. In the event of non-compliance by the Assured with this requirement, a deduction of 25 % from the total cost of the replacements or repairs will be made, without prejudice to any deductible or deduction provided for in the subsequent paragraphs of this article and in article 24.

4. During the period between the date of drawing up the specifications and that of award of the contract, provided this period exceeds three days, Insurers will be, liable for the crew's wages and maintenance ; in time insurances, the premium will cease to apply.

5. In Particular Average settlements, the crew's wages and maintenance are in no case borne by Insurers except as provided for in paragraph 4 of this article, and in article 25.

6. Particular Average will be settled subject to the deductibles provided for in the Special Conditions.

7. Premiums on bottomry loans contracted in a port of refuge, commissions on advances of funds, interests and other proportional expenses are apportioned and borne by Insurers only in proportion to the net indemnity, established in accordance with the terms of the policy, for which they are liable.

Article 24 - deduction new for old

1. For all expenses other than specific expenses for the bottom and sheathing, the following deductions shall be made for new work in place of old, when applying the provisions of articles 26 and 27

For wooden vessels

During the first year following construction, no deduction ;

During the second year, deduction of 1/5

After two years, deduction of 1/3.

For iron or steel vessels

During the first eight years following construction, no deduction ;

From 8 years to 16 years, deduction of 1/6 ;

After 16 years, deduction of 1/3 ;

For all vessels, the deduction for anchors and chain-cables never to exceed 1/6.

The age of the vessel is counted from the date of original register or, in the absence of any certification of that date, from 1st January of the year of construction, until the day of entry into the port where repairs take place.

2. For specific expenses for the bottom and sheathing, a fixed deduction of one-half will be applied.

Article 25 -- removal for repairs

Whenever the vessel has sustained damage covered by the policy and is lying in a port where repairs are not possible or too costly, the Master, with the agreement of the Insurers' representative or, failing that, that of the French Consul, must restrict himself to only those repairs which are judged to be essential and then proceed to the most suitable port, under tow if necessary, where repairs can be completed economically.

For the duration of such a passage, provided it is made outside the commercial operations of the vessel, no premium is chargeable in the case of time insurance ; the crew's wages and maintenance, as well as towage costs, are borne by Insurers.

The Master shall not have careening or sheathing carried out at the port where his vessel is lying damaged, if the surveyors consider that such operations can be deferred until a more opportune time.

If the vessel is lying in a port of refuge awaiting spare parts which are being sent from another place and without which the vessel cannot continue its voyage, the crew's wages and maintenance are also borne by Insurers and no premium will be chargeable, in time insurance, for the period of waiting.

Article 26 - general average

1. The vessel's contribution in General Average is reimbursed by Insurers subject to the deductible stipulated in the Special Conditions ; however, they shall only be liable for such a contribution in proportion to the insured value after deduction of Particular Average, if any, covered by the policy, Insurers' liability being limited to the sum obtained by applying the rate of contribution to the insured value, reduced as above where appropriate, although this sum cannot exceed the amount borne by the Assured.

2. The deductions "new for old", set forth in article 24, apply also to repairs to the vessel which would have been allowed in General Average.

3. General Average statements may be drawn up according to French law or to the York-Antwerp Rules, if this convention is stipulated in the charter-party. Otherwise, they shall be drawn up according to the laws and customs of the port of destination.

This paragraph is without prejudice to the provisions of the present contract in so far as settlement between Insurers and the Assured is concerned, and consequently the General Average statements shall, if necessary, be adjusted in conformity with the said provisions, especially with regard to those indemnities which might be allowed in General Average to the benefit of the vessel, in respect of depreciation or loss of earnings.

4. The Master and the Assured are authorised not to proceed to an apportionment of damage or expenditure of a General Average nature (damages or expenses concerning the vessel or the cargo) the amount of which does not exceed 1 % of the agreed value of the Hull and Machinery, always provided that the total disbursements do not exceed two hundred and fifty thousand francs (Francs 250,000).

Article 27 - assistance and salvage charges

In the event of stranding followed by refloating, or of assistance to the vessel in distress and salvage at sea all expenses incurred for refloating, assistance and salvage will be reimbursed at pro rata of the insured amounts, even in case of Insurance Free of Particular Average subject to the deductible laid down in the Special Conditions.

This will also apply whenever parts of the vessel are sacrificed during such operations, but their replacement will be subject to any deduction provided for in article 24.

