

**Form # BD802 (Rev. May 8, 2013)**  
**BOAT DEALER'S INVENTORY INSURANCE POLICY**  
**Hull and Protection & Indemnity (Docked or Demonstration only)**

**THIS POLICY ONLY APPLIES IF INDICATED "COVERED" AND LIMITS SHOWN ON THE DECLARATIONS PAGE(S).**

**DEFINITIONS**

- 1.1 **"Bodily Injury"** means bodily injury, mental anguish, sickness or disease sustained by a person, including death resulting from any of these at any time.
- 1.2 **"Declarations Page(s)"** means the Declarations Page(s) applicable to this Form.
- 1.3 **"Demonstration"** means exhibiting Insured Property to a prospective customer or conducting sea trials, but does not include the use of Insured Property during any race or tournament.
- 1.4 **"Insured"** shall mean the Named Insured on the Declaration Page(s).
- 1.5 **"Insurer"** shall mean the Underwriters identified on the Declaration Page(s).
- 1.6 **"Occurrence"** means one loss or accident, including continuous or repeated exposure to substantially the same distinct harmful conditions during the Policy Period, which results in bodily injury or direct physical tangible loss to the Insured Property. Conditions lasting longer than 72 hours will be deemed as more than one Occurrence for the purposes of the hull and machinery coverage herein.
- 1.7 **"Policy Period"** means the Policy Period set out on the Declarations Page(s), or as may be terminated earlier pursuant to the Policy.
- 1.8 **"Pollutants"** means any solid, liquid, gaseous or thermal irritant or contaminant, including but not limited to fuel, diesel, oil, smoke, vapour, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.
- 1.9 **"Property Damage"** means:
  - (a) Physical injury to tangible property, including all resulting loss of use of that property. All such loss of use shall be deemed to occur at the time of the Occurrence that caused it; or
  - (b) Loss of use of tangible property that is not physically injured. All such loss of use shall be deemed to occur at the time of the Occurrence that caused it.

For the purposes of this insurance, Electronic Data is not tangible property. As used in this definition, "Electronic Data" means information, facts or programs stored as or on, created or used on or transmitted to or from computer software, including systems and applications software, hard or floppy disks, CD-ROMS, tapes, drives, cells, data processing devices or any other media which are used with electronically controlled equipment.

**WARRANTIES**

**2.1 Strict Compliance**

The Insured must strictly comply with the warranties and if any warranties are breached coverage will be automatically terminated from the time of such breach even if the violation did not cause the loss. Subsequent correction of the breach will not reinstate coverage.

**2.2 List of Warranties**

It is warranted that:

- (a) The Insured or a competent officer, director or employee of the Insured will always be on board and in charge of the navigation of the Insured Property during the Demonstration of any Insured Property.
- (b) The person navigating the Insured Property must also be in compliance with all government regulations and licensing requirements with respect to operating the Insured Property.
- (c) Navigation of the Insured Property for Demonstration must occur within 40 kilometres of the Insured's Location(s) specified on the Declaration Page(s).
- (d) The Insured will at all times comply with Federal, Provincial, and local rules and regulations pertaining to the carrying of passengers when Insured Property is being navigated for Demonstration.
- (e) The Insured Property will be kept in a seaworthy condition whenever afloat.
- (f) The Insured Property will not be used in any illegal or criminal activity.
- (g) The Insured Property will be laid up as may be specified on the Declaration Page(s).
- (h) Any additional Warranties included on the Declaration Page(s).

**HULL AND MACHINERY INSURANCE**

**3.1 Property That is Covered**

This Policy covers all new or used private pleasure type inboard motor boats, outboard motor boats, and sailboats ("**Vessel**"), outboard motors and boat trailers, and, if described on the Declaration Page(s), any individual Vessel's tender, dinghy, life raft, auxiliary motor and trailer, held for sale or used as demonstrators, which are the property of the Insured or the property of others for which the Insured may be legally liable (collectively with Vessel, the "**Insured Property**"), but only while the said property is:

- (a) in transit to or from the premises of the Insured from the manufacturer or vendor by approved carrier or the Insured's own conveyance within Canada or the continental United States of America (excluding Alaska), including while on the premises of the manufacturer or vendor from the time title has passed to the Insured if this occurs prior to the time the Insured Property actually leaves the premises of the manufacturer or vendor;
- (b) afloat or ashore at the Insured's premises situated at the locations shown on the Declaration Page(s) of the Policy, but subject always to any Lay-Up Warranty; or
- (c) being navigated for the purpose of Demonstration only.

