LOSS OF CHARTER HIRE FORM SP-40B
(August, 1961)

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

.....

Insuring .....

FOR ACCOUNT OF THEMSELVES

Loss, if any, payable to ..... or order.

From noon ..... 19..... to noon ..... 19 .....

Standard Time at place of issuance.

INTEREST INSURED

On account of loss of charter hire to pay $..... (part of $..... insured this interest) for each day of 24 consecutive hours in excess of ..... days (of 24 consecutive hours each) up to a maximum of ..... days of 24 consecutive hours each that the ..... (hereinafter referred to as the "Vessel") is prevented

PERILS

from earning hire (in whole or in part) as a direct result of physical loss or damage to the Vessel occurring during the term of this Policy; or a sequence of such losses or damages arising from the same accident during said term, provided that such loss or damage is directly caused by a peril insured against under the American Institute Time (Hulls) December 1, 1959 form of policy, subject to the F. C. & S. Clause therein.

The phrase "same accident" shall be deemed to include all heavy weather damage occurring on one passage as defined in the said form of policy.

LIMIT OF LIABILITY

There shall be no further liability under this insurance after the per diem sum herein agreed upon has been paid by these Underwriters for a total of ..... days of 24 consecutive hours each, amounting in all to a maximum liability of ..... dollars $..... (Part of ..... dollars $..... insured this interest).

Rate ..... Premium $ .....

REINSTATEMENT

All claims for which Underwriters are liable hereunder shall, to the extent thereof, reduce the limit of liability under this Policy from the date of the physical loss or damage to the Vessel. However, this Policy may be reinstated to its original limit of liability under such terms and conditions as are named by Underwriters in writing.

HELD COVERED

Should the Vessel at the expiration of this Policy be at sea or in distress, or at a port of refuge or of call, this insurance shall, provided previous notice is given to the Underwriters, be continued at a pro rata daily premium to her port of destination.

WARRANTY OF CLASS

Warranted that the Vessel's class will be maintained during the currency of this Policy.

TRADING WARRANTIES

Subject to American Institute Trading Warranties but held covered in case of any breach of warranty as to cargo, trade, locality or date of sailing provided notice be given by the Assured immediately after such breach or proposed breach is known to the Assured and any additional premium required be then agreed upon.

CONDITIONS PRECEDENT TO CLAIM

NOTWITHSTANDING THE FOREGOING, the liability of Underwriters hereunder is subject to the following terms and conditions:

A. (l) NO CLAIM SHALL BE PAID UNDER THIS POLICY FOR LOSS OF HIRE due to the occurrence of a physical loss or damage, unless by reason of the accident on which the claim is based the Vessel:

(a) actually goes off hire under the current charter thereon or the charterer, under the terms of said charter, successfully claims a diminution of hire; or

(b) is unable to be tendered under the binding charter thereon and the charterer by reason thereof elects to cancel said charter, or the charterer agrees to a deferred delivery date, in consequence of which cancellation or deferred delivery date the owner has actually sustained a loss of hire; and

(Continued on Following Page)

(2) NO CLAIM SHALL BE PAID UNDER THIS POLICY FOR LOSS OF HIRE in consequence of a deferred lay-up for repairs (during or after the Policy term) necessitated by a physical loss or damage occurring during the term of this Policy unless the Vessel is precluded from:

(a) continuing to perform under a then current charter thereon in consequence of which the owner has actually sustained a loss of hire under the terms and conditions of the said charter; or

(b) being tendered to a charterer under a then binding charter thereon and by reason thereof the said charter is cancelled under the terms thereof, or the charterer agrees to a deferred delivery date and the Assured has actually sustained a loss of hire in consequence of said cancellation or deferred delivery date; provided that if the deferred repairs are carried out promptly after the termination of any charter on the Vessel and the Vessel is fixed and sails for a loading port within thirty days after completion of repairs, the claim shall be adjusted by these Underwriters without regard to the conditions of this Subsection A (2).

B. (1) Underwriters in no event shall pay hereunder for loss of hire for a number of days in excess of the remaining term of the current charter on the Vessel and the term(s) of any charter or sequence of charters immediately following and cancelled or deferred as in (A) above.

(2) If this insurance attaches or expires during a passage as defined in the American Institute Time (Hulls) December 1, 1959 form of policy, heavy weather damage occurring on the same passage but outside the period covered by this insurance may be added for the purpose of calculating the loss provided the damage sustained during the period covered hereunder has not been repaired during the passage, but only the proportion of the loss arising from damage occurring during the currency of this insurance shall be payable hereunder.