When the vessel has cargo on board, Insurers are only liable for the vessel's contribution to the above-mentioned expenses sacrifices, at pro rata of the sums insured and within the limits fixed in paragraph 1 of article 26.

The provisions of this article shall not apply when the vessel's grounding is due to the normal rise and fall of the tide.

Article 28 - third party claims

Third Party claims admitted under the policy will be reimbursed subject to the deductible stipulated in the Special Conditions.

Article 29 - collision with or assistance from a sister ship

In the event of the insured vessel being involved in a collision with another vessel belonging to the Assured or receiving assistance from such a vessel, it is expressly agreed that claims will be settled as though such vessels were separately owned ; in such cases, the liability for the collision and the amount payable for services rendered shall be referred to a sole arbitrator with possibility of appeal.

The same will apply in the event of the insured vessel coming into contact with any property or installation belonging to the Assured.

The arbitrator will be appointed by mutual agreement between Insurers and the Assured or, failing such agreement, by order of the President of the competent "Tribunal de Commerce".

Article 30 settlement of claims for loss and damage

1. All losses recoverable under this policy will be paid in cash thirty days after production of all supporting documents to the holder of such documents and of this policy, without the need for power of attorney.

2. At the time of payment of a loss or damage, all premiums due or not, payable by the Assured, will, in the event of bankruptcy or of suspension of payments, be offset and any receipted bills of exchange given and received for cash.

If there is no bankruptcy or suspension of payments, Insurers are entitled only to offset the premium payable under the policy, even if it is not yet due, as well as all other premiums due.

Article 31 - limitation of insurers' liability

Insurers' liability is limited, for each voyage, to the vessel's agreed value, for loss and damage covered by article 1 and to a sum equal to the vessel's agreed value for Third Party claims covered by article 2.

However, the sum insured shall be reinstated automatically after each casualty subject to the payment of an additional premium calculated on a daily basis for the time required to complete the voyage after the event in question. During periods of lay-up described under paragraph 3 of article 21, the additional premium will be calculated per each fifteen commenced days for the remaining period of lay-up following the casualty. In all cases giving rise to claims under this policy, Insurers shall only be liable pro rata to the sum subscribed by each of them.

VIII JURISDICTION

Article 32 - insurance of several vessels under one policy

The sum subscribed by each Insurer, expressed in relation to the total sum insured, is spread pro rata over the respective sums insured.

The insurance shall be deemed to be a separate policy for each vessel.

Article 33

1. Notwithstanding any contrary legal provisions relating to jurisdiction, Insurers can only be summoned before the "Tribunal de Commerce" at the place where the policy was issued, or, at the option of the Assured if the policy was issued by an agent or a mandatary, before the "Tribunal de Commerce" at the place where the company has its registered office or where Insurers are domiciled.

2. However, if more than half the agreed value of the vessel is underwritten at one place, the Assured may summon, before the "Tribunal de Commerce" of that place already dealing with the dispute, all other Insurers, so that they can be brought into the same action.

3. The Assured, even if not himself in commerce, can always be summoned by Insurers before the "Tribunal de Commerce" at the place where the policy was issued, the Assured electing domicile at such place.

IX. - ARBITRATION CLAUSE

Article 34

Where, by application of article L 172-2, paragraph 2 or of article L 172-3, paragraph I of the "Code des Assurances", the Assured whose good faith has been established has to incur a proportional reduction of the insurance indemnity whether by reason of non-disclosure or misrepresentation of such nature as to appreciably reduce the Insurers' evaluation of the risk or by non-declaration to Insurers, within three days, of an alteration occurring during the period of cover, which results in an appreciable increase of risk, any dispute between the parties on the question of such reduction will be settled by arbitration. Also to be settled by arbitration is any dispute relating to the question of whether Insurers would have refused to cover the risks had they been aware of the precise facts (article L 172-2 paragraph 2, referred to above).

For this purpose, and failing agreement on the choice of a sole arbitrator, each party shall appoint an arbitrator and, should the two arbitrators fail to reach a decision, they shall appoint a third arbitrator who, should there be no agreement on the choice, shall be appointed at the request of the most diligent party, by the President of the "Tribunal de Commerce" as provided for under article 33 of the General Conditions.

The arbitrators shall have the powers of amicable adjudicators for their assignment as defined in the first paragraph of this article.