Hull coverage may be extended while the Insured Property is at a boat show exhibition, including transit to and from such shows, subject to prior notice to the Insurer and on terms to be agreed.

If the Insured Property consists of a runabout, utility or open skiff, powered by more than 50 horsepower and less than 24 feet in overall length then the Insurer shall not be liable for any loss of or damage to any propeller, shaft, strut bearing, rudder or machinery inside or outside the hull unless caused by fire, collision with another boat, or sinking directly as a result of an accident insured against.

### 3.2 Perils Insured Against

This Policy insures against all risks of direct physical loss or of damage to the Insured Property from any external cause, except as excluded herein.

### 3.3 Perils Excluded

This Policy does not cover against loss or damage to the Insured Property directly or indirectly caused by or resulting from:

- (a) a lack of reasonable care in the maintenance or operation of the Insured Property or intentional misuse of it;
- (b) wear and tear, weathering and gradual deterioration, wood rot, inherent vice, insects, marine life and borers, mould, electrolysis, rust, corrosion, dampness of atmosphere, and extremes of temperature;
- (c) theft of any Insured Property, unless coincidental with the theft of an entire boat and there is evidence of forcible entry of the premises where the boat was kept;
- (d) any latent defect, faulty workmanship or the installation or use of improper or defective materials in the Insured Property unless:
  - (i) none of the Insured nor its employees or agents introduced or created the defect or condition; and
  - (ii) a reasonably thorough prior inspection by the Insured could not have discovered such a defect or condition, and
  - (iii) such defect or condition causes loss not otherwise excluded in this Policythen the Insurer shall pay for the resulting loss. In no event shall there be any liability under this Policy for the cost or expense of replacing or repairing any defective or improper part.
- (e) freezing damages unless the Insured Property has been properly winterized in accordance with industry standards.
- (f) occurrences that occurred 12 months or more prior to the date the occurrence was reported to the Insurer.
- (g) any loss, damage or expense to electrical apparatus, including wiring, caused by electricity other than lightning, unless fire ensues and then only for property damage arising by such ensuing fire.
- (h) loss of time or market or damage or deterioration arising from delay, whether such delay be caused by a peril insured against or otherwise.
- (i) loss of or damage to Insured Property leased or chartered to others, or sold by the Insured under an installment plan, conditional sale, mortgage or similar arrangement.

### 3.4 Carriage Terms for Insured Property

The Insured is granted permission to accept Ordinary Bills of Lading or Receipts issued by any carrier of Insured Property, but it is agreed that the Insured shall not enter into any special agreement releasing the carrier from its common law or statutory liabilities. If the Insured, or someone on its behalf does so, there is no coverage for the Insured Property while in the possession of a carrier.

### 3.5 Sue and Labour

In case of any occurrence it shall be lawful and necessary for the Insured to sue, labour and travel for, in and about the defence, safeguard and recovery of the Insured Property or any part thereof, without prejudice to this Policy; the charges whereof, the Insurer will pay, but, the Insurer's liability shall not exceed the Insured Property's value as agreed to under the Valuation clause. No acts of the Insured or the Insurer in recovering, saving or preserving the Insured Property shall be considered as a waiver of any provisions herein or an acceptance of abandonment.

### 3.6 Inspection

The Insured must give the Insurer the opportunity to inspect the damages to the Insured Property before repairs are made and if the Insured fails to do so, the Insurer is discharged from paying for those losses.

### 3.7 Repairs

It is the Insured's responsibility to authorize repairs to the Insured Property. The Insured must first obtain repair estimates to provide to the Insurer. Repairs are to be made according to customary repair practices and according to repair procedures recommended by the manufacturer. The Insurer will only reimburse the reasonable cost of repairs.

### 3.8 Patch Repair Clause

Notwithstanding any provision to the contrary within this Policy, if the Insured Property is made of plywood, metal, plastic, vinyl, rubber, fibreglass or other material of a similar nature, in the event of damage covered by this Policy, the Insurer shall only be liable for repairs:

- (a) made by applying suitable patches to the damaged area in accordance with good repair practices, or
  - (b) in an amount not exceeding the cost of making repairs in accordance with any specific and recommended repair specifications of the manufacturers of the property;
- whichever is the lesser.

It is also agreed that the Insurer shall not be liable for the cost or expense of painting or impregnating colour beyond the immediate damaged area or areas. These principles shall also govern in determining whether or not the Insured Property is a constructive total loss

### 3.9 Constructive Total Loss

No claim for constructive total loss shall be recoverable hereunder unless the expense of recovering and repairing the Insured Property shall exceed the value as agreed to under the Valuation clause and in no case shall the Insurer be liable for unrepaired damage in addition to a subsequent total loss sustained during the period covered by this Policy.

