

INSURING AGREEMENT

We agree to provide the insurance described in this policy if You pay premiums and if the Insured person(s) comply with the terms of the policy.

The application form, this policy, together with the current Declaration Page(s) and any endorsements form the legal contract ("Contract") between You and Us. They summarize the coverages and limits We have agreed to provide and the period for which they are provided.

DEFINITIONS

We have written your Pleasurecraft Policy in clear, easily understood language. In this policy, "we," "our" and "us" mean the insurance company that has written the policy. "You," "your" and "yours" mean the named insured on the Declaration Page. "Insured" means you, members of your family who reside with you, and other persons or organizations using the Vessel with your prior permission. The term "insured" does not include any paid Captain or other paid crew member of your Vessel.

Each part of your policy gives you important information on a different aspect of your insurance.

RESTRICTIONS ON THE USE OF THE VESSEL

In order to keep this policy in effect you must make and keep certain promises. These are known as warranties.

The following warranties apply to this insurance.

1. The Vessel must be used solely for Private Pleasure Purposes. The Vessel must not be chartered or leased or used, directly or indirectly, for any commercial purpose.
2. The Vessel must not be used for living on board as a residence.
3. The Vessel must not be equipped with liquefied petroleum (propane) or natural gas powered refrigerator or heater or use cooking apparatus onboard which is operated by an automatic pilot light, without Our prior written permission.
4. Unless the Policy is endorsed to include Extended Navigation Limits, the Vessel will only be used within navigable inland and coastal waters of Canada and United States of America North of latitude forty degrees North, East of longitude ninety five degrees West and South of latitude fifty two degrees North, no further than one hundred and sixty kilometers from shore.
5. The Vessel must not be used in any race or speed test. This warranty does not apply to sailboats used in club competitions.

If any of the above warranties have been breached, you will have no coverage under this Policy from the time of that breach.

SECTION A - VESSEL AND EQUIPMENT

We cover the Vessel and equipment normally used on board for its operation and maintenance. This includes furnishings and supplies. Coverage under this section is provided whether you own the equipment or it is owned by someone else. The Vessel and its equipment are covered while afloat, stored ashore, or in transit by truck, ferry, rail, trailer or aircraft. The Vessel and its equipment are not covered while being carried on an ocean vessel or any barge.

ADDITIONAL COVERAGES

Tender & Outboard: We also cover your Tender and its Outboard motor which is used in conjunction with the insured Vessel. We will not pay more than \$10,000 or 4% of the limit of coverage of Hull & Machinery stated on the Declaration Page, whichever is the lesser, in respect of any one loss for loss of or damage to the tender, dinghy, life raft and auxiliary motor used with such tender or dinghy and any equipment pertaining thereto.

Electronic Navigation Equipment: We also cover on board or ashore the electronic Navigation Equipment of the insured Vessel, the value of which must be included in "Hull & Machinery" shown on the Declaration Page.

Personal Effects: We cover anyone's personal effects while on board the insured Vessel. "Personal effects" means clothing, sports equipment and other personal property. It does not include money, traveler's cheques, securities, valuable papers, passports or other documents, jewellery, furs, fine arts, cameras, eyeglasses, or cellular phones. This coverage is subject to a separate limit, as shown on the Declaration Page, for all losses arising out of any one accident or event.

Loss of Use Expenses: In the event of a Loss covered by this Policy where as a result of the Loss You are deprived of the use of the Vessel, we will pay up to a maximum of \$500 for the rental of a substitute vessel or for temporary accommodation expenses.

Loss Expenses: In addition to any other payments, we will also pay for all reasonable expenses you incur for salvage of your Vessel or protecting the property from further damage following a covered loss. Our limit of coverage under this clause is the same as shown on the Declaration Page for Hull & Machinery. But in no case can any expense used to establish a Total Loss be collected under this clause.

New Acquisitions: We cover any vessel(s), tender(s) or trailer(s) you acquire during the Policy period provided the new acquisition is advised to Us within fifteen days of the acquisition date and You pay any additional Premium required. This does not apply to the following:

1. Vessel(s) valued in excess of \$500,000.
2. Vessel(s) capable of speeds in excess of sixty miles per hour.
3. Vessel(s) not compliant with the above Warranties.

Protection Plus Extension Endorsement: (This coverage will apply only when an additional premium is shown charged for this Endorsement on the Declaration Page of this Policy). It is hereby understood and agreed that payment of the first covered loss under this Policy, occurring during the existing Policy term, will not affect your Policy Premiums and Deductibles at subsequent renewals.

