

COMMERCIAL INLAND MARINE POLICY CONDITIONS

The following conditions apply in addition to the Common Policy Conditions and applicable Additional Conditions in Individual Commercial Inland Marine Coverage Forms.

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

Throughout this policy, the words “you” and “your” refer to the Named Insured shown in the Declarations. The words “we”, “us” and “our” refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to the Definitions Section of Individual Coverage Parts and Section **II. H. - Definitions** of this form.

I. LOSS CONDITIONS

A. ABANDONMENT

There can be no “abandonment” of any Covered Property. In the event of abandonment of any property that is covered by this insurance, the coverage for that property shall cease.

B. APPRAISAL

If we and you disagree on the value of the Covered Property or the amount of “loss”, either may make written demand for an appraisal of the “loss”. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the Covered Property and amount of “loss”. If they fail to agree, they will submit their difference to the umpire. A decision agreed to by any two will be binding. Each party will:

1. Pay its chosen appraiser; and
2. Bear the other expenses of the appraisal and umpire equally.

If we submit to an appraisal, we will still retain our right to deny the claim.

C. DUTIES IN THE EVENT OF LOSS

You must see that the following are done in the event of “loss” to Covered Property:

1. Notify the police if a law may have been broken.
2. Give us prompt notice of the “loss”. Include a description of the property involved.
3. As soon as possible, give us a description of how, when and where the “loss” occurred.
4. Take all reasonable steps to protect the Covered Property from further damage, and keep a record of your expenses necessary to protect the Covered property. This will not increase the Limit of Insurance. However, we will not pay for any subsequent “loss” resulting from a cause of “loss” that is not a Covered Cause of Loss. If feasible, set the damaged property aside and in the best possible order for examination.
5. You will not, except at your own cost, voluntarily make a payment, make a statement, assume any obligation, or incur any expense without our consent except as stated in **C.4.**, above.
6. As often as may be reasonably required, permit us to inspect the property proving the “loss” and examine your books and records.

Also permit us to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.

7. We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required, about any matter relating to this insurance or the claim, including an insured's books and records. In the event of an examination, an insured's answers must be signed.
8. Send us a signed, sworn statement of "loss" containing the information we request to settle the claim. You must do this within sixty (60) days after our request. We will supply you with the necessary forms.
9. Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or suit.
10. Cooperate with us in the investigation or settlement of the claim.

D. INSURANCE UNDER TWO OR MORE COVERAGES

If two or more of this policy's coverages apply to the same "loss", we will not pay more than the actual amount of the "loss".

E. LOSS PAYMENT

We will pay any "loss" covered under this Coverage Part within thirty (30) days after we receive a sworn proof of "loss" if you have complied with all the terms of this Coverage Part and:

1. We reach agreement with you on the amount of the "loss"; or
2. There has been an entry of final judgment fixing the amount of covered "loss"; or
3. The filing of an appraisal award has been made.

We will not pay you more than your financial interest in the Covered Property.

We may adjust losses with the owners of lost or damaged property if other than you. If we pay the owners, such payments will satisfy your claim against us for the owners' property. We will not pay the owners more than their financial interest in the Covered Property.

We will not be liable for any part of a "loss" that has been paid by others.

F. OTHER INSURANCE

1. You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this Coverage Part. If you do, we will pay our share of the covered "loss". Our share is the proportion that the applicable Limit of Insurance under this Coverage Part bears to the Limits of Insurance of all insurance covering on the same basis.
2. If there is other insurance covering the same "loss", other than that described in 1. above, we will pay only for the amount of covered "loss" in excess of the amount due from that other insurance, whether you can collect on it or not. But we will not pay more than the applicable Limit of Insurance.

G. PAIR, SETS OR PARTS

1. Pair or Set. In case of "loss" to any part of a pair or set we may:
 - a. Repair or replace any part to restore the pair or set to its value before the "loss"; or
 - b. Pay the difference between the value of the pair or set before and after the "loss".
2. Parts. In case of "loss" to any part of Covered Property consisting of several parts when complete, we will only pay for the value of the lost or damaged part.

H. PRIVILEGE TO ADJUST WITH OWNER

In the event of "loss" involving property of others in your care, custody or control, we have the right to:

1. Settle the "loss" with the owners of the property. A receipt for payment from owners of that property will satisfy any claim of yours.
2. Provide a defense for legal proceedings brought against you. If provided, the expense of this defense will be at our cost and will not reduce the applicable Limit of Insurance under this insurance.

I. RECOVERIES

If either you or we recover any property after "loss" settlement, that party must give the other prompt notice. At your option, the property will be returned to you. You must then return to us the amount we paid to you for the property. We will pay recovery expenses and the expenses to repair the recovered property, subject to the Limit of Insurance.

J. SALVAGE

It is a Condition of this Insurance that in the event of loss or damage covered hereunder, we may, at our option, pay the amount stated under the Limit of Liability in the Schedule or the actual cash value (whichever is the lesser amount), less any applicable deductible, and such payment shall entitle us to all salvage resulting after such loss or damage.

It is agreed that you shall have the right to retain salvage in exchange for payment to us, or reduction in our loss payment to you, equal to the highest bid we obtain from salvors.

K. REINSTATEMENT OF LIMIT AFTER LOSS

The Limit of Insurance will not be reduce by the payment of any claim, except for total "loss" of a scheduled item, in which event we will refund the unearned premium on that item.

L. TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US

If any person or organization to or for whom we make payment under this Coverage Part has rights to recover damages from another, those rights are transferred to us to the extent of our payment. That person or organization must do everything necessary to secure our rights and must do nothing after "loss" to impair them. But you may waive your rights against another party in writing:

1. Prior to a "loss" to your Covered Property.
2. After a "loss" to your Covered Property only if, at time of "loss", that party is one of the following:
 - a. Someone insured by this insurance; or
 - b. A business firm:
 - (1) Owned or controlled by you; or
 - (2) That owns or controls you.

This will not restrict your insurance.

II. GENERAL CONDITIONS

A. CONCEALMENT, MISREPRESENTATION OR FRAUD

This Coverage Part is void in any case of fraud, including intentional concealment or misrepresentation of a material fact by you or any other insured, at any time, concerning:

1. This Coverage Part; or
2. The Covered Property; or
3. Your interest in the Covered Property; or
4. A claim under this Coverage Part.

B. CONTROL OF PROPERTY

Any act or neglect of any person other than you beyond your direction or control will not affect this insurance.

The breach of any condition of this Coverage Part at any one or more locations will not affect coverage at any location where, at the time of "loss", the breach of condition does not exist.

C. LEGAL ACTION AGAINST US

No one may bring a legal action against us under this Coverage Part unless:

1. There has been full compliance with all the terms of this Coverage Part; and
2. The action is brought within two (2) years after you first have knowledge of the "loss".

D. NO BENEFIT TO BAILEE

No person or organization, other than you, having custody of Coverage Property, will benefit from this insurance.

E. POLICY PERIOD, COVERAGE TERRITORY

We cover loss or damage commencing:

1. During the policy period shown in the Declarations; and
2. Within the coverage territory.

The coverage territory is:

1. The United States of America (including its territories and possessions);
2. Puerto Rico; and
3. Canada.

However, the coverage territory does not include the 3 mile territorial waters and/or oceans adjacent to the coast of the United States of America, it's territories and possessions and Puerto Rico.

F. VALUATION

The value of property will be the least of the following amounts:

1. The "actual cash value" of that property;
2. The cost of reasonably restoring that property to its condition immediately before "loss"; or
3. The cost of replacing that property with substantial identical property.

In the event of "loss", the value of property will be determined as of the time of "loss".

G. BANKRUPTCY

Bankruptcy or insolvency of the insured or the insured's estate will not relieve us of any obligation to which this insurance is applicable.

H. DEFINITIONS:

1. "Abandonment" means you have left and deserted the Covered Property completely to us or it has been physically repossessed by the finance company or loss payee.
2. "Loss" means damage or destruction of Covered Property:
 - a. Covered by coverage parts or forms made a part of this policy, and
 - b. From a Cause of Loss insured by such coverage part or form.
3. "Actual cash value" is calculated as the amount it would cost to repair or replace Covered Property, at the time of "loss", with material of like kind or quality, subject to a deduction for deterioration, depreciation and obsolescence. "Actual cash value" applies to valuation of Covered Property regardless of whether that property has sustained partial or total "loss".

The "actual cash value" of the lost or damaged property may be significantly less than its replacement cost.