### 3.10 Valuation

The Insurer shall not be liable under this Policy for more than:

- (a) the Insured's cost (including freight and other expenses) on the loss of or damage to any new Insured Property as supported by the Insured's records which must be disclosed to the Insurer;
- (b) the actual cash value of any used or second-hand Insured Property;
- (c) the Insured's liability for any Insured Property consigned to the Insured for sale, but not exceeding its actual cash value; up to, but not exceeding, the Limit shown on the Declarations Page(s).

### 3.11 New for Old Repairs Except for Canvas

In the event of an occurrence that is covered by the Policy, the Insurer shall pay the cost of repairs to the Insured Property without deduction "new for old". However, if the occurrence involves loss or damage to canvas coverings, outfits or any sails, then it shall be paid on the basis of the actual cash value of the canvas or sails at the time of the occurrence, up to the Limits on the Declaration Page(s).

### 3.12 Unrepaired Damage

If the damage to the Insured Property is not repaired, then the Insurer will pay the lesser of:

- (a) the Limits shown on the Declaration Page(s) or
- (b) the actual cash value of the damaged parts. That value will not exceed what it would cost to repair the damaged Insured Property with material of like kind and quality.

This Policy will not pay for unrepaired damage in addition to a payment for a subsequent total loss of the Insured Property.

### 3.13 Inventory Reporting

The Insured, agrees to keep complete and accurate records of acquisition and disposal of Insured Property which records shall be open to examination by representatives of the Insurer at all times during business hours and further agrees to report to the Insurer as may be required. .

### 3.14 Condition and Value Surveys

It is further understood and agreed that the Insured shall undertake to survey any Insured Property however acquired, in excess of ten years of age, and submit such surveys with relevant monthly reporting of values.

## PROTECTION & INDEMNITY INSURANCE – while docked or Demonstration only

### 4.1 Insuring Agreement

The Insurers will reimburse the Insured if the Insured becomes legally liable for, and shall pay, damages arising from its ownership or use of the Insured Property, for:

- (a) Bodily Injury or death;
- (b) Property Damages including collision damages with another vessel or damages to a fixed or moveable object;
- (c) costs that result from the attempted or actual raising, removal or destruction of the wreck of the Insured Property if required by law;
- (d) life salvage;

but only while the Insured Property is afloat at the Insured's premises situated at the locations shown on the Declarations Page(s) of the Policy or is being navigated for the purpose of Demonstration.

### 4.2 Additional Insureds

At the discretion of the Insured, Protection & Indemnity Insurance coverage may be extended to:

- (a) any partner, executive officer or director thereof while acting within the scope of his or her employment as such or on the behalf of the Insured;
- (b) any employee of the Insured while acting within the scope of his or her employment as such, subject to the following additional exclusions:

The insurance afforded to any such employee does not apply:

- (i) to claims arising out of Bodily Injury, sickness or disease including death at any time resulting therefrom, sustained by (a) another employee of the Insured arising out of or in the course of his employment or, (b) the Insured or, if the Insured is a partnership or joint venture, any partner or member thereof, or (c) any person who at the time of the injury is entitled to benefits under any Workers' Compensation legislation;
- (ii) to claims for damage to or destruction of or loss of use of property owned, occupied or used by, rented to, or in the care, custody or control of (a) another employee of the Insured or, (b) the Insured, or (c) if the Insured is a partnership or joint venture, any partner or member thereof;
- (c) any party to whom, within the scope of the Insured's operations, the Insured is obligated by virtue of a contract or agreement to provide insurance such as afforded by this Policy Section and to which the Insurer has consented;
- (d) any person, firm, corporation, or other legal entity who, with the prior permission of the Insured, may be operating a watercraft in the care, custody, or control of the Insured.

In order to receive the benefit of coverage, any additional Insureds must comply with this Policy, including its Warranties, as if they were the Insured.

### 4.3 Payment for Losses

Regardless of the number of insured persons the most the Insurer will pay for any damages arising out of any one occurrence caused by the same event is the Limit on the Declarations Page(s).

### 4.4 Costs

If the liability of the Insured shall be contested in any suit or action with the consent of the Insurer, the Insurer will also pay such ensuing costs as the Insured may incur with the consent in writing of the Insurer. The Insurer has the right to select the attorneys and to settle any claim or suit. The duty to defend ends when the Limits on the Declaration Page(s) are exhausted.

