

The *Jackline*[®] Policy

SECTION 1 DEFINITIONS

References to the headings of this *policy* are capitalized and such headings are for reference only and do not constitute an actual part of the *policy*. Any monetary amount expressed in this *policy* is expressed as United States Dollars unless otherwise *declared*. Any amount of miles expressed in this *policy* is expressed as nautical miles unless otherwise *declared*. Any use of the pronouns *we*, *us* and *our* in this *policy* refers to the insurer *declared* as providing the insurance under this *policy*. Any use of the pronouns *you* and *your* in this *policy* refers to the Policyholder who is the person or other entity *declared* as such and none other. The words and phrases hereinafter defined can have meaning in this *policy* that is distinct from common usage, and, where such a distinction exists, the word or phrase is italicized and shall be interpreted in accordance with the definitions herein.

1.1 Aboard

Aboard, with regard to a person, means boarding, in, upon and disembarking from the *Vessel*, and with regard to property, means being loaded onto, in, upon and being unloaded from the *Vessel*.

1.2 Agreed Value

The *agreed value* is the monetary value of the *Vessel* which value, unless otherwise *declared*, is equivalent to the Coverage Limit *declared* for Hull Coverage. Nevertheless, if at the time of a *loss* the *Vessel* remains un-repaired from a prior *loss* or if equipment normally *aboard* shall be elsewhere, then the *agreed value* of the *Vessel* shall be reduced by the amount of any such prior *loss* and the value of any such equipment.

1.3 Bodily Injury

Bodily injury is any physical harm, sickness or disease, including any resulting *care*, *loss of services* or death.

1.4 Declarations

The *Declarations* is the document countersigned by *IMIS* on *our* behalf which declares the insurer providing the insurance under this *policy*, the Policyholder, the Coverage Limits, Deductibles and Premiums for the Coverage Types, the Minimum Earned Premium, the *Policy Period*, the *Named Insureds*, the *Loss Payees*, the *Vessel*, the Navigation Warranties any Special Conditions, and the Producer.

1.5 Declared

Declared means stated on the *Declarations* or any concurrent or subsequent amendments to the *policy*.

1.6 Design Defect

A *design defect* is a flaw in the structural plan of the *Vessel's* hull or machinery, or any of its components. Design defect does not include wear and tear, gradual deterioration, corrosion, rust, electrolysis, osmosis, weathering, *latent defects*, or *manufacturer's defects*.

1.7 Environmental Damage

Environmental damage is damage caused to coral and sea beds and emission, discharge, release, leakage, escape or spillage of a pollutant which is normally *aboard* for the use, operation, navigation, maintenance or safety of the *Vessel*.

1.8 Exclusion

An *exclusion* is any type of *occurrence* or any consequence of an *occurrence* for which payment is specifically excluded by this *policy*. Other than the *exclusions* appearing in Section 2, General Conditions and Exclusions, *exclusions* apply only to the Coverage Type in which section the *exclusion* appears.

1.9 IMIS

IMIS is IMIS Corporation which does business as INTERNATIONAL MARINE INSURANCE SERVICES and administers this *policy* on *our* behalf.

1.10 Insured

An *insured* is a *Named Insured* or, while operating or otherwise having care, custody and control of the *Vessel* in accordance with prior permission granted by a *Named Insured*, a *person* other than an *owner* who has complied fully with all the conditions and warranties of this *policy* as if that *person* were a *Named Insured*. Nevertheless, except as provided by clause 2.18, Benefit to Bailee, a *person* shall not be an *insured* if the operation or care, custody and control of the *Vessel* is in the course of the commercial employment of that *person* to operate, store, maintain, repair or otherwise have employment with or on vessels.

1.11 Latent Defect

A *latent defect* is a flaw in the material of the hull or machinery of the *Vessel* existing when the *Vessel* or its components were built and not discoverable by common means 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.

1.12 Loss

A *loss* is the portion of any financial loss suffered by one or more *insureds* due to an *occurrence* which neither is an *exclusion* nor results in an *exclusion*.

1.13 Loss Payee

A *Loss Payee* is any *person declared* as such and who holds a lien against or has other financial interest in the *Vessel* or this *policy* at the time of a *loss*.

1.14 Manufacturer's Defect

A *manufacturer's defect* is the improper, incorrect, inadequate manufacturing process of the *Vessel's* hull or machinery, or any of its components. Manufacturer's defect does not include wear and tear, gradual deterioration, corrosion, rust, electrolysis, osmosis, weathering, inherent vice, *latent defects*, or *design defects*.

1.15 Mysterious Disappearance

Mysterious disappearance is the disappearance of property for which there is neither physical evidence of its forcible removal nor witnesses available to *us*.

1.16 Named Insured

A *Named Insured* is any *person declared* as such and none other.

1.17 Occurrence

An *occurrence* is any sudden and fortuitous accident which occurs during the *Policy Period*. Continuous or repeated exposure to substantially the same harmful conditions shall be considered a *single occurrence*.

1.18 Owner

An *owner* is any *person* having full or partial ownership interest in the *Vessel* or otherwise being fully or partially responsible for maintenance and repair of the *Vessel*.

1.19 Person

A *person* is any natural person or other legal entity. If reference is made to a natural person, then that reference includes spouses, parents, step-parents, parents-in-law, siblings, siblings-in-law, half-siblings, children, step-children, foster children, wards and other persons who regularly reside with or are otherwise financially codependent with that person. If reference is made to an entity other than a natural person, then that reference includes all owners, partners, members, officers, directors, executors, trustees, employees and subsidiaries of that entity.

1.20 Personal Injury

Personal injury is any injury arising from false arrest, false detention, false imprisonment, malicious prosecution, libel, slander, defamation of character, invasion of privacy, wrongful eviction or wrongful entry.

