

VESSEL PHYSICAL DAMAGE COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Endorsements and schedules may also be part of this coverage form. They are identified on the Schedule of Forms and Endorsements.

Refer to the Definitions section for words that have specific meanings. These words are shown in quotation marks.

AGREEMENT

This form, subject to all of its terms, provides the described coverages during the policy period. In return, "you" must pay the required premium. Each coverage described in this form applies only if a "limit" is shown on the Declarations for that coverage.

By accepting this policy, "you" agree that the statements on the Declarations page and any application(s) are "your" agreements and representations. This policy is issued in reliance upon the truth of "your" representations during the application process and it includes all agreements existing between "you" and "us" or any of "our" representatives.

DEFINITIONS

1. "You" and "your" mean the person(s) or organization(s) named as the "insured" on the Declarations.
2. "We", "us" and "our" mean the Company providing this insurance.
3. "Actual cash value" means the lesser of:
 - a. The amount it would cost repair or, in the event of "total loss" or damage, replace the "covered property" at the time of loss or damage, with material of like kind or quality, subject to a deduction for deterioration, depreciation and obsolescence. "Actual cash value" applies to valuation of "covered property", regardless of whether that property has sustained partial or total loss or damage. The actual cash value of the lost or damaged property may be significantly less than its replacement cost; or
 - b. The "limit" of insurance applicable to the "covered property" as shown on the Declarations.
4. "Boating equipment" means:
 - a. Portable boating accessories, including trolling "motors" and detachable equipment used in the operation or maintenance of a "vessel"; or
 - b. Equipment used in the navigation of the "vessel" which can be removed and which is not otherwise excluded under this policy. This includes handheld devices such as GPS units, and portable marine radios, sextants, radars and long range navigation systems (LORAN).
5. "Contaminant" means any petroleum product, chemical, lubricant, solvent or other harmful substance of any kind normally associated with the maintenance, use and/or operation of the "covered property".
6. "Covered property" means the "vessel", "boating equipment" and "trailers" as shown on the Declarations for which a "limit" of insurance is shown.
7. "Deductible" means the portion of the direct physical damage or loss that "you" must pay.
8. "Design defect" means a flaw in the structural plan of the "vessel".

"Design defect" does not include wear and tear, gradual deterioration, corrosion, rust, electrolysis, osmosis, weathering, "latent defects" or "manufacturer's defects".
9. "Electronic equipment" means electrically powered equipment permanently attached to a "vessel" and used for operation, navigation, or communication.

10. "Insured" means:
 - a. "You"; or
 - b. Any "named operator", but only while performing duties related to the use, maintenance, or operation of the "vessel"; or
 - c. Any other person, firm, corporation or legal entity using the "vessel" with "your" permission, without charge.

"Insured" does not include a paid captain or any paid crew member of the "vessel". Nor does it include any person, firm, corporation or other legal entity or any of their agents or employees operating a shipyard, boat repair facility, marina, yacht club, sales agency, chartering agency, yacht broker, boat service station, salvor, towing service or similar organization.
11. "Latent defect" means a flaw in the material existing at the time of the manufacture of the "covered property" or its machinery that is not discoverable by ordinary methods of testing.

"Latent defect" does not include wear and tear, gradual deterioration, corrosion, rust, electrolysis, osmosis, weathering, inherent vice, "manufacturer's defects", or "design defects".
12. "Lay – up" or "laid – up" means taking "your" "vessel" out of active service and decommissioning it for the period of time as shown in the Declarations. "Lay – up" or "laid – up" includes storage on land or afloat.
13. "Limit" means the amount of insurance that applies to the coverage as shown on the Declarations.
14. "Manufacturer's defect" means the improper, incorrect or inadequate manufacturing process of the "covered property".

"Manufacturer's defect" does not include wear and tear, gradual deterioration, corrosion, rust, electrolysis, osmosis, weathering, inherent vice, "design defects", or "latent defects".
15. "Motor" means:
 - a. An outboard motor including its attached propeller and other components; or
 - b. An inboard engine including its attached transmission, drive shaft, propeller and other components; or
 - c. An inboard/outboard engine (stern drive) including its attached outdrive unit, propeller and other components; or
 - d. An inboard/jet drive engine including its attached jet drive components and other components.
16. "Named operator" means the operator whom "we" have approved and listed on the Declarations or by endorsement to the policy.
17. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions. All "property damage" arising out of an "occurrence" or series of related "occurrences" is deemed to take place at the time of the first such damage or injury even though the nature and extent of such damage or injury may change; and even though the damage may be continuous, progressive, cumulative, changing or evolving; and even though the "occurrence" causing such "property damage" may be continuous or repeated exposure to substantially the same general harmful conditions.
18. "Pollutants" means:
 - a. Any solid, liquid, gaseous, thermal, or radioactive irritant or "contaminant", including but not limited to acids, alkalis, chemicals, fumes, smoke, soot, vapor, or waste; or
 - b. Electrical, magnetic, or electromagnetic particles or fields, whether visible or invisible or sound emissions.