LOSSES COVERED

We will pay for direct loss or damage of an accidental or fortuitous nature to the Vessel, its equipment, and personal effects from all risks not excluded.

LOSSES NOT COVERED

We will not pay for loss:

1. caused by your failure to use reasonable care in the maintenance of the Vessel.
2. intentionally caused by you or with your consent.
3. caused by or resulting from any of the following defects or conditions: faulty design, faulty workmanship, the installation or use of improper or defective materials, wear and tear, gradual deterioration, or corrosion. If, however, a reasonably thorough inspection could not have discovered such a defect or condition, and such defect or condition causes or results in a loss not otherwise excluded, we will pay for the resulting loss. In no case will we pay the cost to repair or replace the part or parts possessing the defect or condition. Nor will we pay the cost of betterment or alteration in design.
4. loss or damage resulting directly or indirectly from ice, freezing or extremes of temperature while the insured watercraft is afloat.
5. due to unexplained disappearance of equipment or personal effects from the Vessel. This exclusion does not apply if the Vessel shows signs of forced entry or forcible removal.
6. caused by delay or loss of use.

HOW WE SETTLE A LOSS

Total Loss of the Vessel and Its Equipment: We pay the Limit of Coverage shown on the Declaration Page if the Vessel is a total loss without application of the deductible, except in the event of loss or damage caused by named windstorms, racing and/or theft, each as defined below, which shall be subject to the deductibles detailed below. Total Loss means that:

1. the Vessel is completely lost or destroyed; or
2. the reasonable cost to recover and repair the Vessel is greater than the Limit of Coverage shown on the Declaration Page for Vessel and Equipment.

Partial Loss of the Vessel and Its Equipment: We pay the cost to repair or replace with material of like kind and quality subject to the following:

1. At our option, we pay in accordance with either generally accepted shipyard practices; or the specifications or recommendations of the Vessel's builder.
2. Any loss to canvas or sails that are over three years of age will be paid on an actual cash value basis by deducting depreciation from the replacement cost in the amount of 10% deducted for every year after 3 years and 5% for every year after 50% depreciation is reached.

Each loss is subject to the deductible shown on the Declaration Page, or as below. The most we will pay for a partial loss is the amount of insurance shown on the Declaration Page reduced by the deductible. If the loss or damage is caused by fire not originating from your Vessel, or results from collision caused by another vessel, no deductible will apply.

Unrepaired Damage to the Vessel and Its Equipment: In no event will we pay for unrepaired damage in addition to a total loss.

Personal Effects: We pay the reasonable cost to repair or replace with material of like

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kind and quality up to the Limit of Coverage shown on the Declaration Page after applying the deductible. In the event the property is not replaced, our limit will be the depreciated cash value.

OTHER DEDUCTIBLES APPLICABLE TO ALL LOSSES

Notwithstanding any deductibles stated on the Declaration Page, the following shall also apply, shall be considered to be paramount and shall override anything stated in this policy which is inconsistent therewith:

1. Theft:

Whilst the Vessel is on a Trailer, a deductible 2% of the Amount of Insurance subject to a minimum of \$1,000 applies to the theft of the Vessel, motor and/or Trailer insured by this Policy, unless **one** of the following conditions is complied with at the time of the theft:

- (i) The Vessel and motor are on a Trailer which is equipped with a wheel clamp locking mechanism.
- (ii) The Vessel and motor are on a Trailer which is equipped with a hitch coupler locking mechanism.
- (iii) The Vessel, motor and Trailer are protected by a functioning motion sensor burglar alarm system.
- (iv) The Vessel, motor and Trailer are locked to the towing vehicle.
- (v) The Vessel and motor are on a Trailer which is secured by having a chain inserted through both wheel hubs and locked with a padlock or through one wheel hub and the frame of the Trailer and locked with a padlock.
- (vi) The Vessel and motor are on a Trailer which is chained to an immovable object (such as a tree or building) and locked with a padlock.
- (vii) The Vessel and motor are on a Trailer which is inside a locked building or compound.