### 4.5 Exclusions

Notwithstanding the foregoing, the Insurer will not pay for:

- (a) Loss of life or personal injury to employees of the Insured;
- (b) Loss, damage or claim arising out of or having relation to water skiing, aquaplaning, or any sport in which objects or persons, or both, are towed;
- (c) Loss, damage or expense to any property owned by the Insured except when the owned property is a boat being used solely for Demonstration purposes;
- (d) Loss, damage or claim with respect to Vessels or Insured Property while ashore;
- (e) Liability assumed by the Insured beyond that imposed by law; or assumed under contract or agreement;
- (f) Any obligation for which the Insured may be held liable under any Workmen's Compensation Law or under the U.S. Federal Longshoremen's and Harbour Worker's Compensation Act;
- (g) Liability that would be covered by the terms of a standard Commercial General Liability Policy;
- (h) Loss or damage to any property in the care, custody or control of the Insured; or
- (i) For any fine or penalty levied against the Insured by any national, state, provincial, or local government.

### 4.7 Pollution Exclusion

This Policy does not apply to any claim arising directly or indirectly out of:

- (a) Bodily Injury or Property Damage or Personal and Advertising Injury which would not have occurred in whole or part but for the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants at any time.
- (b) any liability, loss, cost or expense of the Insured arising out of any direction or request by any governmental authority that pollutants be tested for monitored, cleaned up, removed, contained, treated, detoxified or neutralized; or
- (c) any payment for the investigation or defense of any loss, injury or damage, or any cost, fine or penalty, or for any expense, claim or suit related to any of the above.

Notwithstanding the generality of this exclusion, it shall not exclude coverage for claims by any person alleging personal injury, bodily injury or property damage caused by a product when such damage occurs or is alleged to have occurred after the product has been sold and before the product has become a waste product or part of a waste product.

"Clean-up" means reasonable and necessary costs, charges, and expenses, including legal expenses with our written consent, incurred in the investigation, removal, neutralization, remediation, or immobilization of Pollutants including associated monitoring or disposal of soil, surface water, groundwater or other contamination to the extent required by environmental law, or that have been incurred by the federal or any provincial, territorial or local government within Canada, or by third parties.

## GENERAL CONDITIONS APPLICABLE TO THIS POLICY

### 5.1 Occurrence Policy:

This Policy applies only to Occurrences which occur during the Policy Period set out on the Declaration Page(s) or as may be terminated earlier.

### 5.2 Deductibles

Each claim for loss or damage shall be adjusted separately and from each adjusted claim the amount of the Deductible shown in the Declaration Page(s) shall be deducted. Two or more losses resulting from the same Occurrence shall be treated as one claim. The deductible will not be applied if there is a total loss of Insured Property which is a Vessel.

### 5.3 No Assignment

Assignment of this Policy shall not be valid without the prior written consent of the Insurer.

### 5.4 Transfer of Interest

This Policy terminates automatically if the Insured Property is sold or transferred. "Transferred" includes any assignment or pledge as a security for debt or transfer of the responsibility for management, maintenance or operation of the Insured Property.

### 5.5 Premiums

If any Insured Property is a total loss or a constructive total loss or in the event of an unrepaired damage claim, all premiums shall be earned by the Insurer and non-refundable.

### 5.6 Notice of Accident

It is agreed by the Insured that in the event of any incident or circumstance likely to give rise to a claim hereunder, immediate notice thereof shall be given to the Insurer, and that permanent repairs shall not be commenced without the consent of the Insurer.

### 5.7 Notify the Authorities

Prompt notice to the Police, Coast Guard or suitable authority must be given in case of a theft, fire, collision or injury.

### 5.8 Litigation Control

The Insurer shall have the option of naming the attorneys who shall represent the Insured in the prosecution of defence of any litigation or negotiations between the Insured and third parties concerning any claim covered by this Policy, and shall have the direction of such litigation or negotiations. If the Insured shall fail or refuse to settle any claim as authorized by the Insurer, the liability of the Insurer shall be limited to the amount for which settlement could have been made. The Insured shall, at the option of the Insurer, permit the Insurer to conduct, with an attorney of the Insurer's selection, at the Insurer's cost and expense and under its exclusive control, a proceeding in the Insured's name to limit the Insured's liability to the extent, and in the manner provided by the present and any future statutes relative to the limitation of a ship owner's liability.

### 5.9 Subrogation

The Insurer shall be subrogated to all the rights which the Insured may have against any other persons or entity, in respect of any claim or payment made under this Policy, the extent of such payment, and the Insured shall, upon request of the Insurers, execute all documents necessary to secure such rights to the Insurers and provide all reasonable assistance to the Insurer in order that it may pursue its rights of subrogation. Any recoveries shall be split pro rata, net of expenses to achieve the recovery, between the Insurer and the Insured based on their respective losses incurred.

