

DUTCH MORTGAGEE'S INTEREST CLAUSES

CONDITIONS OF INSURANCE

The Assured are mortgagees of the Vessel and warrant that:

(A) Hull and Machinery Policies on the standard form or English marine policy and on conditions not less wide than I.T.C. Hulls or American Hull Form or Norwegian Hull Policy or German ADS/DTV or Standard Dutch Hull Form or Standard conditions of Dutch, German, Swedish, Norwegian or UK Hull Mutuals or other Standard Hull and Machinery conditions or other terms agreed by the insurers hereof, and War and Strikes Policies on the standard form of English marine policy on conditions not less wide than Institute War and Strike Clauses (hereafter called the "Owner's policies"), and P&I Insurance are taken out and maintained (except as the result of the occurrence of any of the events provided for in clause 1 (B) (i) (ii) (iii) (iv) (v) and clause 3 hereof which would otherwise cause the Owners' Policies or the Entry not to be so maintained) at all times on values or limits of liability of at least the lesser of the Insured Amount and the Total Indebtedness, as defined in Clause 1(C) hereof.

(B) The Owner's Policies are endorsed to the extend of the Assured's interest:

(C) Owner's Policies will terminate during the currency of this Policy (hereinafter called "the policy Period") due to non-payment of premium or calls provided always that the Assured shall be given 10 days notice prior to such termination becoming effective and during that period the opportunity to pay any unpaid premiums or calls.

It is understood and agreed that failure to effect War Risk Insurance shall not be deemed to be a breach of warranty under this policy – unless the claim would otherwise have been recoverable under the said War Risk insurance.

NOW THIS POLICY WITNESSETH as follows:

1. (A) If during the Policy Period any sum is by the terms of any of the Owner's Policies payable to the Assured or on their behalf, but is not so paid, then the lesser of such sum and the Total Indebtedness shall be paid to the Assured hereunder on receipt of a declaration by the Assured that, first, a demand for payment has been made to the insurers under the relevant Owner's policies and, secondly, those insurers have failed to pay that sum within a reasonable period not exceeding 365 days of such demand.

(B) For all the purpose of this policy a sum shall be treated as payable by the terms of an Owner's Policies, but always subject to the Institute Notice of Cancellation and War Automatic Termination of Cover Clause – Hulls etc. 1.10.83, notwithstanding

i) that the Vessel has embarked on a voyage in an unseaworthy condition or was inadequately manned or equipped

or

ii) that the Vessel had breached the stipulated geographical warranties or had deviated from the designated or usual and customary route;

or

iii) that the policy be rendered void or voidable, from inception or at any time thereafter, by reason of any act or omission of the Owners or anyone acting on their behalf;

or

iv) any automatic termination of cover, cancellation or failure of any held covered provision contained in the Conditions of any of the Owner's Policies

or

v) that the Insurers under that policy are discharged from liability, either generally or as regards a particular claim, at any time, or an event which would otherwise be a peril insured against is not recoverable by reason of any circumstance whatsoever including (without prejudice to the generality

of the foregoing) any deliberate, negligent, or accidental act or omission of any knowledge or privity of, the Owners or anyone acting on their behalf including the deliberate or negligent casting away or damaging of the Vessel or by reason of some breach of warranty.

PROVIDED ALWAYS that the act, omission, breach, knowledge or privity occurs or exists without the consent or privity of the Assured and the cause of any non-payment is not due to the insolvency of the Insurers or to the operation of exchange control measures.

(C) "Total Indebtedness" includes all sums of money due and owing or to become due and owing by the Owner to the Assured under the Mortgage including ;

any principal sum, interests, costs, commission, expenses and any all other sums whatsoever due or to become due to the Assured from the Owner or for their account, whether alone or jointly with others, including any outstanding liabilities then incurred by the Assured for the Owners and all liabilities to the Assured or incurred by the Assured on the Owners behalf of any Bills, Guarantees or otherwise howsoever.

2. If during the policy period the vessel becomes a Total or a Constructive Total Loss, or sustains or causes other loss or damage and any sum payable by the terms of the Owner's Policies in respect thereof is not so paid then the assured shall be paid hereunder

(A) in the case of Total or Constructive Total Loss, the lesser of the insured value and the total indebtedness.

(B) in the case of other loss or damage, the lesser of the cost of making good such loss or damage and the Total indebtedness.

(C) In the event of a claim occurring to a vessel subject to a fleet mortgage, then the loss shall be the total amount of outstanding indebtedness divided in the ratio that the individual hull insured amount (less the total amount secured under any prior ranking mortgage) bears to the total fleet hull insured amount (less the total amount secured under any prior ranking mortgage).

3. This insurance is also to indemnify the Assured to the extend of failure to recover the lesser of the insured amount and the total indebtedness if such failure arises from a Third Party Liability in connection with the vessel, resulting from an event occurring during the policy period and not recoverable from Owner's Protection and Indemnity Underwriters and/or Hull Underwriters, as a result of which a lien is exercised on the vessel to satisfy such liability.

4. The Assured are to receive all payments due to them hereunder within 3 months after they have put forward their claim, failing which they shall then be paid hereunder interest on any monies outstanding at the current rate of interest payable to them by the Owners, until such time as an actual payment is made.

5. If during the Policy Period the ownership of the vessel is transferred to another Owner with the Assured's prior written approval then, in the absence of agreement to the contrary, this policy shall be automatically terminated at the time of such transfer, subject to a pro rata return of premium.

6. If during the Policy Period any of the Owner's Policies are limited or restricted by amendments, alterations, cancellation or termination this policy shall be effected only after the expiry of fourteen days from the date the Assured has received notice of the amendment or alteration or cancellation or termination from the Insurers hereunder without delay after having received such information.

7. Upon payment of any sum to the Assured hereunder, the Insurers shall to the extend of their payment only, be thereupon subrogated to all those rights of the Assured which are legally allowed to be subrogated :

EXCEPT THAT

i) in the event of payment being made to the Assured hereunder in respect of Actual or Constructive Total Loss then the Insurers hereunder shall not exercise their subrogated rights unless and until the Assured have recovered the Total Indebtedness;

and

ii) the Assured is entitled to allow such alterations with regard to any security as in their sole judgement they shall consider not to prejudice the proper repayment of the loan.

and

iii) where a fleet mortgage is in effect, and insurers have paid a claim in respect of a vessel or vessels in the fleet, subrogation rights shall not prejudice the repayment programme by the owner to the Assured for other vessels.

8. i) It is a condition of this insurance that the Assured give notice in writing to the Underwriters hereon of any circumstances which may give rise to a claim under this contract and shall thereafter keep the Underwriters fully informed of all developments.

ii) It is the duty of the Assured and their servants and agents to take such measures as may be reasonable for the purpose of averting or minimising a loss which would be recoverable under this contract.

iii) Underwriters will reimburse charges properly and reasonably incurred by the Assured their servants or agents for such measures provided that if the subject-matter insured is not fully insured the indemnity shall be reduced in proportion to the under-insurance. This clause does not extend to cover the Assured's legal costs and expenses in relation to any claim under Hull policies and/or club entries.

iv) Measures taken by the Assured or the Underwriters with object of averting or minimising a loss which would be recoverable under this contract shall not be considered as a waiver or acceptance of a claim or otherwise prejudice the rights of either party.

v) The sum recoverable under this clause 8 shall be in addition to the loss otherwise recoverable under this contract.

9. This contract of insurance is subject to Dutch law. Place of jurisdiction is Rotterdam or such place as nominated by the Assured.