1.21 Personal Property

Personal property is tangible property owned by a *Named Insured* or, provided that no *person* is required to proffer consideration to a *Named Insured*, tangible property in the care, custody and control of a *Named Insured*. Nevertheless, except for property scheduled on a Personal Property Schedule which may be incorporated into this *policy*, *personal property* does not include the *Vessel*, a motorized land conveyance or its equipment and accessories, a conveyance used or designed for flight or its equipment and accessories, an animal, a plant, real property or property which is specifically covered by other insurance.

1.22 Policy

The *policy* is the insurance contract issued by *us* and accepted by *you* which upon its issuance shall consist solely of this document, the latest edition of the Travel Restrictions, the *Declarations* and any documents incorporated by reference thereon. Any subsequent amendments to the *policy* must be in writing and endorsed by *IMIS* on *our* behalf.

1.23 Policy Period

The *Policy Period* is the period *declared* as such. Unless otherwise *declared*, the *Policy Period* shall commence at 00:01 Coordinated Universal Time (UTC) on the earlier date *declared* and shall expire at 00:01 UTC on the later date *declared*. Nevertheless, if the *Vessel* is at sea upon the *declared* expiration of this *policy*, then the *Policy Period* is extended to expire forty-eight hours after the arrival of the *Vessel* at the next port, provided that the arrival is reported to *IMIS* prior to the extended expiration and a reasonable additional premium is tendered.

1.24 Property Damage

Property damage is any physical injury to, destruction of or loss of use of tangible property.

1.25 Tender

A *tender* is any smaller vessel normally *aboard* or towed by the *Vessel*, normally used for recreation or the carriage of people and provisions to and from the *Vessel* and not capable of speeds in excess of thirty miles per hour.

1.26 Tropical Storm

A *tropical storm* is any tropical storm, tropical depression, sub-tropical storm, extra-tropical storm, hurricane, cyclone, typhoon, monsoon or nor'easter.

1.27 Tropical Storm Zones

The *northern tropical storm zone* is comprised of the waters and territories located:

- between 010° 50' and 031° 00' North latitude and between 030° 00' and 100° 00' West longitude,
- between 008° 00' and 027° 00' North latitude and between 090° 00' and 180° 00' West longitude and
- between 008° 00' and 045° 00' North latitude and between 060° 00' and 180° 00' East longitude.

The *southern tropical storm zone* is comprised of the waters and territories located:

- between 008° 00' and 026° 30' South latitude and between 090° 00' and 180° 00' East longitude,
- between 008° 00' and 026° 30' South latitude and between 120° 00' and 180° 00' West longitude and
- between 008° 00' and 035° 00' South latitude and between 025° 00' and 090° 00' East longitude.

1.28 Vessel

The *Vessel* is the vessel *declared* as such. The *Vessel* includes any *tenders* and the *machinery* and equipment which is normally *aboard* for the use, operation, navigation, maintenance or safety of the *Vessel*. Nevertheless, the *Vessel* does not include any trailers, moorings, cradles or dock boxes.

1.29 Workers Compensation Statutes

Workers compensation statutes, whether so named or not, are those statutes governing the right of a worker to receive compensation from an employer for injuries arising from or while working, including several statutes enacted by the federal government of the United States of America such as the Longshore and Harbor Workers' Compensation Act (33 USC, Sections 901-950), the Nonappropriated Fund Instrumentalities Act (5 USC, Sections 8171-8173), the Outer Continental Shelf Lands Act (43 USC, Sections 1331-1356), the Defense Base Act (42 USC, Sections 1651-1654), the Federal Coal Mine Health and Safety Act of 1969 (30 USC, Sections 901-945), the Federal Employers' Liability Act (45 USC, Sections 51-60) and the Migrant and Seasonal Agricultural Worker Protection Act (29 USC, Sections 1801-1872).

SECTION 2

GENERAL CONDITIONS AND EXCLUSIONS

The conditions, warranties and *exclusions* in this section apply to all Coverage Types and are therefore conditions precedent to there being any coverage under each of the succeeding sections of this *policy*.

2.1 Seaworthiness Warranty

By accepting this *policy you* warrant that, upon the inception of the *Policy Period*, the *Vessel* is seaworthy for its intended purpose, that *you* and all *Named Insureds* shall exercise due diligence to maintain the *Vessel* so throughout the *Policy Period* and that *you* shall notify *IMIS* as soon as practical if the *Vessel* should nevertheless become unseaworthy. Seaworthy means constructed, maintained, equipped and crewed so that neither the *Vessel* nor persons *aboard* can be harmed by the ordinary perils to which they are exposed.

2.2 Crew Warranty

By accepting this *policy you* warrant that, upon the commencement of any passage any part of which shall be during the *Policy Period* and which could reasonably be expected to be of greater duration than twenty-four hours, the *Vessel* shall, in addition to the captain, be crewed by at least one other able crewmember anticipated to remain *aboard* for the duration of the passage. A passage shall be deemed to have ended upon the commencement of a period during which the *Vessel* is securely moored for at least twelve hours. If this warranty is breached, then this *policy* shall be suspended from the moment of the breach until twenty-four hours after the breach has been cured.

2.3 Navigation Warranties

By accepting this *policy you* warrant that at all times during the *Policy Period* the *Vessel* shall comply with the *declared* Navigation Warranties. Travel in waters and travel to territories not *declared* in the Navigation Warranties shall not be construed to be breaches of this warranty if such waters and territories are along customary routes between two places *declared* in the Navigation Warranties or are tributary to waters *declared* in the Navigation Warranties, however, this

prerogative may be abrogated by the Travel Restrictions which constitute a part of this *policy* or by an explicit restriction *declared* in the Navigation Warranties. If a lay-up period is *declared*, then during that entire period the *Vessel* shall be stored ashore or in transit overland and shall not be used for residential purposes. If the Navigation Warranties are breached, unless *you* can demonstrate that the breach was beyond the reasonable control of *you* and any *Named Insured* or that the breach was made in a reasonable attempt to avert or minimize a *loss*, then this *policy* shall be suspended from the moment of the breach until twenty-four hours after the breach has been cured.