Waste includes materials to be disposed of, as well as recycled, reclaimed, or reconditioned.
19. "Port risk" means the "vessel" is:
 - a. "Laid-up" at the mooring/storage location indicated on the Declarations; and
 - b. Not to be used for living on board or overnight accommodations; and
 - c. Not to be used for any purpose whatsoever, and
 - d. Not to be repaired or altered without prior approval of underwriters.
20. "Property damage" means physical injury to, destruction of, or loss of tangible property.
21. "Total loss" means that the "covered property" was completely lost or destroyed.

"Your" "covered property" is considered a constructive "total loss" when the reasonable expense of recovering and repairing "your" "covered property" exceeds the limit as shown on the Declarations.

"Covered property" is considered lost when it is not found within 30 days of the date it is reported as missing.

22. "Trailer" means a trailer designed specifically for the transportation of a "vessel".

23. "Vessel" means:

Any watercraft described on the Declarations, including sails, spars, fittings, "motor(s)", rigging, winches, furniture, "electronic equipment" and other permanently attached equipment normally necessary to be on board for safe operations, navigation and routine maintenance of the watercraft. It does not include "trailers".

PROPERTY COVERED

"We" cover direct physical loss or damage caused by or resulting from an "occurrence", to "your":

1. "Trailers" or
2. "Vessels"

described on the Declarations and for which a "limit" is shown.

PROPERTY NOT COVERED

"We" do not cover:

1. Boat houses, boat sheds, moorings, cradles, boat lifts or similar apparatus used for the mooring or storage of "covered property"; or
2. Fuel, stores, perishable or consumable provisions, food, beverages or liquor; or
3. Accounts, bills, money, securities, travelers checks or other valuable papers or documents; or
4. Jewelry, gems, precious metals, goldware, silverware, furs, fine arts, watches, cameras, cell phones, pagers, and portable computers unless they are specifically used as navigation equipment; or
5. Eyeglasses, sunglasses, or contact lenses; or
6. Firearms; or
7. "Trailers" or "vessels" not described on the Declarations.

PROPERTY COVERAGE EXTENSIONS

Unless otherwise indicated, the coverage provided below is part of and not in addition to the applicable "vessel" "limit" indicated on the Declarations.

Recharge of Fire Extinguishing Equipment

1. **Coverage** – "We" pay for "your" incurred expenses to recharge automatic fire extinguishing equipment when the equipment is discharged to fight a fire on the "vessel" or as a result of "property damage" to the "vessel".
2. **Limit** – The most "we" pay for any one recharge of fire extinguishing equipment is indicated on the Declarations. If no limit is indicated the most we pay is \$500 for the recharge of "your" fire extinguishing equipment.

No "deductible" applies under this coverage extension.

ADDITIONAL PROPERTY COVERAGE

“We” cover the following in addition to Property Covered.

The “limit” available for this Additional Property Coverage is the only “limit” available for the described coverage; and is not the sum of the “limit” indicated for an Additional Property Coverage and the “limit” for coverage described under Property Covered as shown on the Declarations.

Boating Equipment

1. **Coverage** – “We” cover direct physical loss or damage caused by or resulting from an “occurrence”, to “your” “boating equipment”.
2. **Limits** – Unless otherwise shown on the Declarations, the most “we” will pay under this coverage is \$2,500 for any direct physical loss of or damage to “boating equipment”.

Unless otherwise shown on the Declarations, a \$500 “deductible” applies to direct physical loss of or damage under this Additional Property Coverage.

COVERED LOSSES

“We” cover direct physical loss or damage caused by or resulting from an “occurrence” to “covered property” except as limited or excluded in this form.

EXCLUSIONS

“We” do not pay for loss of or damage, to “covered property”, caused directly or indirectly by any of the following:

1. **Animals and Marine Life** – “We” do not pay for loss or damage caused by or resulting from animals including, but not limited to birds, vermin, rodents, insects, animals or marine life.
2. **Bubbling and Delamination** – “We” do not pay for loss or damage caused by or resulting from bubbling or delamination of fiberglass or plywood.
3. **Civil Authority** – “We” do not pay for loss or damage caused by or resulting from the order of any civil authority including:
 - a. Seizure or destruction under quarantine or customs regulations; or
 - b. Contraband or illegal transportation or trade; or
 - c. Confiscation or destruction by order of a government or public authority.

“We” do pay for loss that results from acts or orders of a civil authority to prevent the spread of fire.
4. **Contamination or Deterioration** – “We” do not pay for loss or damage caused by or resulting from contamination or deterioration including:
 - a. Weathering, electrolysis, osmosis, blistering, gradual deterioration, corrosion, decay, or rust; or
 - b. Bacteria, fungi, wet rot, or dry rot.
5. **Conversion or Embezzlement** – “We” do not pay for loss or damage, to “covered property”, caused by or resulting from conversion or embezzlement by any person(s) or organization(s) in possession of the “covered property” which is subject to a bailment lease, conditional sale, purchase agreement or encumbrance.
6. **Delay or Loss of Use** – “We” do not pay for delay, loss of use, loss of market value, or any other consequential loss.
7. **Electricity** – “We” do not pay for loss or damage caused by electricity other than lightning, unless fire results and then only for loss or damage caused by the resulting fire.
8. **Freezing or Overheating** – “We” do not pay for loss or damage caused by or resulting from freezing or overheating including damage due to thawing or sudden changes in temperature.

However, “we” will pay for direct physical loss, damage or expense caused by or resulting from:

- a. Improper winterizing if such winterizing was performed by a certified mechanic, marina or similar facility; or
- b. Freezing or overheating of the “vessel” while stored in climate controlled boat facility, when the facility’s HVAC fails resulting in the direct physical loss or damage to the “vessel”.

9. **Ice** – “We” do not pay for loss or damage resulting from ice.
10. **Infidelity** – “We” do not pay for loss or damage caused by or resulting from any:
 - a. Infidelity of “your” employee; or
 - b. Infidelity of any person(s) or organization(s) to whom the “covered property” is entrusted or rented.
11. **Intentional Acts** – “We” do not pay for loss or damage caused by or resulting from any act committed:
 - a. By any “insured”, alone or in collusion with another; or
 - b. At the direction of any “insured” with the intent to cause a loss.
12. **Inherent Vice** – “We” do not pay for loss or damage for any quality, fault, or weakness in the “covered property” that causes it to damage or destroy itself.
13. **Machinery Damage** – “We” do not pay for loss or damage to the “vessel’s” machinery (including, but not limited to, engines, “motors”, transmissions, gearing, electrical machinery, boilers, shafts, propellers, struts, inboard/outboard units) unless caused by or resulting from fire, theft, vandalism, collision with another watercraft, sinking of the “vessel”, or the “vessel” is declared a “total loss” or a constructive “total loss”.
14. **Maintenance or Repairs** – “We” do not pay for loss or damage caused by or resulting from repairs, adjustments, services or maintenance of the “covered property”.
But if maintenance or repairs result in a fire or explosion, “we” will cover the loss or damage caused by that fire or explosion.
15. **Manufacturer’s Defects or Design Defects** – “We” do not pay for loss or damage caused by or resulting from “manufacturer’s defects” or “design defects”. However, if the loss or damage has not resulted from the negligence of any “insured”, this exclusion does not apply to loss, damage or expense directly caused by any “latent defect” in the “vessel” (excluding the cost and expense of replacing or repairing the defective part).
16. **Mechanical Breakdown** – “We” do not pay for loss or damage caused by or resulting from:
 - a. Mechanical or electrical breakdown; or
 - b. Failure of the property including, but not limited to, rupture or bursting caused by centrifugal force;
 But if mechanical or electrical breakdown including rupture or bursting caused by centrifugal force result in a fire or explosion, “we” will cover the loss or damage caused by that fire or explosion.
17. **Missing Covered Property** – “We” do not pay for missing “covered property” where the only proof of loss is unexplained or mysterious disappearance of the “covered property” or shortage of “covered property” discovered upon taking inventory, or any other instance where there is no physical evidence to show what happened to the “covered property”.
18. **Motor Modification** – “We” do not pay for loss or damage:
 - a. To any “motor” if it has been modified after delivery from the manufacturer unless that modification is specifically shown on the Declarations or added by endorsement and for which a specific premium charge has been paid; or
 - b. To any “vessel” where the “motor” has been modified after delivery from the manufacturer unless that modification is specifically shown on the Declarations or added by endorsement and for which a specific premium charge has been paid; or
 - c. If the horsepower of any “motor” on the covered “vessel” exceeds the manufacturer’s recommended safe powering limit of the covered “vessel”.
19. **Neglect** – “We” do not pay for loss or damage caused by or resulting from the failure to protect, maintain or preserve “covered property” from physical harm that may arise out of a Covered Loss.

- 20. Nuclear Hazard** – “We” do not pay for loss or damage caused by or resulting from nuclear reaction, nuclear radiation or radioactive contamination whether controlled or uncontrolled, or however caused, or any consequence of such reaction, radiation or contamination.

Loss or damage caused by nuclear reaction, nuclear radiation, or radioactive contamination is not considered loss or damage caused by:

- a. Fire; or
- b. Explosion; or
- c. Smoke.

“We” do cover the direct physical loss or damage caused by a fire resulting from the nuclear hazard.

- 21. Racing, Speed Test or Stunt Activity** – “We” do not pay for loss or damage to “covered property” caused by or resulting from involvement in an organized or impromptu race including, but not limited to:

- a. Preparation for a race; or
- b. Participation in a race; or
- c. Practicing or qualifying for a race.

A race means any competition for speed or endurance whether against another competitor or time.

“We” also do not pay for loss or damage caused by or resulting from involvement in an organized or impromptu contest involving stunts.

- 22. Residential Use** – “We” do not pay for loss or damage to “covered property” while the “vessel” is used as a primary or permanent residence.

- 23. Towing** – “We” do not pay for loss or damage caused by or resulting from any “vessel” in tow on water or from any craft or vessel in tow of the “vessel”.

- 24. War or Military Action** – “We” do not pay for loss or damage caused by or resulting from:

- a. War, including undeclared or civil war;
- b. Warlike action by a military force, including action in hindering or defending against an actual or expected attack by any government, sovereign, or other authority using military personnel or other agents; or
- c. Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

With respect to any action that comes within the terms of this exclusion and involves nuclear reaction, radiation or radioactive contamination, this exclusion supersedes the exclusion for nuclear hazard.

Discharge of a nuclear weapon is deemed a warlike action even if it is accidental.

- 25. Wear and Tear** – “We” do not pay for loss or damage caused by wear and tear, marring, chipping, denting, or scratching.

WHAT MUST BE DONE IN CASE OF LOSS

The following duties apply in the event of loss or damage caused by or resulting from an “occurrence”. These duties must be performed by “you”, “your” representative, or the “insured” seeking coverage or the representative of an “insured” seeking coverage under this form.

“Your” failure to provide notice, as identified below, will be deemed to have prejudiced the Company and will void all coverage for the “occurrence”.

1. Notice

- a. **Notice to Us** – In case of a loss, the “insured” must promptly give “us” or “our” agent notice. The notice to “us” must provide:

- (1) The name of the “insured”;
- (2) The policy number;
- (3) The time, place, and details of the loss; and
- (4) Names and addresses of all known witnesses and potential claimants.

- b. Notice to Others** – The “insured” must also give notice to the U.S. Coast Guard, police or local authority when there is a loss involving “covered property” and:
- (1) The disappearance of a person from a “vessel” or; or
 - (2) The loss of a life; or
 - (3) Theft, vandalism, or other criminal act; or
 - (4) When a collision or “property damage” loss has occurred; or
 - (5) Any other cause or reason required by the U.S. Coast Guard, police or local authority.
- 2. Cooperation** – All “insureds” seeking coverage and the representative or representatives of all “insureds” seeking coverage must cooperate with “us” in any matter concerning a claim or suit.
- 3. Volunteer Payments** –The “insured” will not make payments, pay or offer rewards, or assume obligations or other costs, except at the “insured’s” own cost. This does not apply to costs that are allowed by the terms of this form.
- 4. Proof of Loss** – At “our” request, the “insured” must give “us” a signed and sworn proof of loss within 60 days after “our” request that shows:
- a. The time, place, and details of the loss;
 - b. The interest of the “insured” and of all others in the property including all mortgages and liens;
 - c. Other policies that may cover the loss;
 - d. Changes in title or use of the property during the policy period;
 - e. Detailed estimated for repair or replacement; and
 - f. In detail, the quantity, description, cost, amount of loss, and “actual cash value” of the property involved in the loss. The “insured” must give “us” copies of all bills, receipts, and related documents to confirm these.
- 5. Examination Under Oath** – At “our” request, the “insured” must submit to an examination under oath and sign such statements made under oath in matters that relate to the loss or claim. If more than one person is examined, “we” have the right to examine and receive statements separately from each person and not in the presence of other “insureds”.
- 6. Show Damaged Property** – As often as “we” reasonably request, “we” must be shown the damaged property and be allowed to inspect and take samples of the property for inspection, testing, and analysis before it is repaired or disposed of.
- 7. Records and Documents** – As often as “we” reasonably request, “we” must be given requested records including, but not limited to, tax returns and bank records of all cancelled checks, that relate to the value, loss, and costs and be permitted to make copies of such records and documents.
- 8. Assistance With Enforcing Right of Recovery** – At “our” request, “we” must be given assistance with enforcing any right of recovery that any “insured” may have against the party that caused the loss.
- 9. Protection Against Loss** – If “your” “covered property” is damaged as a result of an “occurrence”, “you” must take all reasonable steps to protect it from further damage. “We” will reimburse “you” for reasonable expenses for protecting the property from further damage.
- Payments for protecting damaged property will be in addition to any other payments “we” make for losses covered by this policy. However, the most “we” will pay for protecting damaged property is the coverage “limit”, as shown on the Declarations, which applies to that property.

HOW MUCH WE PAY

1. Property Coverages

a. Loss Settlement Terms – Trailers

Subject to 1.d. through 1.f. below, if there is direct physical loss of or damage to “trailers”, shown on the Declarations, “we” will pay the lesser of:

- (1) The “limit” that applies to the lost or damaged property; or
- (2) The “actual cash value” of the lost or damaged property at the time of the loss; or
- (3) The amount needed to repair or replace the lost or damaged property with material of like kind and quality according to the manufacturer’s specifications or accepted repair practices.

b. Loss Settlement Terms – Vessels or Boating Equipment

Subject to 1.d. through 1.f. below, the following applies:

- (1) **Total loss** – If there is a “total loss” or constructive “total loss” resulting from direct physical loss of or damage to a “vessel” or “boating equipment” described on the Declarations, “we” will pay the “limit” shown on the Declarations for that “vessel” or “boating equipment” reduced by its salvage value if “you” retain the salvage.
- (2) **Partial Loss that You Repair or Replace** – If there is direct physical loss of or damage to a “vessel” or “boating equipment”, described on the Declarations, other than a “total loss” or constructive “total loss”, that “you” repair or replace, “we” will pay the reasonable cost of repair or replacement, without deduction for depreciation, but not exceeding the lesser of:
 - (a) The “limit” shown on the Declarations for the lost or damaged “vessel” or “boating equipment”;
 - (b) The replacement cost of the lost or damaged part of the “vessel” or “boating equipment”; or
 - (c) The amount spent to repair or replace the lost or damaged part of the “vessel” or “boating equipment” with material of like kind and quality according to the manufacturer’s specifications or accepted repair practices.

The terms of Partial Loss That You Repair or Replace do not apply to:

- (i) Bottom paint over 1 year old; or
 - (ii) Protective covers, fabrics, tires, upholstery or carpet; or
 - (iii) Outboard “motors” or outdrive units or any of its components which are more than seven (7) years old; or
 - (iv) Any gasoline fueled inboard “motors” or any of its components which are more than seven (7) years old; or
 - (v) Any running gear, diesel fueled inboard “motors”, or any of its components which are more than ten (10) years old; or
 - (vi) Any machinery, appliances and/or electronics not otherwise described above or any of their components which are more than ten (10) years old; or
 - (vii) Canvas, batteries, sails or rigging.
- (3) If there is direct physical loss of or damage to a “vessel”, described on the Declarations, that:
 - (a) Does not exceed 16 feet in length, and
 - (b) Is designed to be operated by a person or persons while sitting, standing or kneeling, or
 - (c) Is equipped with a water jet pump propulsion system;
 “we” will pay the lesser of:
 - (i) The “limit” shown on the Declarations for that lost or damaged “vessel”; or
 - (ii) The “actual cash value” of that lost or damaged “vessel”; or
 - (iii) The amount needed to repair or replace that lost or damaged “vessel” with material of like kind and quality according to the manufacturer’s specifications or accepted repair practices.

The “vessel” described in (3) (a), (b) and (c) above includes but is not limited to jet skis, wave runners, jon boats, canoes and other similar watercraft.

- (4) **All Other Losses** – If there is direct physical loss of or damage to a “vessel” or “boating equipment”, described on the Declarations other than a “total loss” or constructive “total loss”, that “you” do not repair or replace, or there is damage to items 2.(i) through 2.(vii) above, “we” will pay the lesser of:
 - (a) The “limit” shown on the Declarations for the lost or damaged “vessel” or “boating equipment”; or
 - (b) The “actual cash value” of the lost or damaged part of the “vessel” or “boating equipment”, at the time of the loss; or
 - (c) The amount needed to repair or replace the lost or damaged part of the “vessel” or “boating equipment” with material of like kind and quality according to the manufacturer’s specifications or accepted repair practices.

c. Deductible

- (1) **Deductible Amount** – “We” will not pay for loss, damage or expense for any one “occurrence” until the amount of the loss, damage or expense exceeds the applicable “deductible” shown on the Declarations. “We” will then pay the amount of loss, damage or expense in excess of the “deductible”, up to the applicable “limit” as shown on the Declarations. This applies to all property coverages except Recharge of Fire Extinguishing Equipment.
- (2) **More than One Deductible** – Except as noted under More than One Vessel or Trailer below, only one “deductible” applies per “occurrence”. When an “occurrence” results in loss or damage to two or more property items with different “deductible” amounts, the highest “deductible” applies.
- (3) **More than One Vessel or Trailer** – If “we” cover more than one “vessel” or “trailer” as indicated on the Declarations, a “deductible” applies to each “vessel” and “trailer” per an “occurrence”.
- (4) **Total Loss** – No “deductible” will be applied in the event of a “total loss” resulting from direct physical loss or damage to the “vessel”, except for a “total loss” caused by or resulting from windstorm, hail, flood, surge, or theft causes of loss and then for those causes of loss, a separate windstorm, hail, flood, surge, or theft “deductible” shown on the Declarations will apply.
- (5) **Windstorm** – If a “deductible” amount is shown on the Declarations for the Windstorm Deductible, such “deductible” will apply to all loss, damage or expense inclusive of all partial, “total loss” or constructive “total loss” caused by or resulting from wind, storm surge, rain, waves, or hail.
The “deductible” applied shall be the greater of:
 - (a) The “deductible” amount shown on the Declarations for the Windstorm; or
 - (b) The “deductible” amount shown on the Declarations for the “covered property”.
- (6) **Theft Deductible** – If a “deductible” amount is shown on the Declarations for Theft, it will apply instead of the “deductible” on the Declarations for the “covered property”, if the “covered property” is stolen, whether recovered or not. This theft “deductible” does not apply if the Windstorm Deductible, referenced in (5) above, does apply.

d. **Loss to Parts** – If there is direct physical loss of or damage caused by or resulting from an “occurrence”, to a part of a covered item that consists of several parts when it is complete, “we” pay only for the value of the lost or damaged part or the cost to repair or replace it, whichever is less.

e. **Insurable Interest** – Even if more than one person has an insurable interest in the “covered property” “we” will pay no more than the amount of “your” interest in that property.

f. **Repairs** – “We” have the option of paying for repairs:

- (1) According to customary boatyard repair practices, including reasonable cost of suitable patches to the damaged area, or using reconditioned or rebuilt parts or components; or
- (2) According to repair procedures recommended by the builder or manufacturer of the “covered property”.

“We” will pay “you” the estimated cost of repairs approved by “us” in accordance with the preceding clauses less the applicable “deductible”.

If “we” subsequently conclude that direct physical loss of or damage to “your” “covered property” is a “total loss” and “we” determine that there is unrepaired damage from a loss “we” have already paid, “we” will first deduct any prior unrepaired damage payments and not make any additional payments for that unrepaired damage.

2. Insurance Under More than One Policy

a. If this form and any other form or policy issued to “you” by “us” applies to the same loss or claim, “our” maximum “limit” under all such insurance will not exceed the highest applicable “limit” under any one form or policy.

However, if the other insurance is specifically written as excess over this form, the “limit” of this form applies first.

b. If other insurance that applies to the loss or claim is provided under a policy that has not been issued to “you” by “us”, “we” will pay “our” share of the loss. “Our” share is that part of the loss that the “limit” of this form bears to the total amount of insurance that applies to the loss.

PAYMENT OF LOSS OR CLAIM

1. **When We Pay** – “We” adjust each loss to “your” “covered property” with “you”. “We” pay a covered loss within 60 days after an acceptable proof of loss is received and the amount of the loss is agreed to in writing. If “you” and “we” do not agree, “we” pay within 60 days after the filing of an appraisal award with “us”.
2. **Our Options** – At “our” option, “we” may:
 - a. Pay the loss in money; or
 - b. Rebuild, repair, or replace the “covered property”.

“We” must give “you” notice of “our” intent within 30 days after “we” receive an acceptable proof of loss.
3. **We May Take Property** – “We” may take all or part of the lost or recovered property at the agreed appraised value. “Covered property” paid for or replaced by “us” becomes “ours”.
4. **Payment Made to You** – Payment is made to “you” unless a loss payee is named or is legally entitled to payment.

ADDITIONAL CONDITIONS, EXCLUSIONS, LIMITATIONS, AND WARRANTIES

1. **Fines, Penalties, or Tax Liens** – “We” do not pay fines, penalties, or tax liens arising out of the violation of law or government assessments.
2. **Seaworthiness Warranty**
 - a. **Safe and Navigable Condition** – “You” warrant that the “vessel” is and will be kept in a safe and navigable conditions whenever afloat or operated.
 - b. **We Do Not Cover** – “We” do not cover any loss or damage caused by “your” failure to exercise due diligence to properly maintain the “vessel” in a seaworthy condition.
3. **Named Operator In Control** – “We” will not pay for any loss or damage if the “named operator(s)” is not at the helm, solely in control, and exclusively operating all aspects of navigation and use of the “vessel” while the “vessel” is underway or during in water operations and use.
4. **Fair Weather Warranty** – “You” warrant that there will be no navigation or operation of any “vessel” in waters where there are
 - a. Any small craft advisories or warnings in effect; or
 - b. Wind gusts are over 30 knots; or
 - c. Sustained winds are over 18 knots.

This condition does not preclude the unexpected or non-forecasted conditions.

This insurance does not apply to any claim arising out of or alleged to arise out of the failure to comply with this warranty.

5. **Licenses, Permits And Certificates** – “You” warrant that all necessary or required licenses, permits and certificates pertaining to the use and/or operation of the “vessel” are in full force and effect as of the commencement date of the coverage provided, and that the same will continue in full force and effect at all times during the period of insurance.

This insurance does not apply to any claim arising out of or alleged to arise out of the failure to comply with this warranty.

6. **Rated Capacity** – “You” warrant that at no time will the number of passengers exceed the maximum rated capacity of the “vessel” or exceed the number of passengers permitted by applicable law.

This insurance does not apply to any claim arising out of or alleged to arise out of the failure to comply with this warranty.

7. **Excess Limits or Increased Value** – “You” agree that no excess insurance or increased value insurance over and above the limits of insurance of this policy shall be provided by any other policy without “our” approval in writing and “you” have complied with all additional terms and conditions “we” may require.

This insurance does not apply to any claim arising out of or alleged to arise out of the failure to comply with this warranty.

8. **Nuclear, Biological, Chemical, Radiological and Electromagnetic** - We will not pay for "property damage" caused directly or indirectly or arising out of or resulting from the actual or threatened release or escape of nuclear materials, radioactive materials, pathogenic or poisonous biological or chemical materials, or electromagnetic weapons, devices, or agents.

OTHER POLICY CONDITIONS AND WARRANTIES

1. **Abandonment of Property** – "You" may not abandon any property to "us" unless "we" agree in writing to the abandonment.
2. **Appraisal**
 - a. **Conditions for an Appraisal** – If "you" and "we" do not agree on the amount of loss or the value of the "covered property", either party may demand that these amounts be determined by appraisal.
 - b. **Selecting an Appraiser** – If either "you" or "we" make a written demand for appraisal, each will select a competent, independent appraiser and notify the other of the appraiser's identity within 20 days of receipt of the written demand. The two appraisers will then select a competent impartial umpire. If the two appraisers are unable to agree upon an umpire within 15 days, either "you" or "we" may request, after written notice to the other, that the selection for an umpire be made by a judge of a court of record in the state where the property is located.
 - c. **Appraisers will Determine** – The appraisers will then determine and state separately the amount of each loss. The appraisers will also determine the value of property items covered at the time of the loss if requested.
 - d. **Report of Agreement** – If the appraisers submit a written report of any agreement to "us", the amount agreed upon will be the amount of the loss.
 - e. **Failure to Agree** – If the appraisers fail to agree within a reasonable time, they will submit only their differences to the umpire. Written agreement so itemized and signed by any two of these three, sets the amount of the loss.
 - f. **Expenses** – Each appraiser will be paid by the party selecting that appraiser. Other expenses of the appraisal and the compensation of the umpire will be paid equally by "you" and "us".
3. **Assignment** – Coverage under this form may not be assigned without "our" written consent.
4. **Cancellation and Non-renewal**
 - a. "You" may cancel this policy by returning the policy to "us" or by giving "us" written notice and stating at what future date coverage is to stop.
 - b. "We" may cancel or not renew this policy by written notice to "you" at the address shown on the Declarations. Proof of delivery or mailing is sufficient proof of notice.
 - c. If "we" cancel this policy, "we" will give "you" notice at least 10 days before the cancellation is effective.
 - d. If "we" do not renew this policy, "we" will give "you" notice at least 30 days before the non-renewal is effective.
 - e. If this policy is cancelled, "you" may be entitled to a premium refund. If "we" cancel the policy, any returned premium will be computed on a pro-rata basis. If "you" cancel the policy, a short rate penalty may apply to the return premium.
 - f. No premiums will be returned to "you" if "we" have paid "you" for a "total loss" or a constructive "total loss" of "your" "vessel" under this policy.
 - g. A minimum premium may apply as shown on the Declarations or by endorsement to the policy.
5. **Change, Modification, or Waiver of Policy Terms** – A waiver or change of the terms of this form must be issued in writing by "us" to be valid.
"Our" request for an appraisal or examination under oath does not waive policy terms.
6. **Conformity with Statute** – When the terms of this form are in conflict with the applicable laws and statutes, the provisions of this policy are changed to conform to such laws and statutes.
7. **Death** – On "your" death, "we" will cover the following as an "insured":
 - a. The person who has proper temporary custody of "your" property until a qualified legal representative is appointed; or
 - b. "Your" legal representative.

This person or organization is an “insured” only with respect to “covered property” under this form and liability arising out of that property.

This coverage does not go beyond the end of the policy period.

- 8. Economic and Trade Sanctions** – Whenever coverage provided by this policy would be in violation of any U.S. economic trade sanctions such as, but not limited to, those sanctions administered and enforced by the U.S. Treasury Department’s Office of Foreign Assets Control (**OFAC**), such coverage shall be null and void.

Similarly, any coverage relating to or referred to in any certificates or other evidences of insurance or any claim that would be in violation of U.S. economic and trade sanctions as described above shall also be null and void.

9. Examination of Your Books and Records

We may examine and audit your books and records as they relate to this policy at any time during the policy period and up to three years afterward.

- 10. Governing Law** – The rights and obligations of the parties under this policy shall be governed by the general maritime law of the United States of America.

- 11. Inspections** – We have the right, but are not obligated to inspect “covered property”. This inspection may be made by “us” or may be made on “our” behalf. An inspection or its resulting advice or report does not warrant that “your” “covered property” is

- a. Safe; or
- b. Free of fungi, bacteria, “pollutants”, or other toxins that may be hazardous to health; or
- c. In compliance with codes, standards, laws, rules or regulations; or
- d. Seaworthy.

Inspections or reports are for “our” benefit only.

- 12. Lay Up** – If the “vessel” is to be “laid-up”:

- a. The “vessel” must be in a safe berth for storage ashore or afloat, as indicated on the Declarations;
- b. The “vessel” must not be used for any purpose whatsoever (but repairs, repainting, dismantling and fitting out can be carried on), and must not be equipped and ready for immediate use;
- c. Adequate fire, safety, and lifesaving equipment of proper type, size and quantity for the “vessel” shall be maintained in proper condition and working order aboard it at all times;
- d. While afloat, the “vessel” and its moorings and bilge areas must be checked daily;
- e. While afloat, the “vessel’s” engines must be operated at least once weekly for a period of not less than one (1) hour;
- f. The “vessel” must not be used for living on board or overnight accommodation; and
- g. The “vessel” must not be navigated away from its berth, except to move it to a safe port or berth in the event of a windstorm.

The manner and place of “lay-up” of the “vessel” shall continuously be subject to “our” approval and if “you” decline or fail to carry out any recommendation “we” make, from time to time, coverage may be canceled by “us”.

- 13. Misrepresentation, Concealment, or Fraud** – We do not provide coverage for any “insured” if before or after a loss:

- a. An “insured” has willfully concealed or misrepresented a material fact or circumstance that relates to this insurance or the subject thereof; or
- b. There has been fraudulent conduct or false swearing by any “insured” with regard to a matter that relates to this insurance or the subject thereof.

This applies even with respect to an “insured” who was not involved in the concealment, misrepresentation, fraudulent conduct, or false swearing.

- 14. No Benefit to Bailee** – Coverage under this form will not directly or indirectly benefit those who are caring for or handling property covered under this form for a fee or are compensated for their service.

15. Policy Coverage Territory – Unless otherwise shown in the Navigation Warranty on the Declarations, “we” only provide coverage under this form for direct physical loss of or damage, caused by or resulting from an “occurrence”, to “your” “covered property” that occurs within:

- a. The United States of America or Canada including the inland lakes, tributaries, rivers and navigable waterways; or
- b. The Great Lakes; or
- c. Coastal waters that extend 25 statute miles or less from the coast of either the United States of America or Canada.
- d. If “port risk” is indicated as the Navigation Warranty on the Declarations, then no coverage is afforded under this policy if the “covered property” is away from the Mooring Location shown on the Declarations.
- e. If “you” transport the “covered property” overland, coverage applies only within a 150 mile radius from the mooring location shown on the Declarations unless prior written consent has been obtained from “us”.

The weight of the “covered property” must not exceed the capacity limits as provided by the manufacturer of the towing vehicle.

“You” must comply with all federal and state license, permit, travel restrictions, escort/pilot vehicle, length, width, height, gross weight, oversize, overweight, wide load, super load, safety, and record keeping requirements.

- f. If “your” “covered property” is transported by common, contract or any other carrier for hire, coverage applies only within a 250 mile radius from the “vessel” mooring location shown on the Declarations unless prior written consent has been obtained from “us”.

“You” will not release or agree to limit the liability of any common, contract or any other carrier for hire.

“You” must require the person(s) or organization(s) transporting the “covered property” to provide a certificate of insurance evidencing:

- (1) If being transported overland, Motor Truck Cargo coverage with limits of liability equal to or greater than the value of the “covered property” and name “you” as a loss payee; and
- (2) If being transported as waterborne cargo, Cargo Legal Liability coverage with limits of liability equal to or greater than the value of the “covered property” and name “you” as a loss payee as well as additional insured.

16. Recoveries – If “we” pay for a loss and lost or damaged property is recovered or payment is made by those responsible for the loss:

- a. “You” must inform “us” or “we” must inform “you” if either recovers the property or receives payment;
- b. Proper costs incurred by either party are paid first;
- c. If “you” keep the property, the amount of the claim paid by “us” or a lesser amount to which “we” agree, must be returned to “us”; and
- d. If the claim paid by “us” is less than the agreed loss due to a “deductible”, or other limiting terms, the recovery is prorated between “you” and “us” based on the interest of each in the loss.

17. Subrogation

- a. If “we” pay for loss or damage, “we” may require that “you” assign to “us” the right of recovery up to the amount “we” pay. “We” are not liable for a loss to the extent that, after the loss or damage, an “insured” impairs “our” right to recover against others.
- b. In the event that “we” require such an assignment, “you” must:
 - (1) Sign and give to “us” all related documents; and
 - (2) Cooperate with “us”.
- c. If “we” pay a loss to an “insured” who recovers from another party for the same loss, that “insured” must pay “us” as stated in **Recoveries**, paragraph **16.**, above.

18. Suit Against Us – No suit may be brought against “us” unless all the terms that apply to this policy are complied with and the suit is brought within 1 year after the loss or damage.

If the applicable law makes this time period invalid, the suit must be brought within the time period allowed by law.

19. Transfer of Interest – All coverage provided by “us” will terminate upon the sale, assignment, transfer or pledge of the “covered property” unless prior written consent has been obtained from “us”.