(3) If at the time a claim is presented to Underwriters and is otherwise collectible hereunder but the Assured cannot prove an actual loss of hire by reason of the fact that the charter on the Vessel is for a stipulated number of consecutive voyages over a stated period of time or requires the owner to lift a stipulated amount of cargo over a stated period, Underwriters will adjust and pay such claims on the basis of an estimation of the number of days of hire which the Assured can reasonably be expected to lose by the expiration of the consecutive voyage charter or contract of affreightment by reason of the physical loss or damage to the Vessel giving rise to the claim hereunder.

(4) If the loss of hire arises out of a claim by the charterer for diminution of hire as provided for in A(1) (a) above, notwithstanding the terms and conditions of this Policy, these Underwriters shall not be liable hereunder for a sum per diem in excess of the difference between the charter hire and the hire diminished as provided in A(l) (a) above, but in no event exceeding the per diem liability of these Underwriters set forth first above in this Policy.

TOTAL LOSS AND TIME TO REPAIR

C. No claim shall be paid under this Policy if:

(1) The Vessel becomes an absolute, constructive, compromised or arranged total loss under the Marine Hull and Machinery policies thereon. If the Vessel be uninsured for such interest, then for purposes of determining whether such a loss occurred it shall be assumed that the Vessel was insured under the American Institute Time (Hulls) December 1, 1959 form of policy for the fair market value thereof at the time of the loss.

(2) Repairs with respect to which a claim arises under this Policy are not completed within 24 months from the expiry of the term of this Policy.

SIMULTANEOUS REPAIRS

D. (1) If the Vessel is laid up:

(a) for damage repairs caused by a peril insured against hereunder and Assured's repairs (necessary for seaworthiness or classification repairs due under periodic inspection requirements) are carried out simultaneously therewith; or

(b) for Assured's repairs (necessary for seaworthiness or classification repairs due under periodic inspection requirements) and damage repairs caused by a peril insured against hereunder are carried out simultaneously therewith;

As much time as is common to both classes of work in excess of the deductible period shall be divided equally between Underwriters and Assured.

Provided that, if the time necessary to effect damage repairs is extended in any way by reason of concurrent repairs, such additional time to be entirely for Assured's account.

For the purposes of this clause, classification repairs shall be deemed due at the time such repairs are recommended by the Vessel's Classification Society or at any time thereafter.

TEMPORARY REPAIRS

(2) In the event that temporary repairs to the Vessel are made (at a time and place when permanent repairs could have been effected) and by reason thereof a claim is paid hereunder, these Underwriters shall not be liable under this Policy for a further claim in consequence of making said temporary repairs permanent (so-called permanent repairs) unless the Assured can demonstrate that by so doing Underwriters have not incurred a greater loss than would have been the case if the permanent repairs were made at the time the temporary repairs were effected as aforesaid.

DUE DILIGENCE OF ASSURED

(3) The Assured shall effect, or cause to be effected, all repairs (temporary or permanent) with due diligence and dispatch. Underwriters to have the right to require the Assured to incur any expense which would reduce Underwriters' liability under this Policy provided such expense is for Underwriters' account.

INTERRUPTION OF REPAIRS

E. There shall be deducted from any claim, otherwise payable hereunder, the period of time, if any, that the Vessel is precluded from earning hire by reason of:

(1) Delay in the commencement or completion of repairs caused by or arising out of the capture, seizure, arrest, restraint or detainment or of any attempt thereat, or any taking of the Vessel by requisition or otherwise, whether in time of peace or war and whether lawful or otherwise, insurrection, rebellion, revolution, civil war, any weapon of war or device employing atomic fission, fusion or radioactive force whether in time of peace or war, hostile or warlike action by any government or sovereign power or any authority maintaining or using military, naval or air forces or by any agent of any such government power or authority; or

(2) Immobilization of the Vessel by ice or by the blocking or closing of natural or artificial arteries of navigation, which preclude the commencement or completion of such repairs or the resumption of the normal operations of the Vessel.

OTHER INSURANCE

F. The liability under this Policy shall not exceed the sum insured hereunder, nor shall these Underwriters be liable for a greater proportion of any loss than the insurance hereunder shall bear to all insurance, whether valid or not, and whether collectible or not, covering in any manner the loss insured against by this Policy.

SUBROGATON

G. (1) In the event of any accident the Assured agrees to subrogate to these Underwriters all rights for recovery of loss of use or earnings of the Vessel for any period for which Underwriters have made payments under this Policy which the Assured may have against any other person or entity (including charterers) with respect to said accident. Said subrogation to be limited to the amount paid by Underwriters hereunder and to be distributed pro rata with the Assured's claim for demurrage (if any) during said period.

(2) In case of any agreement or act, past or future, by the Assured, except as is customary and necessary in the case of so-called pilotage agreements, whereby any right of recovery of the Assured against any person or entity is released or lost to which these 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 these Underwriters has been impaired thereby; and in such event the right of these Underwriters to retain or collect any premium paid or due hereunder shall not be affected.

AUTOMATIC TERMINATION

H. (1) In the event that at any time during the term of this Policy the current charter on the Vessel expires or is cancelled or terminated for any reason whatsoever and the Vessel does not immediately go on charter, unless otherwise agreed to in writing by these Underwriters, this Policy shall automatically terminate, no notice to the Assured being necessary or required. The Assured will be entitled to pro rata return of premium in the event of such cancellation provided that no claim has been paid or is payable under this Policy, Underwriters to retain a minimum premium of thirty days.

CANCELLATION FOR NON-PAYMENT OF PREMIUM

(2) In the event of non-payment of premium within thirty days after attachment, this Policy may be cancelled by Underwriters by giving a five-day written notice of such cancellation. Written notice mailed to the Assured at the last known address of the Assured shall constitute a complete notice of cancellation and this Policy shall be null and void at noon on the fifth day after such notice shall have been mailed. A written or telegraphic notice sent through the broker who negotiated the insurance or by them, at the request of Underwriters, shall operate to effect cancellation in the same manner as if sent directly by Underwriters. Such proportion of the premium on a daily pro rata basis as shall have been earned up to the time of such cancellation shall be due and payable immediately but in the event that a claim has been paid or is payable under this Policy full premium shall be deemed earned.

MUTUAL CANCELLATION AND LAY-UP RETURNS

(3) In the event of mutual cancellation Underwriters to return pro rata daily net premium provided no claim has been paid or is payable under this Policy. Underwriters, however, to retain a minimum premium of thirty days. If the Vessel is laid up for more than thirty consecutive days at the request of a charterer and not for any repairs which could give rise to a claim under this Policy, Underwriters to return one-third of daily pro rata net premium for the lay-up period provided that no claim has been paid or is payable under this Policy and arrival.

(4) In the event of any change, voluntary or otherwise, in the ownership of the Vessel, or if the Vessel be placed under new management or be chartered on a bareboat basis or requisitioned on that basis, then, unless the Underwriters agree thereto in writing, this Policy shall thereupon become cancelled from time of such change in ownership or management, charter or requisition. A pro rata net daily return premium shall be made, provided that no claim has been paid or is payable under this Policy, Underwriters to retain a minimum premium of thirty days.

NOTICE OF ACCIDENT

I. The Assured shall:

(1) As soon as practicable, report to these Underwriters every occurrence which may result in a claim under this Policy and, if the Vessel is covered by hull and machinery insurance, the Assured, again if practicable, shall file with Underwriters a copy of any notice of such occurrence given by it under the Marine hull and machinery policies on the Vessel; and

NOTICE OF SURVEY

(2) give reasonable notice to these Underwriters of the time and place of any survey required by reason of an accident which could give rise to a claim under this Policy; and

PROOF OF LOSS

(3) if required and if necessary for adjustment of a claim hereunder produce for examination all books of account, bills, invoices, ship's logs and accounts, charters or contracts of affreightment, or certified copies thereof if the originals are lost, at such reasonable time and place as may be designated by these Underwriters or their representatives, and shall permit extracts and copies thereof to be made.

ARBITRATION

J. Any dispute arising hereunder shall be submitted to arbitration at New York, New York. All questions (whether as to liability or amount thereof) shall be left to the decision of a single arbitrator, if the parties can agree upon a single arbitrator or failing such agreement, to the decision of arbitrators, one to be appointed by the Assured and one to be appointed by these Underwriters - the two arbitrators chosen to choose a third arbitrator before entering upon the reference and the decision of such single, or of any two of such arbitrators, appointed as above, to be final and binding and may be made a rule of the Court.

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

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