2. Windstorms:

For losses caused directly or indirectly by any storm named by the United States National Oceanic and Atmospheric Administration, we will apply a deductible of 10% of the amount of insurance or \$5000, whichever is the greater. This deductible reduces to 5% if your policy includes Extended Southern Navigation Coverage and your hurricane plan has been executed in accordance with the requirements of the Extended Southern Navigation Coverage. This deductible will be in lieu of any deductible mentioned on the Declaration Page or any Deductible mentioned in any additional rider attached to this policy. This windstorm deductible will be applied to all partial, actual total or constructive total losses affecting the insured Vessel.

3. Racing:

For any losses sustained by sailboats while racing, a deductible of 2.5% of the amount of insurance as shown on the Declaration Page shall apply. This deductible is subject to a maximum of \$10,000 and a minimum of \$2,500 for each and every claim. If the deductible on the insured boat is greater than \$10,000, this clause will not apply.

SECTION B - PROTECTION & INDEMNITY

LOSSES COVERED

We cover all damages or costs which an insured is legally required to pay because of:

1. bodily injury;
2. property damage, including damage to another vessel;
3. wreck removal, meaning expenses that result from raising, removal or destruction of the wreck of the insured Vessel when such removal is compulsory by law; or from the failure to do any of the above. But the protection under this paragraph (#3) continues for only one year from the date of the accident;
4. rescue of persons on the insured Vessel.

The insured's liability must arise out of the ownership, maintenance or use of the insured Vessel. The injury or damage which gives rise to the liability must occur while this policy is in effect.

The Limit of Coverage for Liability shown on the Declaration Page is the most we will pay for losses covered under this section which arise from one accident or a series of accidents caused by the same event.

LOSSES NOT COVERED

1. We will not cover any damage intentionally caused by or with the consent of an insured.
2. We will not cover any cost or expense for which an insured becomes liable as a result of discharging or releasing any fuel, chemicals, waste or other pollutants. But this

exclusion does not apply if the discharge or release is sudden and accidental.

3. We will not cover fines or penalties against an insured.
4. We will not cover liabilities which an insured assumes under a contract or agreement.
5. We will not cover property damage or bodily injury arising out of the transportation of the insured Vessel on land.

ADDITIONAL COVERAGES

If You Use Someone's Vessel: If, as an individual, you or members of your family who reside with you have permission to use someone else's Vessel for private pleasure, this section of the policy and its limits will apply during such use. We will pay for losses only after all other insurance covering the loss has been exhausted. This limitation will apply whether you or the Vessel's owner has the other insurance. But we will not pay for damage to or loss of the other person's Vessel.

Defense Costs: In the event a claim is made or a suit is brought regarding a loss which is covered under the terms of this policy, we will defend the insured. Payments for the cost of legal defense will be in addition to payments we make under Coverage for Liability but subject to the Limit of Coverage for Liability written on the Declaration Page for Protection and Indemnity. Claims for liability which include defense costs shall therefore be subject to a total aggregate maximum of the amount shown for liability on the declaration page and no amount shall be payable in excess of such figure. We have the right to select the attorneys. We have the right to settle the claim or suit.

Federal Longshoremen's and Harbour Workers' Compensation Act: If a premium is shown on the Declaration Page for Liability claims, we will cover any compensation payments the insured is responsible for under the Federal Longshoremen's and Harbour Workers' Compensation Act as long as the insured's responsibility arises from ownership or use of the insured Vessel.

Hold Harmless Agreements: Permission is hereby granted for You to sign Hold Harmless agreements with Yacht Clubs, Marinas and other third parties when required to facilitate the moorage, storage or operation of Your Vessel. Provide copy to us at our request.

SECTION C - MEDICAL PAYMENTS

If any person is injured while boarding, on board, or alighting from the insured Vessel, we will pay reasonable medical and/or funeral expenses if incurred within one year after the date of the injury.

Limits of Payments: The Limit of Coverage shown on the Declaration Page is the most we will pay for any one accident. This overall limit applies whether one or more people are injured in the accident.

Who Will Be Paid: Medical payments may be made directly to the injured person or to the person or organization that provided the treatment.

No Admission of Liability: The fact that we make a medical payment does not mean that legal responsibility for the injury is admitted.

When We Will Not Make Medical Payments: Medical expenses are not covered under this section:

1. when the insured has contractually assumed liability for the injured person.
2. for injuries suffered by persons employed to maintain or repair the Vessel or by any other employees while they are engaged in their employment.
3. for injuries to the extent to which benefits are payable under any Provincial or Federal medical scheme.
4. for bodily injury sustained while in, or upon boarding or leaving the insured Vessel without a reasonable belief that the injured person is entitled to be on board the insured Vessel.

SECTION D - DUTIES AFTER A LOSS

If there is a loss, or claim filed, which may be covered under this policy, the insured must do the following:

1. Take all reasonable steps to protect the property from further loss. Taking steps to protect damaged property does not grant any right to abandon the property. If we take steps to protect the damaged property, it does not mean we are accepting abandonment of the property.
2. Notify your broker or agent or us immediately.
3. In case of theft, also notify the local police.

4. In case of collision or bodily injury, also notify the Coast Guard.
5. Obtain the names and addresses of involved parties or witnesses.
6. Make the Vessel available for our inspection prior to commencement of repairs.
7. Promptly give us a signed detailed statement of the loss or claim. Provide all available bills, invoices or other documents when required to prove the claim.
8. Cooperate with us in our investigation of the loss and our defense of any claim. Promptly send us any legal papers relating to the accident. The insured must not assume any liability or make any admission of fault.
9. Preserve any right of recovery from others. When we pay the loss, the right of recovery passes to us up to the amount of payment.
10. Transfer your rights in the Vessel to us, if we request it, upon payment for a Total Loss.

SECTION E - GENERAL CONDITIONS

The following rules apply to all sections of this Pleasurecraft Policy.

1. **War & Terrorism:** This policy does not cover loss, damage or liability that is caused by or results from war, warlike operations, terrorism, or any civil unrest.
2. **Nuclear Activity:** In no case shall this insurance cover loss, damage, liability or expense directly or indirectly caused by or contributed to by or arising from:
 - 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 of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter.
3. **Transfer of Vessel or Insurance:** This policy becomes void if you sell, assign, transfer or pledge the Vessel or this policy.
4. **Illegal Use:** This policy becomes void if you use or allow your Vessel to be used for any illegal purpose.
5. **Concealment or Fraud:** This policy is void if you conceal, misrepresent or fail to disclose any material fact or circumstance pertaining to this insurance.
6. **Cancelling this Policy:** You may cancel this policy by returning it to us or by notifying us in writing when at a future date cancellation is to take effect.

We may cancel this policy by notifying you and the named loss payee(s), if any, in writing of the date cancellation will take effect. This cancellation notice, sent by Certified or Registered mail to you at your mailing address shown on the Declaration Page, will be proof that you were notified. We must mail the notice to you at least 15 days before the effective date of such cancellation. When this policy is cancelled, the premium for the period from the date of cancellation to the expiration date will be refunded. When you request the cancellation, the return premium will be Short Rate. When we cancel, the return premium will be Pro Rata. But there shall be no cancellation or return of premium if we have paid for a Total Loss of the Vessel.

If the return premium is not refunded with the notice of cancellation or when this policy is returned to us, we will refund within a reasonable time after the date of cancellation takes effect.

7. **Other Insurance:** If both this insurance and other insurance apply to a loss involving the insured Vessel, we will pay our share. Our share will be the proportionate amount that this insurance bears to the amount of all applicable insurance.
8. **Payment of Loss:** We will pay for losses covered under this policy within 60 days after we receive proof of the loss that is satisfactory to us.
9. **Suits against Us:** Any suit against us to recover under this policy must be brought within one year after the event out of which the loss or damage arose. However, if the laws of the Province where the policy was issued do not permit such a one-year limitation, suit must be brought within the shortest period an Insurance Company can set under the law.
10. **Non-Waiver Provisions:** No action on our part, after the loss, to recover or save the property from further loss, nor any action which we may take in connection with the investigation of any loss will be considered as a waiver of any of our rights under

this policy.

11. **Impairment of Recovery:** After a loss, we assume your rights to recover damages from any carrier, bailee, or other party who may be liable to you, and you are not permitted under this policy to waive any such rights.
12. **Subrogation:** If we make payment of a loss to anyone or on behalf of anyone who has a right to recover damages from others, we will take over that person's right to recover the damages, and that person must then cooperate with us in our effort to recover the amount which we paid. If we make payment for a loss to anyone or on behalf of anyone who recovers damages for that loss from others, that person will hold the proceeds of the recovery in trust for us and will reimburse us to the extent of our payment.
13. **Conformity to Provincial Statutes:** Any provision in this policy that conflicts with any Provincial Statute is hereby amended to conform to the minimum requirements of the Provincial Statute.