### 5.10 Assistance of Insured

Whenever required by the Insurer, the Insured shall aid in securing information, evidence, obtaining of witnesses, and cooperate with the Insurer (except in a pecuniary way) in all matters which the Insurers may deem necessary in the investigation or defence of any claim or suit or appeal from any judgment in respect of any occurrence as hereinbefore provided.

### 5.11 Compromise by Insured

The Insurer shall not be liable for any loss or damage which, without the express consent of the Insurer, shall be the subject of a settlement or compromise by the Insured with others who may be liable therefore.

### 5.12 Other Insurance

Where any specific insurance exists, in the name of the Insured or in which the Insured may have an interest, on property which this insurance covers or for which the Insured may be legally liable, or which may cover the liabilities of the Insured, the insurance hereunder shall be considered as excess insurance and shall not apply or contribute to the payment of any loss until the amount collectible from all such specific insurance shall have been exhausted and then shall be liable, subject to the terms and conditions of this Policy, only for the excess of the amount collectible from such other insurance.

### 5.13 Suit

No suit, or action or proceeding for the recovery of any claim under this Policy shall be sustainable in any court of law or equity unless the same be commenced within twelve (12) months next after discovery by the Insured of the occurrence which gives rise to the claim. Only the Insured named on the Declaration Page(s) may bring suit against the Insurer.

### 5.14 Conformity to Statutes

Any provision in this Policy that conflicts with any mandatorily applicable Provincial or Federal statute is hereby amended to conform to the minimum requirements of that statute.

### 5.15 Severability

If any provision of this Policy is found to be unenforceable or invalid for any reason, such determination shall not affect any other provision and such other provisions shall remain in full force and effect.

### 5.16 Canadian Law and Usage

This Policy is subject to Canadian Law as to liability for and settlement of any and all claims and any disputes arising from this Policy are subject to the exclusive jurisdiction of Canadian courts.

### 5.17 Sanction Limitation and Exclusion Clause

The Insurer shall not be deemed to provide cover and nor shall the Insurer shall be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit would expose the Insurer or any Re-Insurer to any sanction,

prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of Canada, the European Union, United Kingdom or United States of America.

#### 5.18 Paramount Exclusions

Unless physically deleted by the Insurer, the following exclusions shall be paramount and shall supersede and nullify any contrary provisions of this Policy: F.C. & S. Warranty, Strikes and Riots, and Institute Radioactive Contamination Exclusion Clauses.

**(a) F.C. & S. Warranty**

Notwithstanding anything to the contrary contained in the Policy, this Policy is warranted free from any claim for loss, damage, or expense caused by or resulting from capture, seizure, arrest, restraint, or detainment, or the consequences thereof or of any attempt thereat, or any taking of the Insured Property, by requisition or otherwise, whether in time of peace or war and whether lawful or otherwise; also from all consequences of hostilities or warlike operations (whether there be a declaration of war or not), but the foregoing shall not exclude collision or contact with aircraft, rockets or similar missiles, or with any fixed or floating object (other than a mine or torpedo), stranding, heavy weather, fire or explosion unless caused directly (and independently of the nature of the voyage or service which the vessel concerned or, in the case of a collision, any other vessel involved therein, is performing) by a hostile act by or against a belligerent Power, and for the purpose of this warranty "Power" includes any authority maintaining naval, military or air forces in association with a Power; also warranted free whether in time of peace or war, from all loss, damage or expense caused by any weapon of war employing atomic or nuclear fission and/or fusion or other reaction or radioactive force or matter.

Further warranted free from the consequences of civil war, revolution, rebellion, insurrection, or civil strife arising therefrom, or piracy.

**(b) Strikes and Riots**

Warranted free of loss or damage caused by strikers, locked out workmen or persons taking part in labour disturbances or riots or civil commotions.

**(c) Institute Radioactive Contamination**

This clause shall be paramount and shall override anything contained in this Policy inconsistent therewith.

In no case shall this Policy cover loss damage liability or expense directly or indirectly caused by, or contributed to by, or rising from:

- A) ionising radiations from or contamination by radioactivity from any nuclear fuel or from any nuclear waste or from the combustion of nuclear fuel
- B) the radioactive toxic explosive or other hazardous or contaminating properties of any nuclear installation, reactor or other nuclear assembly or nuclear component thereof
- C) any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter.