



American Reliable

Insurance Company

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A.M. Best Rated A, Excellent

PERSONAL WATERCRAFT POLICY



POLICY PROVISIONS PART A

AMERICAN RELIABLE INSURANCE COMPANY PERSONAL WATERCRAFT POLICY

QUICK REFERENCE Declarations Page Enclosed

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These policy provisions with the declarations and endorsements, if any, issued to form a part thereof, complete this policy.

AGREEMENT

We will provide the insurance described in this policy, in return for premium and compliance with the policy provisions.

DEFINITIONS

Throughout this policy, "you" and "your" means: 1) the insured named on the Declarations Page; 2) the spouse if a resident of the same household. "We", "us" and "our" refer to the company providing this insurance. Certain other words printed in dark type in the policy, are defined as follows:

Insured person means: 1) you; 2) a **Relative**; 3) any other person or organization using the **Insured Watercraft** with your permission. Insurance provided other persons or organizations under this policy does not cover their possible liability to you or you to your spouse.

Relative means: a person related to you by blood, marriage or adoption who is a resident of your household, including a ward or foster child.

Personal Watercraft means: a vessel certified for maximum capacity of three (3) people, maximum overall length of 11 feet, have an inboard engine and propelled by impeller drive/jet drive.

Insured Watercraft means: 1) the personal watercraft or Jet Drive Boat under 16 feet, named on the Application, or Declarations Page; 2) any personal watercraft which you acquire ownership of during the policy period; You must notify us within thirty (30) days of the time you acquire the watercraft and pay any additional premium required.

SECTION A — WATERCRAFT AND EQUIPMENT

WHAT WE INSURE

We cover the **Insured Watercraft** and equipment normally required to be on board for the operation and maintenance of the watercraft, including safety equipment required by regulatory agencies, including personal flotation devices. Coverage is provided while the **Insured Watercraft** and equipment are:

1. afloat;
2. on shore;
3. being transported on a land conveyance within the continental United States and Canada.

COVERAGE PROVIDED

We will pay for direct, sudden and accidental loss of or damage to the **Insured Watercraft** and equipment, minus any

applicable deductible shown on the Declarations Page. The deductible will be the highest deductible on the Declarations Page. If two or more covered losses result from the same accident or occurrence, each vehicle deductible applies, but no more than one deductible per vehicle. We will also pay for a loss caused by any defect in the hull or machinery. We will not pay for the cost of repairing or replacing the defective part. We will not pay for the defect if the loss resulted from negligence of any **Insured Person**.

VALUATION

The amount we will pay for loss of or damage to your **Insured Watercraft** and Equipment will be the lowest of:

1. The difference between the actual cash value of your property immediately before the loss and its actual cash value immediately after the loss;
2. The cost of repairing the damage;
3. The actual cash value of your property immediately preceding the loss;
4. The cost of replacing your property.

We may elect to replace the property with property of similar kind, quality and value with deduction for depreciation.

If we pay you in cash or by replacement an amount equal to the actual cash value of your property before the loss, we have the opportunity to take legal title and possession of your property.

Any applicable deductible shown on the Declarations Page will be deducted from the loss.

UNREPAIRED DAMAGE

If the damage to the **Insured Watercraft** or its equipment is not repaired, we will be liable only for the actual cash value of the damaged parts. Our liability will not exceed what it would cost to repair or replace the damaged property with material of like kind and quality.

OUR OPTION OF REPAIR

We have the option of limiting payment to the reasonable cost of applying suitable patches to the damaged area in accordance with good repair practice.

SECTION B — TRAILER

WHAT WE INSURE

We cover the trailer used for transporting the **Insured Watercraft** if a premium amount is shown for the trailer on the Declarations Page minus any deductible.

COVERAGE PROVIDED

We will pay for direct and accidental loss to the trailer, caused by: 1) fire; 2) lightning; 3) windstorm; 4) explosion; 5) collision; 6) upset; 7) theft.

VALUATION

The amount we will pay for loss of or damage to your Trailer will be the lowest of:

1. The difference between the actual cash value of your Trailer immediately before the loss and its actual cash value immediately after the loss;
2. The cost of repairing the damage;
3. The actual cash value of your Trailer immediately preceding the loss;
4. The cost of replacing your Trailer.

We may elect to replace the Trailer with a Trailer of similar kind, quality and value with deduction for depreciation.

If we pay you in cash or by replacement an amount equal to the actual cash value of your Trailer before the loss, we have the option to take legal title and possession of your Trailer.

Any applicable deductible shown on the Declarations Page will be deducted from the loss. If two or more covered losses result from the same accident or occurrence, each vehicle deductible applies, but no more than one deductible per trailer.

EXCLUSIONS WHICH APPLY TO SECTIONS A AND B

We will not pay for loss to **Insured Watercraft**, or equipment or the trailer:

1. Due and confined to:
 - a. wear and tear;
 - b. gradual deterioration (including marine life);
 - c. marring, denting, scratching, chipping or electrolysis;
 - d. mechanical breakdown;
 - e. corrosion rust, dampness of atmosphere, weathering;
 - f. unseaworthiness;
 - g. defective design.
2. Arising out of any intentional act committed:
 - a. by or at the direction of any **Insured Person**; and
 - b. with the intention to cause a loss.
3. Resulting directly or indirectly from ice, freezing or extremes of temperature.

4. While the Insured Watercraft or trailer is consigned to anyone for sale.
5. Loss to radios, stereos, CB's and special paints unless factory installed. In event of theft, coverage extends to the factory-installed equipment only if the entire Insured Watercraft is stolen.
6. Due to confiscation by duly authorized governmental or civil authority.
7. Due to conversion, embezzlement or secretion by any person in possession of the Insured Watercraft under a bailment lease, conditional sale, purchase agreement, mortgage or other encumbrance.
8. Which occurs while the Insured Watercraft is in, or in preparation for any organized race or speed contest.
9. To electrical apparatus caused by artificially generated currents, unless fire results, and only for loss caused by the resulting fire.
10. To any accessories or non standard equipment not originally installed by the original manufacturer.

SPECIAL CONDITIONS WHICH APPLY TO SECTIONS A AND B

ABANDONED PROPERTY

We are not obligated to accept any property which you abandon.

STORAGE

Our total liability for storage charges incurred prior to the date which a loss is reported to us shall not exceed five (5) days storage.

NO BENEFIT TO BAILEE

No person or organization having custody of the property insured, and being paid for services, shall benefit from this insurance.

SECTION D — WATERCRAFT LIABILITY

LIABILITY COVERAGE

We will pay damages for bodily injury or property damage for which any **Insured Person** becomes legally liable through the ownership, maintenance or use of the **Insured Watercraft**. We will settle or defend, as we consider appropriate, any claim or suit asking for these damages. Our obligation to settle or

defend ends when the amount we pay for damages equals our limit of liability for this coverage.

SUPPLEMENTARY PAYMENTS

In addition to the limit of liability shown for Watercraft Liability on the Declarations Page, we will pay on behalf of an **Insured Person**:

1. Premiums on appeal bonds and other bonds required in any suit we defend. We will not pay for bonds in amounts which exceed the limit of liability for Watercraft Liability.
2. Interest on our portion of the judgment which is earned before we make payment.
3. Loss of earnings (but not of other income) of up to \$50 a day for attendance at court proceedings at our request.
4. Other reasonable expenses incurred at our request.

EXCLUSIONS

We do not provide coverage under Watercraft Liability for any person for bodily injury or property damage:

1. Arising out of any intentional act committed:
 - a. by or at the direction of any **Insured Person**; and
 - b. with the intent to cause a loss.
2. Incurred during the course of employment if Worker's Compensation or Federal Longshoremen's and Harbor Workers' compensation benefits are required or available for the injury.
3. Arising out of the transportation of the **Insured Watercraft** on land.
4. Assumed by an **Insured Person** under any contract or agreement.
5. Incurred while the **Insured Watercraft** is in, or in the preparation for, any organized race or speed contest.
6. Occurring while the **Insured Watercraft** is being used to tow any glider, kite, autogiro or other airborne or experimental devices.
7. To property in the care, custody or control of the **Insured Person**.
8. While the **Insured Watercraft** is being used for Waterskiing, aquaplaning or any similar sport.
9. When the ultimate benefits of that indemnification accrue directly or indirectly to the insured.
10. To any agent or employee thereof, employed or otherwise engaged in the business of selling, repairing, servicing, delivering, testing road-testing, parking or storing **Insured Watercraft** with respect to any accident

arising out of the maintenance or use of a **Insured Watercraft** in connection therewith.

LIMIT OF LIABILITY

The limit of liability shown for Watercraft Liability on the Declarations Page is our maximum limit of liability under this Section. This is the most we will pay per accident regardless of the number of:

1. **Insured Persons**;
2. claims made;
3. persons injured.

If increased limits are shown on the Declarations Page, these limits are not an additional amount added to the basic limits.

SECTION F — MEDICAL PAYMENTS

COVERAGE PROVIDED

We will pay the reasonable and necessary medical and funeral service expenses:

1. incurred within one year from the date of an accident;
2. resulting from ownership, maintenance, or use of the **Insured Watercraft**. Medical expenses means charges for medical, surgical, X-ray, dental ambulance, hospital and professional nursing services.

EXCLUSIONS

We do not provide coverage under medical Payments for any person for bodily injury:

1. Incurred during the course of employment if Worker's Compensation or Federal Longshoremen's and Harbor Worker's Compensation benefits are available.
2. Sustained while in, upon boarding or leaving the **Insured Watercraft** without a reasonable belief that the person is entitled to be on board the **Insured Watercraft**.
3. Resulting from liability assumed by an **Insured Person** under contract or agreement.

LIMIT OF LIABILITY

The limit of liability shown for Medical Payments on the Declarations Page is our maximum limit of liability under this Section, if a premium amount is shown for medical payments on the Declarations Page. This is the most we will pay per accident regardless of the number of:

1. **Insured Persons**;
2. claims made;
3. persons injured.

**SECTION G —
DUTIES FOLLOWING A LOSS**

DUTIES FOLLOWING ANY LOSS

In the event of any loss covered by this policy you must:

1. Give us immediate notification of the loss, including:
 - a. details as to how, when and where the loss occurred;
 - b. the property involved;
 - c. the names and addresses of any injured persons;
 - d. the names and addresses of any witnesses.
2. Promptly forward to us any legal papers or notices received in connection with the loss.
3. Not assume any obligation, admit any liability or incur any expense for which we may be liable without our written permission.
4. Cooperate with us in the investigation, defense or settlement of any loss.
5. Agree to be examined under oath if we so request.
6. Permit us to examine any records needed to verify the loss, its amount, the ownership and interest in the Insured Property.
7. Submit written proof of loss when requested.
8. Submit theft affidavit completely filled out, properly signed when requested.
9. Protect the Insured Property from further damage; we will cover any expense incurred to protect the Insured Property from further loss.

DAMAGE TO PROPERTY

A person presenting a claim for damage to Insured Property must also:

1. Give prompt notice to the police or U.S. Coast guard authorities upon discovery of a theft of any insured property.
2. Permit us to inspect the damaged property before it is disposed of or repaired.

BODILY INJURY

A person presenting a claim for bodily injury must also:

1. Submit, as often as we request, to physical examinations by physicians of our choice.
2. Permit us to obtain copies of medical reports and other necessary medical records.

**SECTION H — GENERAL CONDITIONS WHICH
APPLY TO ALL SECTIONS OF THIS POLICY**

CHANGES IN POLICY

This policy contains all the agreements between you and us. No changes may be made unless they are in writing signed by us.

POLICY PERIOD, TERRITORY

This policy applies only to losses which occur during the policy period and:

1. While the **Insured Watercraft** is within:
 - a. The Navigational Limits specified on the Declarations Page;
 - b. within ten (10) miles of the coast of the United States, its territories or possessions or Canada.

PRIVATE PLEASURE USE ONLY

We do not provide coverage while the **Insured Watercraft** is:

1. on exhibition;
2. in organized racing events;
3. rented to others;
4. used to carry persons or property for a fee;
5. used for other commercial purposes.

WAR AND NUCLEAR EXCLUSION

We will not pay for any loss resulting directly or indirectly from:

1. Radioactive contamination.
2. Discharge of any nuclear weapon (even if accidental).
3. War, invasion, hostilities, acts of foreign enemies, civil war, rebellion, insurrection, military, or usurped power, or martial law or confiscation by order of any government or public authority.

CONCEALMENT OR FRAUD

We do not provide coverage for any insured who has intentionally concealed or misrepresented any material fact or circumstance relating to this insurance before or after a loss.

LEGAL ACTION AGAINST US

No legal action may be brought against us unless there has been full compliance with all the terms of this policy. The action must be started within five (5) years after the accident causing the loss. In addition, under Section D — Watercraft Liability, no legal action may be brought against us until:

1. We agree in writing that the **Insured Person** has an obligation to pay a specified amount;

2. the amount of that obligation has been finally determined by judgment after trial. No person or organization has any right under this policy to bring us into any action to determine the liability of an **Insured Person**.

OUR RIGHT TO BE REPAID

If we make payment for a loss to anyone or on behalf of anyone who has a right to recover damages from others, we shall take over that person's right to recover the damages. That person must cooperate with us in our efforts to recover the amount which we paid.

If we make payment for a loss to anyone or on behalf of anyone who also recovers damages for that loss from others, that person shall hold the proceeds of the recovery in trust for us and shall reimburse us to the extent of our payment.

PAYMENT OF LOSS

Payment of loss will be made within:

1. Thirty (30) days after we reach agreement with you;
2. a final judgment is entered in the court;
3. an appraisal award is filed with us.

NON-WAIVED PROVISIONS

No action we make:

1. to recover or save the property from further loss;
2. in connection with investigation, shall be considered as a waiver of any of our rights under this policy of any loss.

APPRAISAL FOR PHYSICAL DAMAGE LOSSES

1. If you and we fail to agree as to the amount of loss, either may demand an appraisal of the loss. In such event, you and we shall each select a competent appraiser. The appraisers shall select a competent and disinterested umpire. The appraisers shall state separately the actual cash value and the amount of loss. If they fail to agree, they shall submit their differences to the umpire. An award in writing of any two shall determine the amount of the loss. You and we shall each pay the chosen appraiser. We shall bear equally the expense of the umpire.
2. We shall not be held to have waived any of our rights by any act relating to appraisal.

INSURANCE NOT REDUCED

Any loss which we pay will not reduce:

1. the amount of insurance;
2. the limit of liability of the Section of this policy under which the loss was paid.

If we pay a claim for the total loss of the **Insured Watercraft** and its equipment, the unearned premium will be refunded to you upon request of cancellation by you or your authorized representative.

OTHER INSURANCE

If there is other similar insurance on a loss covered by this policy we will pay our proportionate share as our limits of liability bear to the total limits of all applicable similar insurance.

BANKRUPTCY

Bankruptcy of any person or organization insured under this policy does not relieve us of any of obligations under this policy.


CANCELLATION

You may cancel this policy by returning it to us or our authorized representative and stating, in writing, the future date you want it to be cancelled. We may cancel this policy by written notice to you at the address shown in this policy, or last known address. Cancellation by us will be effective as of the date and time shown on the Cancellation Notice, but not less than ten (10) days after the date of mailing the notice. The mailing of notice is sufficient proof of notice of cancellation. Delivery of notice shall be equivalent to mailing. When you request cancellation, the return premium will be based on our short-rate table. When we cancel, the return premium will be pro rata of the annual premium.

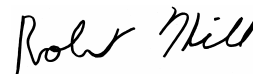
CONFORMITY TO STATUTES

Any provision in this policy that conflicts with any State statute is hereby amended to conform to the minimum requirements of the State statute.

IN WITNESS WHEREOF, the Company has caused this policy to be executed and attested, but this policy shall not be valid unless countersigned on the Declarations Page by a duly authorized agent of the Company.
(This is not applicable in the state of Colorado.)



SECRETARY



PRESIDENT