2.4 Usage Warranty

By accepting this *policy you* warrant that at all times during the *Policy Period* the *Vessel* shall be used solely for private pleasure, recreational and residential purposes. If this warranty is breached by the chartering, hiring, leasing or any other commercial use of the *Vessel*, then this *policy* shall become and remain void from the moment of the breach. However, maintenance, renovations and sea trials of the *Vessel*, demonstrations of the *Vessel* to prospective purchasers, business activities *aboard* but unrelated to the *Vessel* and consistent with those activities commonly performed in a private residence, entertainment of business guests *aboard* and use of the *Vessel* to render assistance to other vessels in an emergency shall not be construed to be breaches of this warranty, provided that no *person* is required to proffer consideration for being *aboard* or for assistance rendered.

2.5 Racing Exclusion

Occurrences caused or contributed to by or during any practice or preparation for or engagement in a race relying on mechanical propulsion are *exclusions*.

2.6 Dishonesty or Illegal Acts Exclusion

Occurrences caused or contributed to by or during any dishonest or illegal act of *you*, any *Named Insured*, any person to whom your *Vessel* is entrusted, or their employees or representatives regardless of whether or not such person is convicted of such act by criminal court are *exclusions*.

2.7 Intentional Acts Exclusion

Occurrences where loss, damage, bodily injury, or property damage is caused intentionally by or at the direction of *you* or any *Named Insured* or results from any intentional act by *you* or any *Named Insured* are *exclusions*.

2.8 War Risks Exclusion

Occurrences caused or contributed to by:

- declared or undeclared war, including civil war, revolution, rebellion, insurrection and other warlike action, and civil strife arising therefrom,
- strikers, locked-out laborers or others taking part in labor disturbances, riots or civil commotions,
- derelict mines, torpedoes, bombs and other derelict weapons of war,
- actual or attempted capture, seizure, arrest, restraint, detainment, confiscation, requisition, expropriation or destruction by any real or pretended authority or
- actual or threatened acts involving a chemical, biological, bio-chemical or electromagnetic weapon, device, agent or material when used in an intentionally hostile manner

are *exclusions*.

2.9 Radioactive Contamination Exclusion

Occurrences caused or contributed to by:

- ionizing radiations from or contamination by radioactivity from any nuclear fuel or from any nuclear waste or from the combustion of nuclear fuel,
- the radioactive, toxic, explosive or other hazardous or contaminating properties of any nuclear installation, reactor or other nuclear assembly or nuclear component thereof,
- any weapon or device employing atomic or nuclear fission or fusion or other like reaction or radioactive force or matter or
- the radioactive, toxic, explosive or other hazardous or contaminating properties of any radioactive matter.

are *exclusions*.

2.10 Sue and Labor

By accepting this *policy you* warrant that, when an *occurrence* is imminent, *you* and all *Named Insureds* shall, to the extent reasonable in the absence of this *policy* or any other insurance, endeavor to avert the *occurrence* and during and after an *occurrence* endeavor to minimize the *loss*. The necessary and reasonable expenses incurred in such endeavors, including salvage liabilities, shall be paid as a *loss* or part of a *loss* under which Coverage Type the *loss* is or would have been covered.

Such payment shall not reduce any Coverage Limit applicable to the *occurrence*, however, the amount of additional payment under this clause shall never exceed the Coverage Limit *declared* for the Coverage Type under which the *loss* is or would have been covered. No payment on *our* part shall be considered as a waiver of any of *our* rights under this *policy*. No action or omission of *IMIS*, *us* or *our* representatives shall be construed as authorizing an *insured* to abandon any property or otherwise waive the requirements of this clause unless the authority or waiver is explicitly stated in writing.

2.11 Salvage and Abandonment

If *we* pay a *loss*, *we* reserve the right to take possession of any damaged property if *we* elect, however, *we* are not obligated to accept any property that any *insured* abandons, nor are *we* obligated to pay any storage fees incurred for such abandoned property. Upon *our* request, title to the damaged property shall be transferred to *us* or to a salvage buyer appointed by *us*. Any recovery or salvage on a *loss* shall accrue entirely to *our* benefit until the sum paid by *us* has been made up.

2.12 Notice of Loss

In the event of *you* or any *insured* becoming aware of any *occurrence* which has resulted or may result in a *loss*, that *person* shall notify *IMIS* or *us* of such *occurrence* as soon as practical. Additionally, *occurrences* of piracy, robbery, theft or other forcible takings of property shall be reported by *you* or any *insured* to the appropriate police authority as soon as practical, whether or not required by the authority, and *you* and all *insureds* shall, to the extent reasonable, cooperate with the authority in the performance of its duties related to such *occurrences*.

2.13 Inspection

We are entitled but not obligated to commission or request *you* to commission survey reports on the *Vessel*. In the event of a *loss* neither *you* nor any *Named Insured* shall, except to the extent required by clause 2.10, Sue and Labor, act to impair *our* ability to inspect the damage and the circumstances of the *loss* and to negotiate for the repair of the damage.

2.14 Proof of Loss

We may require that written and sworn proof of a *loss* be provided to *us* before *we* pay for such *loss*. In the event that an alleged liability of an *insured* is contested by *us*, no payment shall be made until final judgment against the *insured* has been entered and any right of appeal exhausted.

2.15 Other Insurance

Payment for a *loss* shall not be made under more than one Coverage Type afforded by this *policy*, however, any payment shall be made in accordance with the Coverage Type most favorable to the *insured*. If a *loss* is also covered by other insurance, then this *policy* shall be excess insurance and only cover the portion of the *loss* which the other insurance does not cover, unless the other insurance has a similar provision, in which case this *policy* shall cover the *loss* in the proportion which the Coverage Limit applicable to the *loss* under this *policy* bears to the total amount of insurance coverage for the *loss*.

2.16 Bankruptcy or Death

Except to whom a payment is made, neither the bankruptcy nor death of an *insured* shall affect any payment for a *loss* under this *policy*. In the event of the bankruptcy of an *insured*, payment otherwise payable to that *insured* may be paid to a legally appointed receiver of the *insured* or in such other manner as directed by a bankruptcy court. In the event of the death of an *insured*, payment otherwise payable to that *insured* may be paid to the estate of that *insured* or paid in accordance with the testamentary will of the *insured*. Upon notification to *IMIS* of the bankruptcy or death of an *insured*, any receiver for such *insured* or executor of the estate of such *insured* shall become an *insured*, provided that such *person* complies fully with all the conditions and warranties of this *policy* as if such *person* were a *Named Insured*.

2.17 Subrogation

If *we* pay for a *loss* under this *policy*, then *we* shall be subrogated to any right which any *insured* might have to be paid by another *person* for such *loss*. *You* and all *insureds* shall preserve, both before and after the issuance of this *policy* and before and after a *loss*, the right to such other payment and shall cooperate with *us* in *our* pursuit of such payment. Nevertheless, the execution of a moorage or storage contract for the *Vessel* which includes a hold harmless agreement shall not be construed to be a breach of the conditions of this clause.

2.18 Benefit to Bailee

No payment for a *loss* shall be made that would inure to the benefit of a *person* transporting, mooring or storing the *Vessel* or *personal property* or otherwise serving as a bailee of property covered by this *policy* if that bailee is being paid for such service. Nevertheless, if a moorage or storage contract for the *Vessel* is executed which contains a requirement that the *person* providing the moorage or storage be covered by the insurance of the *Vessel*, then that *person* shall, only during the term of that contract and only with regard to Protection and Indemnity Coverage, be an *insured*.

2.19 Misrepresentation

All insurance provided by this *policy* shall be null and void, if *you* or any *Named Insured*, at any time, intentionally misrepresent or conceal any fact, regardless of materiality, or if *you* or any *Named Insured* misrepresent or conceal any material fact regardless of intent. No action or inaction by *us*, shall be deemed a waiver of this provision.

2.20 Cancellation and Nonrenewal

This *policy* shall automatically and immediately be cancelled upon the breach of any warranty by *you* or any *Named Insured* unless provision is made elsewhere in this *policy* for the *policy* to remain in effect. This *policy* shall automatically and immediately be cancelled upon transfer of financial interest in the *Vessel* such that no *Named Insured* is an *owner*. *You* may cancel this *policy* by returning it to *us* or *our* authorized agent, or by advising *us* or *our* authorized agent in writing, stating the future date *you* want the *policy* to be cancelled. *We* may cancel this *policy* by delivering or mailing to *you* at *your* last address shown in *our* records, written notice stating when, not less than fifteen days after mailing, the *policy* shall be cancelled. A copy of the notice shall also be sent to any *loss payee*. Proof of mailing of this notice to *you* shall be sufficient proof that notice of cancellation was given. The date of the cancellation stated in the notice shall become the end of the *Policy Period*. This *policy* shall terminate without any written notice when *we* have paid *you* under clause 3.3, Agreed Value.

If *we* decide not to renew *your policy*, *we* or *our* authorized representative shall mail to *you*, at *your* last address shown in *our* records, written notice of nonrenewal. The written notice of nonrenewal shall be mailed to *you* at least thirty days before the end of the *Policy Period*. A copy of the notice shall also be sent to any *loss payee*. Proof of mailing of this notice to *you* shall be sufficient proof that notice of nonrenewal was given.

2.21 Return Premium

If this *policy* is cancelled, *you* may be entitled to a premium refund. If *we* cancel the *policy*, any return premium shall be computed on a pro-rata basis. If *you* cancel the *policy*, any return premium shall be computed on a 90% pro-rata basis, subject to *our declared* Minimum Earned Premium. No premium shall be returned to *you* if *we* have paid *you* under clause 3.3, Agreed Value. Any return premium shall be paid to *you* as soon as possible after the cancellation.

2.22 Notices

Any formal notices related to this *policy* which are addressed to *you* shall be delivered to *your declared* address. Any formal notices related to this *policy* which are addressed to *us* shall be delivered to *our declared* address. Any formal notices related to this *policy* which are addressed to *IMIS* shall be delivered to its *declared* address.

2.23 Dispute Resolution

No *person* shall have a cause of action against *us* by virtue of this *policy* except *you*, and then, only if *you* and all *Named Insureds* have complied fully with all of the conditions and warranties of this *policy*. No suit or other action related to a *loss* under the Hull Coverage or Personal Property Coverage may be brought against *us* unless the action is brought within one year after the date *you* first have knowledge of the *loss*. No suit or other action related to a *loss* under any other Coverage Type may be brought against *us* until the amount of the *loss* has been either accepted by *us* or determined by a court having jurisdiction. Due to the diversity of jurisdictions that may be encompassed by the Navigation Warranties, it is hereby agreed that any dispute between *you* and *us* shall be resolved in accordance with established principles and precedents of federal admiralty law of the United States of America, but where no substantive principle or precedent is established the law of the State of New York shall apply. If *we* admit to a *loss* but *you* dispute *our* appraisal of the amount of the *loss*, then *you* and *we* shall each appoint and pay for a competent and disinterested appraiser and the appraisers so appointed shall appoint a competent and disinterested umpire whose expense shall be borne equally by *you* and *us* as shall other expenses of the appraisal. Each appraiser shall then appraise the *loss* in accordance with the terms of this *policy* and submit their appraisal to the umpire. A written award subscribed to by the majority of appraisers and umpires shall be final and binding upon both *you* and *us*.

2.24 Conformity to Statutes

Any portion of this *policy* which is prohibited by applicable law and regulation is hereby amended to the minimum extent necessary to be in accordance with such law and regulation.

SECTION 3 HULL COVERAGE

If *you* and all *Named Insureds* have complied fully with all the conditions and warranties of this *policy* and if a positive Coverage Limit is *declared* for Hull Coverage, then this section of the *policy* is applicable and *we* shall pay *Named Insureds* for all risks of *loss* of or to the *Vessel*.

3.1 Exclusions

Nevertheless, there are *exclusions* that apply in addition to those appearing in Section 2, General Conditions and Exclusions, those being:

- 3.1.1 *Occurrences* caused or contributed to by normal wear and tear, corrosion or other gradual deterioration including but not limited to marring, denting, scratching, weathering, rotting, molding, mildewing, rusting, electrolysis, galvanic action, osmotic blistering and infestations of marine growth, insects and vermin.
- 3.1.2 *Occurrences* caused by or contributed to by extremes of temperature unless protection customary to where the *Vessel* is located has been arranged.

- 3.1.3 Occurrences caused by or contributed to by *tropical storms* while the *Vessel* is in the *northern tropical storm zone* between and including the first day of July and the last day of October unless the *Vessel* is in the territory or territorial waters of Hawaii.
- 3.1.4 Occurrences caused by or contributed to by *tropical storms* while the *Vessel* is in the *southern tropical storm zone* between and including the first day of December and the last day of March.
- 3.1.5 Occurrences of *mysterious disappearance* unless coincident with the disappearance of the hull of the *Vessel*.
- 3.1.6 Occurrences while the hull of the *Vessel* is stowed aboard or being loaded onto or unloaded from a waterborne or airborne carrier.
- 3.1.7 Occurrences while the hull of the *Vessel* is stowed aboard or being loaded onto or unloaded from a motor carrier unless the operator of the carrier has in effect at the time of the *occurrence* valid and collectible insurance in an amount not less than the *agreed value* which covers the legal liability of the operator for loss of or damage to cargo.
- 3.1.8 Occurrences caused by or contributed to by any *design defect* or *manufacturer's defect*.
- 3.1.9 Components with a *defect*, however, *occurrences* caused or contributed to by any such *defect* are covered unless precluded by other terms of this *policy*.
- 3.1.10 *Tenders*, their motors and contents lost or damaged while the *tender* is being towed by the *Vessel*.
- 3.1.11 Sails and canvas covers lost in or damaged by a *tropical storm* unless when lost or damaged such equipment is stored ashore or in a cabin or locker of the *Vessel* or the *Vessel* is at sea.
- 3.1.12 Spars, sails and rigging lost or damaged while the *Vessel* is practicing or preparing for or engaged in a race.
- 3.1.13 Spars, sails and rigging lost or damaged due to failure of a shroud or stay greater than fifteen years old.

3.2 Replacement Cost

The amount of a *loss* shall be the cost to repair the *Vessel* with materials, parts, labor and equipment of like kind and quality to that which is being replaced so that the *Vessel* is in substantially the same condition as it was immediately prior to the *loss*. The repairs shall be made in accordance with the manufacturer's specifications or accepted repair practices including spot repair. Nevertheless, in the event that materials, parts, labor or equipment of like kind and quality are not readily available, no deduction shall be made from the cost to repair the *Vessel* for any resulting betterment to the *Vessel*, unless such betterment be to the *tenders*, sails, fabrics, finishes or machinery of the *Vessel*. However, the use of rebuilt machinery shall not be construed to be betterment provided that it is of like kind and the machinery being replaced was rebuilt or new within ten years before the *loss*. Repair or replacement of a spar constructed over a year before the *loss* of material other than aluminum shall be construed to be betterment, and for each full year of age of such spar a deduction of five percent of the cost to repair or replace the spar shall be made, however, in no case shall more than one half of the cost to repair or replace the spar be deducted.

3.3 Agreed Value

Notwithstanding clause 3.2, Replacement Cost, if a *loss* is the result of the complete and irrevocable loss of the *Vessel* or which under the terms of that clause would cost more to repair than either the Coverage Limit *declared* for Hull Coverage or the *agreed value*, then the amount of the *loss* shall be the *agreed value*. If the *Vessel* is stolen or otherwise criminally or mysteriously removed from the possession of its *owners*, then the *Vessel* shall be deemed to be irrevocably lost after ninety days from the later of the reporting of its disappearance to *IMIS* or to the appropriate police authority.

3.4 Underinsured Coinsurance

When the *agreed value* exceeds the Coverage Limit *declared* for Hull Coverage, any payment for a *loss* shall be reduced by the same proportion as the excess bears to the *agreed value*.

3.5 Deductible

No payment for a *loss* shall be made if, after any reduction in accordance with clauses 3.2, Replacement Cost, 3.3, Agreed Value, and 3.4, Underinsured Coinsurance, the payment would not exceed the Deductible *declared* for Hull Coverage, and if a payment is still due, then the amount of the Deductible shall be deducted from the payment. However, if the *loss* shall have:

- been caused or contributed to by a *tropical storm*,
- involved loss of or damage to spars constructed of material other than aluminum,
- involved loss of or damage to the hull of the *Vessel* if it is constructed primarily of material other than fiberglass, steel or aluminum,

- occurred while the Vessel is practicing or preparing for or engaged in a race or
- occurred while the hull of the *Vessel* is stowed aboard or being loaded onto or unloaded from a motor carrier,

then the payment must exceed the greater of the Deductible and four percent of the Coverage Limit *declared* for Hull Coverage and the greater of those two amounts shall be deducted from the payment.

3.6 Loss Payable

If a payment is made under this section, then that payment shall name each *Loss Payee* as an additional payee.

3.7 Loss of Use

If a *loss* should occur which renders the *Vessel* unfit as a residence and the *Vessel* was at the time of the *loss* being used as the residence of a *Named Insured*, then the necessary increase in living expenses incurred to maintain the customary standard of living of that *Named Insured* which exceeds one thousand dollars shall be paid in addition to the *loss*. Payment under this clause shall be limited to ten thousand dollars for any single *occurrence* regardless of the number of *Named Insureds*. Payment under this clause shall be further limited to the expenses incurred until the *Named Insured* settles in a new residence or the *Vessel* is repaired or replaced. No payment shall be made under this clause for travel expenses.

SECTION 4 PERSONAL PROPERTY COVERAGE

If you and all *Named Insureds* have complied fully with all the conditions and warranties of this *policy* and if a positive Coverage Limit is *declared* for Personal Property Coverage, then this section of the *policy* is applicable and we shall pay *Named Insureds* for all risks of *loss* of or to *personal property*.

4.1 Exclusions

Nevertheless, there are *exclusions* that apply in addition to those appearing in Section 2, General Conditions and Exclusions, those being:

- 4.1.1 *Occurrences* caused or contributed to by normal wear and tear or other gradual deterioration, including but not limited to marring, denting, scratching, weathering, rotting, molding, mildewing and infestations of insects and vermin.
- 4.1.2 *Occurrences* caused by or contributed to by changes of or extremes of temperature or humidity, by flood, spray or weather damage, by earth movement or by electrical power surge or failure unless protection customary for the type and location of the property has been arranged.
- 4.1.3 *Occurrences of mysterious disappearance* unless coincident with the disappearance of the hull of the *Vessel*.
- 4.1.4 Property suffering from mechanical or electrical breakdown unless directly caused by lightning.

4.2 Loss Adjustment

If a *loss* should occur, the amount of the *loss* shall be the cost to repair the lost or damaged property with materials, parts, labor and equipment of like kind and quality to that which is being replaced. In the event that materials, parts, labor or equipment of like kind and quality are not readily available, a deduction shall be made from the cost to repair the lost or damaged property for the resulting betterment to the property. Nevertheless, if such property is lost or damaged beyond repair and a Personal Property Schedule is incorporated into this *policy* which states a value for such property, then the amount of the *loss* shall be the stated value.

4.3 Coverage Limit

The Coverage Limit *declared* for Personal Property Coverage is the most that shall be paid for *losses* arising from any single *occurrence* regardless of the number of *Named Insureds*. Except for property scheduled on a Personal Property Schedule which may be incorporated into this *policy*, our payment for a *loss* of or to *personal property* shall for any single *occurrence* be limited to one thousand dollars for each of the categories of property hereinafter specified.

- 4.3.1 Money, notes and letters of credit, securities, deeds, manuscripts, passports, tickets and other financial instruments, personal records and valuable papers, documents and data.
- 4.3.2 China, pewter, precious metals and precious and semi-precious stones and property made of, plated with or consisting essentially of such materials but which is not jewelry.
- 4.3.3 Jewelry, watches and furs.
- 4.3.4 Fine arts, antiques and collectibles.
- 4.3.5 Watercraft and their trailers.
- 4.3.6 Trailers not used with watercraft.

- 4.3.7 Firearms.
- 4.3.8 Electronic, photographic and computer equipment.
- 4.3.9 Property used in any manner during the *Policy Period* for any business.

4.4 Deductible

Payment for a *loss* shall be made only if the amount of such *loss* exceeds the Deductible *declared* for Personal Property Coverage, and the amount of the Deductible shall be deducted from any such payment.

4.5 Debris Removal

If a *loss* should occur then the necessary and reasonable expense incurred to remove and dispose of the debris of the *personal property* and the debris of whatever caused the *loss* shall be considered to be part of the *loss*.

SECTION 5 PROTECTION AND INDEMNITY COVERAGE

If *you* and all *Named Insureds* have complied fully with all the conditions and warranties of this *policy* and if a positive Coverage Limit is *declared* for Protection and Indemnity Coverage, then this section of the *policy* is applicable. If this section of the *policy* is applicable, then, if an *insured* shall because of an *occurrence* arising from the ownership, custody, maintenance or use of the *Vessel* become legally liable to another *person* who is not a *Named Insured* for:

- *bodily injury*,
- *property damage*,
- maintenance and cure of paid captains and crewmembers,
- removal of or failure to remove wreckage or
- *environmental damage*,

we shall pay for that liability.

5.1 Exclusions

Nevertheless, there are *exclusions* that apply in addition to those appearing in Section 2, General Conditions and Exclusions, those being:

- 5.1.1 *Occurrences* while the *Vessel* is being transported as cargo including while being loaded onto and unloaded from its carrier.
- 5.1.2 *Occurrences* of *bodily injury* to a person engaged in watersports, such as swimming, skiing and parasailing, from the *Vessel* unless the injury occurs while *aboard* or from contact with the *Vessel*.
- 5.1.3 *Occurrences* of injury to a person who at the time of the *occurrence* is employed by a *Named Insured* entitling that person to benefits payable under workers compensation statutes unless such benefits are payable under the Longshore and Harbor Workers' Compensation Act or the person is employed as a captain or crewmember of the *Vessel* for not more than ninety days during the *Policy Period*.
- 5.1.4 Property regularly in the care, custody or control of a *Named Insured*.
- 5.1.5 Liability assumed by *you* or an *insured* in excess of that which is imposed by applicable law.
- 5.1.6 Fees, fines or penalties imposed by a governing authority.
- 5.1.7 Punitive or exemplary damages, however, if a suit or other claim seeking such damages also seeks compensatory damages for which, if the claim were valid, a payment would be made under this section, then *we* have the right and duty to defend the *insured* in accordance with clause 5.4, Defense, but *we* shall not have any obligation to pay for costs, interest or damages attributable to punitive or exemplary damages.

5.2 Coverage Limit

The Coverage Limit *declared* for Protection and Indemnity Coverage is the most that shall be paid for *losses* arising from any single *occurrence* regardless of the number of *insureds* or the number of *persons* to whom the *insureds* are liable.

5.3 Deductible

Payment for a *loss* shall be made only if the amount of such *loss* exceeds the Deductible *declared* for Protection and Indemnity Coverage, and the amount of the Deductible shall be deducted from any such payment.

5.4 Defense

We have the right and duty to defend an *insured* against any claim of liability for which, if the claim were valid, a payment would be made under this section. *You* and all *Named Insureds* must send to *us* as soon as practical every demand, notice,

summons or other legal papers and correspondence related to any such claim and must cooperate with the *us* in the defense against any such claim. The conduct of such defense, including the naming of attorneys, shall be at *our* sole discretion, and the expense of such defense shall be borne by *us* without application of the Deductible and without reducing the Coverage Limit. Nevertheless, *we* may, upon investigation of a claim, elect at *our* sole discretion to negotiate a settlement of such claim. *Our* duty to defend an *insured* ends when the *insured* refuses to accept or otherwise cooperate in a settlement acceptable to *us* and the claimant, in which case any payment under this section shall be limited to the amount which would have been paid had such settlement been made. *Our* duty to defend an *insured* also ends when the sum paid, including any amount tendered to the court of jurisdiction, for all claims against any *insured* arising from any single *occurrence* is at least the Coverage Limit *declared* for Protection and Indemnity Coverage.

5.5 Bonds

Should the *Vessel* be arrested by a governing or judicial authority because of a claim of liability for which, if the claim were valid, a payment would be made under this section, then *we* shall pay the premium for a bond required for the release of the *Vessel*, without application of the Deductible and without reducing the Coverage Limit. However, *we* need not apply for nor furnish such a bond and need not make any payment under this clause if no such bond is issued. If the penalty of the bond should be greater than the Coverage Limit, then *we* shall only pay the proportion of the premium equivalent to the proportion which the Coverage Limit bears to the amount of the penalty.

5.6 Interest

If a payment shall become due because of a judgment against an *insured*, *we* shall also pay any pre-judgment interest adjudged and any post-judgment interest accruing against the *insured* without reducing the Coverage Limit. Nevertheless, if the payment due because of such judgment is less than the amount of the judgment, then *we* shall only pay that proportion of the interest which is equivalent to the proportion which the payment bears to the judgment.

5.7 Uninsured Vessel Coverage

If a *Named Insured* should while *aboard* the *Vessel* sustain a financial loss due to *bodily injury* caused by another vessel but the *Named Insured* is unable to secure complete payment for the loss because:

- the other vessel could not be identified or located,
- insurance to cover liabilities incurred by the other vessel was not in effect at the time of the loss,
- insurance to cover liabilities incurred by the other vessel excludes coverage for the loss or
- insurance to cover liabilities incurred by the other vessel was insufficient to cover the full amount of the loss,

then *we* shall complete the payment, subject still to clauses 5.2, Coverage Limit, and 5.3, Deductible.

SECTION 6

PERSONAL LIABILITY COVERAGE

If *you* and all *Named Insureds* have complied fully with all the conditions and warranties of this *policy* and if a positive Coverage Limit is *declared* for Personal Liability Coverage, then this section of the *policy* is applicable. If this section of the *policy* is applicable, then, if a natural person who is a *Named Insured* shall because of an *occurrence* not arising from the ownership, custody, maintenance or use of the *Vessel* become legally liable to a *person* who is not a *Named Insured* for:

- *bodily injury*,
- *personal injury* or
- *property damage*,

we shall pay for that liability.

6.1 Exclusions

Nevertheless, there are *exclusions* that apply in addition to those appearing in Section 2, General Conditions and Exclusions, those being:

- 6.1.1 *Occurrences* arising from or in connection with any business, occupation or other commercial employment of a *Named Insured* including the rendering of or failure to render professional services and including civic activities for which payment is made.
- 6.1.2 *Occurrences* of injury to a person who at the time of the *occurrence* is employed by a *Named Insured* entitling that person to benefits payable under *workers compensation statutes*.
- 6.1.3 *Occurrences* arising from sexual molestation, corporal punishment, physical or mental abuse or the transmission of a communicable disease.
- 6.1.4 *Occurrences* arising from or in connection with the use, sale, manufacture, delivery, transfer or possession by any *person* of a controlled substance as defined by the legal code of the United States of America, including but not

limited to cocaine, LSD, marijuana and other narcotic drugs, unless such use, sale, manufacture, delivery, transfer or possession is in accordance with the prescription of a licensed physician.

- 6.1.5 *Occurrences* at or in connection with premises used regularly by a *Named Insured* as a residence or rented by a *Named Insured* to another person.
- 6.1.6 *Occurrences* arising from the ownership, maintenance or use by a *Named Insured* of motorized land conveyances unless the conveyance is not subject to motor vehicle registration, not owned by a *Named Insured* and not furnished to a *Named Insured* for regular use.
- 6.1.7 *Occurrences* arising from the ownership, maintenance or use by a *Named Insured* of conveyances used or designed for flight.
- 6.1.8 *Occurrences* arising from the ownership, maintenance or use by a *Named Insured* of watercraft longer than twenty-six feet or having mechanical propulsion in excess of fifty horsepower.
- 6.1.9 Property regularly in the care, custody or control of a *Named Insured*.
- 6.1.10 Liability assumed by *you* or a *Named Insured* in excess of that which is imposed by applicable law.
- 6.1.11 Fees, fines or penalties imposed by a governing authority.
- 6.1.12 Punitive or exemplary damages, however, if a suit or other claim seeking such damages also seeks compensatory damages for which, if the claim were valid, a payment would be made under this section, then *we* have the right and duty to defend the *Named Insured* in accordance with clause 6.4, Defense, but *we* shall not have any obligation to pay for costs, interest or damages attributable to punitive or exemplary damages.

6.2 Coverage Limit

The Coverage Limit *declared* for Personal Liability Coverage is the most that shall be paid for *losses* arising from any single *occurrence* regardless of the number of *Named Insureds* or the number of *persons* to whom the *Named Insureds* are liable.

6.3 Deductible

Payment for a *loss* shall be made only if the amount of such *loss* exceeds the Deductible *declared* for Personal Liability Coverage, and the amount of the Deductible shall be deducted from any such payment.

6.4 Defense

We have the right and duty to defend a *Named Insured* against any claim of liability for which, if the claim were valid, a payment would be made under this section. *You* and all *Named Insureds* must send to *us* as soon as practical every demand, notice, summons or other legal papers and correspondence related to any such claim and must cooperate with the *us* in the defense against any such claim. The conduct of such defense, including the naming of attorneys, shall be at *our* sole discretion, and the expense of such defense shall be borne by the *us* without application of the Deductible and without reducing the Coverage Limit. Nevertheless, *we* may, upon investigation of a claim, elect at *our* sole discretion to negotiate a settlement of such claim. *Our* duty to defend a *Named Insured* ends when the *Named Insured* refuses to accept or otherwise cooperate in a settlement acceptable to *us* and the claimant, in which case any payment under this section shall be limited to the amount which would have been paid had such settlement been made. *Our* duty to defend a *Named Insured* also ends when the sum paid, including any amount tendered to the court of jurisdiction, for all claims against any *Named Insured* arising from any single *occurrence* is at least the Coverage Limit *declared* for Personal Liability Coverage.

6.5 Bonds

Should any bonds be required in the course of the defense of a *Named Insured* in accordance with clause 6.4, Defense, *we* shall pay the premium for such bonds without application of the Deductible and without reducing the Coverage Limit. However, *we* need not furnish such bonds and need not make any payment under this clause if no such bond is available. If the penalty of any such bond should be greater than the Coverage Limit, then *we* shall only pay the proportion of the premium equivalent to the proportion which the Coverage Limit bears to the amount of the penalty.

6.6 Interest

If a payment shall become due because of a judgment against a *Named Insured*, *we* shall also pay any pre-judgment interest adjudged and any post-judgment interest accruing against the *Named Insured* without reducing the Coverage Limit. Nevertheless, if the payment due because of such judgment is less than the amount of the judgment, then *we* shall only pay that proportion of the interest which is equivalent to the proportion which the payment bears to the judgment.

SECTION 7
MEDICAL PAYMENTS COVERAGE

If *you* and all *Named Insureds* have complied fully with all the conditions and warranties of this *policy* and if a positive Coverage Limit is *declared* for Medical Payments Coverage, then this section of the *policy* is applicable. If this section of the *policy* is applicable, then *we* shall pay a person who is not a *Named Insured* or the estate of that person for the necessary and reasonable medical, repatriation and funeral expenses incurred by the person arising from an *occurrence* while *aboard*. However, if Section 6, Personal Liability Coverage, is also applicable, then *we* shall pay a person not a *Named Insured* or the estate of that person for the necessary and reasonable medical, repatriation and funeral expenses incurred by the person arising from any *occurrence*, not only while *aboard*, but also wherever caused by the activities of a *Named Insured* or an animal owned or in the care, custody or control of a *Named Insured*.

7.1 Exclusions

Nevertheless, there are *exclusions* that apply in addition to those appearing in Section 2, General Conditions and Exclusions, those being:

- 7.1.1 Expenses incurred over three years after the *occurrence* from which such expenses arise.
- 7.1.2 Expenses incurred by a person who at the time of the *occurrence* is a trespasser.
- 7.1.3 Expenses incurred by a person who at the time of the *occurrence* is engaged in commercial employment entitling that person to benefits payable under *workers compensation statutes*.
- 7.1.4 Expenses incurred by a person *aboard* at the time of the *occurrence* if a valid claim for such expenses would not be covered under Section 5, Protection and Indemnity Coverage.
- 7.1.5 Expenses incurred by a person not *aboard* at the time of the *occurrence* if a valid claim for such expenses would not be covered under Section 6, Personal Liability Coverage.

7.2 Coverage Limit

No person shall be paid for any single *occurrence* an amount greater than the Coverage Limit *declared* for Medical Payments Coverage.

7.3 Deductible

The expenses of a person shall be paid only if the amount of such expenses exceeds the Deductible *declared* for Medical Payments Coverage, and the amount of the Deductible shall be deducted from any such payment.

This policy is signed at the home office of the insurer by its president and secretary.

T. Tamraz Grove, President
Markel American Insurance Company
Glen Allen, Virginia

Linda Sickman Rotz, Secretary
Markel American Insurance Company
Glen Allen, Virginia