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WASHINGTON MARINER POLICY

AGREEMENT

In return for payment of the premium, **we** agree to insure **you** subject to all terms, conditions, and limitations of this policy. The policy consists of the **declarations**, this policy contract, and all endorsements added to this policy.

GENERAL DEFINITIONS

Defined terms in this policy are printed in boldface type and have the same defined meaning whether in singular, plural, possessive, or any other form. Terms defined in General Definitions apply throughout the policy. Terms defined in a specific Part of the policy only apply to that Part. When not bolded, a term is to be given its plain and ordinary meaning.

1. **Bodily injury** means physical injury to the human body including sickness, disease or death arising from the injury.
2. **Declarations** means the document showing **your** coverages, limits, **watercraft, motors, trailers**, premiums, endorsements, and other information for this policy.
3. **Diminished value** means any actual or perceived loss in market or resale value resulting in any way from a direct and accidental loss or from repairs necessitated by that loss.
4. **Dinghy** means a vessel used exclusively as a tender or lifeboat to **your insured watercraft**, and its outboard motor, up to 25 horsepower, if so equipped.
5. **Disability** means a condition caused by **bodily injury** that prevents the injured person from performing the essential duties of his or her occupation.
6. **Disabled** means suffering from a **disability**.
7. **Family member** means a resident of **your** household related to **you** by blood, marriage or adoption. It includes **your** resident foster children. **Your** unmarried dependent children temporarily away from home are **family members** as long as they intend to continue to reside in **your** household.
8. **Fishing equipment** means fishing gear and equipment owned by **you**, a **family member**, or a **rated resident** that is used in the legal taking of fish for sport and recreation or for personal consumption. It includes items such as rods and reels, lures, lines, tackle boxes and their contents, crab and shrimp traps, and downriggers. It doesn't include **personal effects, watercraft**, or equipment permanently attached to a **watercraft** using bolts, screws, or similar fasteners.
9. **Income** means salary, wages, commissions, professional fees, and profits from an individually owned business or farm.
10. **Motor** means:
 - a. an outboard motor, other than an auxiliary trolling motor, owned by **you** and shown on the **declarations**; or
 - b. a **newly acquired motor**.

A **motor** includes its remote control, electric harness, battery, and primary fuel tank.

11. **Newly acquired motor** means an outboard motor, other than an auxiliary trolling motor, **you** become the owner of during the policy period, as long as **you** notify **us** within 30 days of its acquisition and pay any additional premium owed. Coverage starts on the date **you** become the owner. After the 30-day period, or when the policy expires without renewal if sooner, any coverage **we** provide will apply only to losses occurring after the motor is added to the **declarations**.
12. **Newly acquired watercraft** means a **watercraft** **you** become the owner of during the policy period, as long as **you** notify **us** within 30 days of its acquisition and pay any additional premium owed. Coverage starts on the date **you** become the owner. After the 30-day period, or when the policy expires without renewal if sooner, any coverage **we** provide will apply only to losses occurring after the **watercraft** is added to the **declarations**.
13. **Personal Effects** means portable personal property owned by **you**, a **family member**, or a **rated resident** and not part of any **watercraft**. It includes items such as clothing; telephones and computers not designed specifically for marine use; and water sports equipment such as diving gear, water skis and wakeboards. It doesn't include **fishing equipment; watercraft**; money, currency, stored-value money cards, securities or valuable papers; passports, documents, tickets or stamps; property used in **your** business or employment or that of a **family member** or **rated resident**; antiques, fine arts, liquor, or furs; jewelry, gems, precious stones, watches, or precious metals; or animals.
14. **Rated resident** means a person residing in **your** household at the time of the accident or loss who is not a **family member** and who is listed as an "Operator" on the **declarations**.
15. **Seaworthy** means fit to withstand the foreseeable and expected conditions of weather, wind, waves, and the rigors of normal and foreseeable use in whatever type of waters a **watercraft** will be located. For a **watercraft** to be considered seaworthy, **you** must, without limitation:
 - a. exercise due diligence to properly manage and maintain the **watercraft**;
 - b. comply with all state and federal safety standards and provisions; and
 - c. follow all customary and manufacturer-recommended maintenance guidelines.
16. **Trailer** means a non-motorized vehicle designed to transport **watercraft** and to be towed on public roads, owned by **you** and shown on the **declarations**.
17. **Watercraft** means a private pleasure vessel, designed for use on water, that is 40 feet in length or less, including its **dinghy**, auxiliary trolling motor(s), and equipment and furnishings permanently attached to the vessel or required and carried aboard for the operation and maintenance of the vessel. It doesn't include:
 - a. outboard motors other than auxiliary trolling motors, watercraft trailers, and fuel;
 - b. **personal effects** and **fishing equipment**;
 - c. craft capable of flight, including parasails and hang gliders;
 - d. telephones and computers not designed specifically for marine use;
 - e. drones and drone watercraft.
18. **We, us, and our** mean the company shown on the **declarations** as providing this insurance.

19. **You** and **your** refer to:
- the “named insured” shown on the **declarations**; and
 - that person’s spouse or registered domestic partner, if a resident of the same household at the time of the accident or loss.
20. **Your insured watercraft** means:
- a **watercraft you** own that is shown on the **declarations**;
 - a **newly acquired watercraft**.
- A **watercraft** is deemed to be owned by a person if leased to that person under a written agreement for a continuous period of at least 12 months.
21. **Your watercraft package** means **your insured watercraft** and its **motor(s)** and **trailer**.

PART I – LIABILITY COVERAGES

INSURING AGREEMENT

COVERAGE A – BODILY INJURY AND PROPERTY DAMAGE LIABILITY

If **you’ve** selected these coverages as shown by a charge on the **declarations**, **we’ll** pay compensatory damages for **bodily injury** and **property damage** to others for which any **insured** becomes legally responsible because of a watercraft accident. **We’ll** settle or defend, as **we** consider appropriate, any claim or suit asking for these damages. **Our** duty to settle or defend ends when **our** limit of liability for this coverage has been exhausted by payment of judgments or settlements. **We** have no duty to defend any suit or settle any claim for **bodily injury** or **property damage** not covered under this policy.

Property Damage Liability coverage includes environmental remediation costs for which an **insured** becomes legally responsible for clean-up, removal and containment of fuel or other operating fluids suddenly and accidentally discharged, spilled, leaked or emitted from **your insured watercraft** or **motor** into navigable waters.

Coverages A and B do not apply to punitive or exemplary damages.

ADDITIONAL DEFINITIONS

When used in Part I – Liability Coverages:

- Insured** means:
 - you**, a **family member**, or a **rated resident** for the ownership, maintenance, or use of a **watercraft**, outboard motor, or **watercraft** trailer;
 - any other person using **your insured watercraft**, **motor**, or **trailer** with **your** permission;
 - any other person or organization but only with respect to vicarious liability for acts or omissions of a person described in a. or b. above.
- Property damage** means physical damage to or destruction of tangible property, including its loss of use, and environmental remediation costs resulting from the sudden and accidental escape of fuel or other operating fluids from **your insured watercraft** or **motor**.

ADDITIONAL PAYMENTS

In addition to **our** limit of liability, **we'll** pay on behalf of an **insured**:

1. All expenses **we** incur in the investigation, settlement, or defense of any claim or lawsuit.
2. Up to \$300 for a bail bond required because of an accident covered under this Part. **We** have no duty to apply for or furnish this bond.
3. The premium on any appeal bond or attachment bond required in any lawsuit **we** defend. **We** have no duty to purchase a bond in an amount exceeding **our** limit of liability, and **we** have no duty to apply for or furnish any bonds.
4. Prejudgment interest or court costs awarded against an **insured** for a covered loss.
5. Interest accruing after a judgment is entered in any suit **we** defend, even if the judgment amount is higher than **our** limit of liability for this coverage. **Our** duty to pay interest ends when **we** offer to pay that part of the judgment which doesn't exceed **our** limit of liability for this coverage. **We** don't pay interest on punitive or exemplary damages.
6. Up to \$200 a day for loss of wages, but not other **income**, because of attendance at hearings or trials at **our** request.
7. Up to \$1,000 of expenses incurred in connection with rendering first aid to others at the scene of an accident covered by this Part.
8. Other reasonable expenses incurred at **our** request.

EXCLUSIONS

We don't provide coverage or a defense under Part I – Liability Coverages to any **insured** for:

1. Liability arising out of the ownership or operation of any watercraft or trailer while it's being used to transport persons or deliver property for compensation of any kind, or while the operator is responding to a request for, or returning from, such transport or delivery.
2. An accident resulting from the ownership, maintenance, or use of any watercraft or trailer owned by **you** or furnished or available for **your** regular use, other than **your insured watercraft or trailer**.
3. An accident resulting from the ownership, maintenance, or use of any watercraft or trailer owned by a **family member** or **rated resident**, or furnished or available for the regular use of a **family member** or **rated resident**, other than **your insured watercraft or trailer**. However, this exclusion doesn't apply to **you** while **you** are maintaining or using such watercraft or trailer.
4. Liability arising out of the ownership or operation of any watercraft or trailer while it's being used for illegal transportation or trade, or in any business or occupation.
5. Liability arising out of the ownership or operation of **your insured watercraft, motor or trailer** while leased or rented to others, or used by others in exchange for compensation of any kind.
6. **Bodily injury** to an employee of any **insured** during the course of employment. This exclusion doesn't apply to **bodily injury** to a domestic employee unless workers' compensation benefits are required or available for that domestic employee.
7. **Bodily injury** or **property damage** arising out of kite skiing, para-sailing, or any other activity involving a device designed for flight.
8. **Bodily injury** or **property damage** caused by any **insured** while using a watercraft, outboard motor, or watercraft trailer without a reasonable belief he or she has permission from the owner to do so.

9. An accident occurring while any **insured** is participating in, preparing for, or practicing for any prearranged or organized race or speed contest, or while pulling a person behind a watercraft in any sanctioned competition, exhibition, or jumping contest. This exclusion doesn't apply to sailboats or participation in a predicted-log race.
10. **Bodily injury** to any person eligible to receive workers' compensation benefits, nonoccupational **disability** benefits, or any similar benefits for the **bodily injury** under any state, federal or maritime law.
11. An accident involving any watercraft or trailer while being towed by or carried by a land motor vehicle.
12. An accident covered by an atomic or nuclear energy liability policy, whether the applicable policy's limit of liability is exhausted or not.
13. **Bodily injury** or **property damage** arising out of an accident that occurs while an **insured** is using a watercraft as a primary or permanent residence.
14. **Bodily injury** or **property damage** caused by an intentional act of an **insured**, or at the direction of an **insured**, even if the actual injury or damage is different than what was intended or expected.
15. **Bodily injury** or **property damage** that occurs because **your insured watercraft** is not in **seaworthy** condition.
16. **Property damage** to property owned or being transported by an **insured**.
17. **Property damage** to property rented to, used by, or in the care of an **insured**. This exclusion doesn't apply to **property damage** to a launching ramp, dock, mooring device or boat storage house rented exclusively to **you** when that **property damage** is caused by an accident covered under Part I – Liability Coverages.
18. **Property damage** to a watercraft, outboard motor, or watercraft trailer being used by or in the care of an **insured** at the time of the accident.
19. Liability assumed under any contract or agreement by **you**, a **family member**, or a **rated resident**.

LIMIT OF LIABILITY

The amount shown on the **declarations** for "each occurrence" under this coverage is the most **we'll** pay in damages for all **bodily injury** and **property damage** caused by any one accident.

This limit of liability is the most **we'll** pay regardless of the number of **insureds**, claims made, **watercraft**, **motor(s)**, **trailers** or premiums shown on the **declarations**, or watercraft, motors, or trailers involved in the accident.

This limit of liability will not be increased for an accident involving a **watercraft** on a **trailer** or in the process of being placed onto or removed from a **trailer**.

OUT-OF-STATE COVERAGE

If an **insured** becomes subject to the compulsory liability insurance laws of another state or province, because of an accident in that state or province covered under Part I – Liability Coverages, **we'll** provide broader liability coverage to comply with those minimum requirements. But, any broader coverage shall be reduced to the extent that other liability insurance applies. No person may, in any event, collect more than once for the same elements of loss. The words "state or province" as used in this provision do not include a "state or province" in any country other than the U.S. and Canada.

OTHER INSURANCE

If there is other applicable liability insurance available, any insurance **we** provide will be excess over any other applicable liability insurance.

If more than one policy applies on the same primary or excess basis as this policy, **we'll** only pay **our** share of the loss. **Our** share is the proportion that **our** limit of liability bears to the total of all available coverage limits applicable to the loss on the same primary or excess basis as this policy.

PART II – UNDERINSURED BOATER BODILY INJURY

INSURING AGREEMENT

COVERAGE B – UNDERINSURED BOATER BODILY INJURY

If **you've** selected this coverage as shown by a charge on the **declarations**, **we'll** pay compensatory damages which an **insured** is legally entitled to recover from the owner or operator of an **underinsured watercraft** because of **bodily injury** sustained by an **insured**, caused by a watercraft accident, and resulting from the operation, maintenance, or use of the **underinsured watercraft**.

Coverage B doesn't apply to punitive or exemplary damages.

ADDITIONAL DEFINITIONS

When used in Part II – Underinsured Boater Bodily Injury:

1. **Insured** means:
 - a. **you**, a **family member**, or a **rated resident**, while using a **watercraft**; and
 - b. any other person while using **your insured watercraft** with **your** permission.
2. **Underinsured watercraft** means a watercraft of any type:
 - a. To which no liability insurance policy or bond applies at the time of the accident.
 - b. To which a liability policy or bond applies at the time of the accident, but the limit of the liability policy or bond is inadequate to pay the full amount an **insured** is legally entitled to recover as compensatory damages from the owner or operator of the **underinsured watercraft**.
 - c. Which has a liability policy or bond that applies at the time of the accident, but the insurance or bonding company is or becomes insolvent or denies coverage to its insured for that accident.
 - d. Which is a hit-and-run watercraft whose operator or owner can't be identified and which strikes:
 - i. an **insured**;
 - ii. a **watercraft** that **you**, a **family member**, or a **rated resident** are using; or
 - iii. **your insured watercraft** or **trailer**.

However, an **underinsured watercraft** doesn't include any watercraft, motor, trailer or equipment:

- a. To which the liability coverage of this policy applies.
- b. That is **your insured watercraft, motor** or **trailer**.
- c. While the watercraft is being used as a primary or permanent residence.
- d. Owned by or furnished or available for the regular use of **you**, a **family member**, or a **rated resident**.

- e. Owned or operated by a governmental unit or agency.
- f. Owned or operated by a self-insurer, except a self-insurer which is or becomes insolvent.
- g. That is being towed by or carried by a land motor vehicle.

EXCLUSIONS

We don't provide coverage under Part II – Underinsured Boater Bodily Injury for **bodily injury** sustained:

1. By anyone while using any watercraft or trailer to transport persons or deliver property for compensation of any kind, or while the operator is responding to a request for, or returning from, such transport or delivery.
2. By anyone while using, or when struck by, any watercraft, motor or trailer (other than **your insured watercraft** or **trailer**) which is owned by, or furnished or available for the regular use of, **you**, a **family member**, or **rated resident**.
3. By anyone whose claim is based on, derived from or the result of **bodily injury** or death of a person who is not an **insured** for Part II – Underinsured Boater Bodily Injury coverage under this policy.
4. By anyone whose claim is settled with another party without **our** consent and such settlement prejudices **our** right to recover payment.
5. By anyone while using any watercraft or trailer for illegal transportation or trade, or in any business or occupation.
6. In an accident arising out of the ownership or operation of **your insured watercraft, motor, or trailer** while leased or rented to others, or used by others in exchange for compensation of any kind.
7. By an employee of any **insured** during the course of employment. This exclusion doesn't apply to **bodily injury** to a domestic employee unless workers' compensation benefits are required or available for that domestic employee.
8. In an accident arising out of kite skiing, para-sailing, or any other activity involving a device designed for flight.
9. By anyone while using a watercraft or trailer without a reasonable belief he or she has permission from the owner to do so.
10. In an accident occurring while any **insured** is participating in, preparing for, or practicing for any prearranged or organized race or speed contest, or while pulling a person behind a watercraft in any sanctioned competition, exhibition, or jumping contest. This exclusion doesn't apply to sailboats or participation in a predicted-log race.
11. By anyone eligible to receive workers' compensation benefits, non-occupational **disability** benefits, or any similar benefits for the **bodily injury** under any state, federal or maritime law.
12. In an accident involving a watercraft or trailer that is being towed by or carried by a land motor vehicle.

PAYMENT OF DAMAGES

Under Coverage B, **we** may pay the **insured**, his or her legal representative, or anyone else authorized by law to receive payment. No obligation to pay arises until the total amount of damages the **insured** is legally entitled to recover from the owner or operator of the **underinsured watercraft** has been determined as provided in this policy.

The amount of any damages will be reduced by the amount paid by or on behalf of anyone responsible for **bodily injury** to an **insured**. The amount of any damages will also be reduced by other available insurance coverage or payments, as allowed by law.

When **we** pay damages under this coverage, the **insured** must repay **us** out of any amounts recovered from anyone liable for his or her **bodily injury**. The **insured** must protect **our** right to recover **our** money. But **we** won't exercise this right to the extent that it would reduce the **insured's** full recovery of damages.

At **our** request, the **insured** must cooperate with **us**, and representatives of **our** choice, to recover the payments **we've** made under this coverage. **Our** expenses to recover payments also must be paid to **us** out of any money recovered.

LIMIT OF LIABILITY

The amount shown on the **declarations** for "each occurrence" under this coverage is the most **we'll** pay in damages for all **bodily injury** arising from any one accident.

This limit of liability is the most **we'll** pay regardless of the number of **insureds**, claims made, **watercraft, motors, trailers** or premiums shown on the **declarations**, or watercraft, motors, or trailers involved in the accident.

This limit of liability will not be increased for an accident involving a **watercraft** on a **trailer** or in the process of being placed onto or removed from a **trailer**.

We aren't bound by any default judgment against any person or organization other than **us**.

OUT-OF-STATE COVERAGE

We do *not* increase policy limits or the scope of benefits under Part II – Underinsured Boater Bodily Injury to comply with minimum requirements of any other state or province in which an **insured** has an accident.

OTHER INSURANCE

If this policy and any other policy providing underinsured boater coverage apply to the same loss, the maximum amount recoverable by an **insured** under all policies will not exceed the highest limit of liability that applies under any one policy providing coverage either on a primary or excess basis.

Any underinsured boater insurance **we** provide will be excess over any other underinsured boater coverage, except for **bodily injury** to **you**, a **family member**, or a **rated resident**, while using **your insured watercraft**.

If more than one policy provides underinsured boater coverage on the same primary or excess basis as this policy, **we'll** pay only **our** share of the loss. **Our** share is the proportion that **our** limit of liability bears to the total of all available coverage limits applicable to the loss on the same primary or excess basis as this policy.

The phrase "any other policy providing underinsured boater coverage" includes other PEMCO policies, whether or not purchased by **you**, and policies issued by any other insurer.

LIMITATION PERIOD

No person will be entitled to underinsured boater benefits under this Part unless, within three years of either the date of accident or the **insured's** 18th birthday (whichever is later), **we** receive notice in writing from the **insured** or their representative that the **insured** intends to make an underinsured boater claim against this policy.

PART III – MEDICAL PAYMENTS

INSURING AGREEMENT

COVERAGE C – MEDICAL PAYMENTS

If **you've** selected this coverage as shown by a charge on the **declarations**, **we'll** pay necessary and reasonable medical expenses for **bodily injury** sustained by an **insured** and caused by a watercraft accident. **We'll** pay only those medical expenses incurred for services rendered within three years from the date of the accident. If an **insured** dies as a result of the accident, **we'll** pay a maximum of \$3,000 for funeral expenses.

"Medical expenses" are those necessary and reasonable for medical, dental, hospital, professional nursing, X-ray and ambulance services, pharmaceuticals, prescription eyeglasses, and prosthetic devices.

ADDITIONAL DEFINITIONS

When used in Part III – Medical Payments:

1. **Insured** means:
 - a. **you**, a **family member**, or a **rated resident**, while using a **watercraft**; and
 - b. any other person while using **your insured watercraft** with **your** permission.

EXCLUSIONS

We don't provide coverage under Part III – Medical Payments for **bodily injury** sustained:

1. By anyone while using any watercraft or trailer to transport persons or deliver property for compensation of any kind, or while the operator is responding to a request for, or returning from, such transport or delivery.
2. By anyone while using, or when struck by, any watercraft, outboard motor or watercraft trailer (other than **your insured watercraft** or **trailer**) which is owned by, or furnished or available for the regular use of, **you**, a **family member** or **rated resident**.
3. By anyone while using any watercraft or trailer for illegal transportation or trade, or in any business or occupation.
4. In an accident arising out of the ownership or operation of **your insured watercraft, motor, or trailer** while leased or rented to others, or used by others in exchange for compensation of any kind.
5. By an employee of any **insured** during the course of employment. This exclusion doesn't apply to **bodily injury** to a domestic employee unless workers' compensation benefits are required or available for that domestic employee.
6. In an accident arising out of kite skiing, para-sailing, or any other activity involving a device designed for flight.
7. By anyone while using a watercraft or trailer without a reasonable belief he or she has permission from the owner to do so.

8. By anyone while using a watercraft or trailer that is being used to participate in, prepare for, or practice for any prearranged or organized racing, stunting, or speed contest or demonstration, or while being pulled behind a watercraft in any sanctioned competition, exhibition, or jumping contest. This exclusion doesn't apply to sailboats or participation in a predicted-log race.
9. By anyone eligible to receive workers' compensation benefits, non-occupational **disability** benefits, or any similar benefits for the **bodily injury** under any state, federal or maritime law.
10. In an accident involving a watercraft or trailer that is being towed by or carried by a land motor vehicle.
11. Due to war, whether or not declared, or an act or condition incident to such circumstances.
12. By anyone whose **bodily injury** is caused by or consists of radioactive or pathogenic contamination.
13. By anyone whose **bodily injury** arises from the **insured's** use of a watercraft or trailer in the commission of a felony.
14. In an accident involving a watercraft being used by any person as a primary or permanent residence.
15. By anyone who intentionally causes injury to himself or herself.
16. Because **your insured watercraft** is not in **seaworthy** condition.

LIMIT OF LIABILITY

The amount shown on the **declarations** for this coverage is the most **we'll** pay, not including funeral expenses, for medical expenses for each person for any one accident, regardless of the number of **insureds**, claims made, **watercraft, motors, trailers** or premiums shown on the **declarations**, or watercraft or trailers involved in the accident.

OUR PAYMENT OPTIONS

We may, at **our** option, make payment to one or more of the following:

1. The **insured**;
2. Any person or organization that provides the medical services;
3. A parent or guardian (if **insured** is a minor or incompetent);
4. A person authorized by law to receive such payment.

REPAYMENT AGREEMENT

When **we** pay under Part III – Medical Payments, the person to or for whom payments are made or that person's representative must repay **us** from any amounts collected from the liability coverage or underinsured boater coverage of this or any other policy.

COLLECTION EXPENSE

If the **insured** becomes obligated to pay attorney fees to collect damages from another person and those damages include amounts **we've** paid under Part III – Medical Payments, and **we've** been repaid for those benefits out of such recovery, then **we'll** pay **our** fair share of reasonable fees incurred to recover the amount **we've** been repaid. But **we** won't pay any attorney fees for amounts recovered or recoverable by **us** from another insurance company through intercompany arbitration agreements.

OUT-OF-STATE COVERAGE

We do *not* increase policy limits or the scope of benefits under Part III – Medical Payments to comply with minimum requirements of any other state or province in which an **insured** has an accident.

OTHER INSURANCE

If other medical payments insurance applies, **we'll** pay only **our** share of medical expenses. **Our** share is the proportion that **our** limit of liability bears to the total of all applicable limits that apply on the same primary or excess basis as this policy.

However, any insurance **we** provide for an **insured** using or struck by a watercraft, motor or watercraft trailer other than **your insured watercraft, motor or trailer** will be excess over any other collectible Medical Payments coverage or similar benefits.

PART IV – PHYSICAL DAMAGE AND THEFT

INSURING AGREEMENT

COVERAGE D – LOSS TO WATERCRAFT AND TRAILERS

If **you've** selected this coverage as shown by a charge on the **declarations**, **we'll** pay for direct and accidental physical damage or loss, including theft, to **your watercraft package**, or to a **non-owned watercraft**, subject to all applicable deductibles. **We** don't pay for **diminished value** or loss of use.

The deductible for this coverage is shown on the **declarations**. If the loss only involves **your dinghy** or **trailer**, or both, a separate \$100 deductible applies to that loss.

We'll also pay the following costs **you** incur due to a covered loss:

1. **Necessary Repairs After a Loss.** **We'll** pay the reasonable expenses for temporary, necessary repairs to protect covered property from immediate further loss following a loss covered by Coverage D. Payment of this Necessary Repair expense does not reduce the limit of liability available under Coverage D.
2. **Recovery.** If **your insured watercraft** sinks or is stranded due to a loss covered by Coverage D, **we'll** pay up to 20% of the Agreed Value for **your watercraft package** for that **watercraft** (or, if no Agreed Value applies, \$5,000) for the reasonable recovery expense **you** incur to raise, attempt to raise, remove or tow the **watercraft** from the scene to the nearest location where necessary repairs can be made or wreckage secured. Payment of this recovery expense does not reduce the limit of liability under Coverage D. If this recovery expense exceeds 20% of Agreed Value, and is required by law, **we** will pay the remainder of this recovery expense as **property damage** under Part I – Liability Coverages, subject to all terms, conditions, and limits of liability for Part I.

COVERAGE E – EMERGENCY SERVICE

If **you've** selected this coverage for **your watercraft package** as shown by a charge on the **declarations**, **we'll** pay reasonable expenses **you** incur up to the limit shown on the **declarations** for any combination of the following emergency services due to a disablement of **your insured watercraft**, as long as the disablement doesn't occur where **your insured watercraft** is usually stored or moored:

1. Mechanical labor at the place of disablement.
2. Delivery cost of gas, oil, or other parts and supplies to the scene of disablement. (**We** won't pay for the cost of the items delivered, however.)
3. Other labor provided at the scene to get the disabled **watercraft** or **motor(s)** operational again.
4. Towing of the **watercraft** if it is stranded, disabled or aground.

No deductible applies to this coverage.

COVERAGE F – FISHING EQUIPMENT

If **you've** selected this coverage as shown by a charge on the **declarations**, **we'll** pay for direct and accidental physical damage or loss, including theft, to **fishing equipment**. No coverage is provided for theft of **fishing equipment** from any location other than a **watercraft**, a locked vehicle, **your** residence, or while set in the water as a trap.

Under Fishing Equipment Coverage, **we** don't pay for **diminished value**, loss of use, or mysterious disappearance.

A \$250 deductible applies to this coverage.

COVERAGE G – PERSONAL EFFECTS

If **you've** selected this coverage for **your watercraft package** as shown by a charge on the **declarations**, **we'll** pay for direct and accidental physical damage or loss, including theft, to **personal effects**, and to "non-owned personal effects," while in, on, or being used with **your insured watercraft**. Water sports equipment such as diving gear, water skis and wakeboards are also covered while stored at **your** residence. "Non-owned personal effects" are items of property borrowed or rented by **you**, a **family member** or a **rated resident** from the owner of the property, for use by **you**, a **family member** or a **rated resident** which otherwise meet the definition of **personal effects**.

Under Personal Effects Coverage, **we** don't pay for **diminished value**, loss of use, or mysterious disappearance.

A \$250 deductible applies to this coverage.

COVERAGE H – MECHANICAL BREAKDOWN

If **you've** selected this coverage for **your watercraft package** as shown by a charge on the **declarations**, **we'll** pay the cost to repair or replace **covered parts** which sustain a **breakdown**.

Under Mechanical Breakdown Coverage, **we** don't pay for ensuing loss resulting from the **breakdown** or for **diminished value**, loss of use, mysterious disappearance, or the cost of services described in Coverage E – Emergency Services Coverage.

Exclusions in this policy for wear and tear and mechanical breakdown do not apply to Mechanical Breakdown Coverage.

A \$250 deductible applies to this coverage.

ADDITIONAL DEFINITIONS

When used in Part IV – Physical Damage and Theft:

1. **Breakdown** means a **covered part** has totally ceased to perform the function for which it was designed, due to normal wear and tear or defect of the **covered part**.
2. **Covered part** means the following parts in **your insured watercraft** or its **motor**:
 - a. The following components in the outboard lower unit: lower gear case housing; propeller shaft; vertical drive shaft; forward, reverse and pinion gears; sliding clutch; clutch cross pin; bearing carrier; bearings; aces; shift shaft; shift cam; and shift follower;
 - b. The following components in the stern drive lower unit: lower gear case housing; propeller shaft; vertical drive shaft; forward, reverse and pinion gears; sliding clutch; clutch cross pin; bearing carrier; bearings; aces; shift shaft; shift cam; and shift follower;
 - c. The following components in the stern drive upper unit: upper drive shaft housing; vertical drive shaft; vertical drive shaft coupler; gears; bearings; cone clutch; shift fork; and input shaft assembly including input shaft, ujoints and yolks; and
 - d. Propeller(s).
3. **Non-owned watercraft** means a **watercraft** and its motor(s), not owned by **you**, a **family member**, or a **rated resident**, and not furnished or available for the regular use of **you**, a **family member**, or a **rated resident**, while in the custody and control of, or being operated by, **you**, a **family member**, or a **rated resident**, with the permission of the owner.

EXCLUSIONS

We don't provide coverage under Part IV – Physical Damage and Theft for any of the following vessels or types of loss:

1. **We** don't cover any vessel while it's being used to transport persons or deliver property for compensation of any kind, or while the operator is responding to a request for, or returning from, such transport or delivery.
2. **We** don't cover any vessel while it's being used for illegal transportation or trade, or in any business or occupation.
3. **We** don't cover any loss while **your insured watercraft, motor, or trailer** is leased or rented to others, or being used by others in exchange for compensation of any kind.
4. **We** don't cover any loss due to destruction, confiscation, or seizure by a government authority.
5. **We** don't cover any vessel while it's being used to participate in, prepare for, or practice for any prearranged or organized race or speed contest, or while used to pull a person behind a watercraft in any sanctioned competition, exhibition, or jumping contest. This exclusion doesn't apply to sailboats or participation in a predicted-log race.
6. **We** don't cover any loss covered by an atomic or nuclear energy liability policy, whether the applicable policy's limit of liability is exhausted or not.
7. **We** don't cover any loss caused by an intentional act committed by, or at the direction of, **you**, a **family member** or a **rated resident**, even if the actual damage is different than what was intended or expected.
8. **We** don't cover any loss that occurs because **your insured watercraft** is not in **seaworthy** condition.
9. **We** don't cover any loss due to war or warlike action.
10. **We** don't cover any loss due to theft or conversion of the loss property by **you**, a **family member**, or **rated resident**.

11. **We** don't cover any loss due to theft or conversion of the loss property before delivery of the property to **you**, a **family member**, or **rated resident**, or while the loss property is in the care, custody or control of a business entity in the process of selling the property.
12. **We** don't cover any loss due to theft or conversion of the loss property by any person or entity who possesses the property under a bailment agreement, lease, conditional sale, purchase agreement, or other encumbrance.
13. **We** don't cover any loss caused by or consisting of freezing.
14. **We** don't cover any loss caused by or consisting of wear and tear or any other damage accumulated over time, such as weathering, rust, corrosion, mold or mildew, wet or dry rot, osmosis, delamination, blistering, marring, scratching, or dock rash. This exclusion doesn't apply to ensuing loss caused by immediate consequential sinking, burning, explosion, or collision with an object other than water.
15. **We** don't cover any loss caused by or consisting of radioactive or pathogenic contamination.
16. **We** don't cover any loss caused by or consisting of marine animals and organisms, insects, land animals, or birds. This exclusion doesn't apply to loss caused by sudden impact with an animal while **your insured watercraft** is under power.
17. **We** don't cover any loss caused by or consisting of mechanical or electrical breakdown, or defects in design, manufacturing, or workmanship. However, this exclusion doesn't apply to immediate consequential damage from fire, explosion, sinking, demasting, stranding, or collision with an object.
18. **We** don't cover any loss consisting of a latent defect. However, this exclusion doesn't apply to resulting property damage to **your watercraft package** otherwise covered by this policy.
19. **We** don't cover any vessel while it's being used as a primary or permanent residence.
20. **We** don't cover any loss due to **breakdown** of a **covered part you** have not properly maintained, including **your** failure to follow all manufacturer-recommended preventative maintenance guidelines, and all repair recommendations received from a person servicing or inspecting **your insured watercraft** or **motor** for compensation.

DEDUCTIBLE APPLICATION

If more than one deductible in Part IV – Physical Damage and Theft applies to the same loss, only one deductible will be applied. If the deductibles are for different amounts, only the highest deductible will be applied.

If a covered loss involves direct contact with a **watercraft you** don't own that is insured under a different PEMCO Mariner Policy, **we** won't apply **your** Coverage D deductible to the loss.

If a loss is covered under both this policy and another policy issued to **you** by **us**, only one deductible will apply to the entire covered loss. The deductible will be the highest of all applicable deductibles.

No Coverage D deductible will be applied if **your watercraft package** is determined by **us** to be a total loss and Agreed Value is paid.

LIMIT OF LIABILITY

Our limit of liability for a covered loss paid under Part IV – Physical Damage and Theft is as follows:

1. For a loss **we** determine to be a total loss to **your watercraft package**, **our** limit of liability is the Agreed Value shown on the **declarations** for **your watercraft package** sustaining the loss, less the actual cash value of any salvage retained by **you**.

2. For a loss **we** determine not to be a total loss to **your watercraft package**, **our** limit of liability is the lower of:
 - a. The amount necessary to repair or replace the damaged or stolen property with property of like kind and quality, less the applicable deductible; or
 - b. The Agreed Value amount shown on the **declarations** for **your watercraft package** sustaining the loss, less the actual cash value of any salvage retained by **you**.
3. For a loss to a **newly acquired watercraft** or **newly acquired motor** not shown on the **declarations**, or to a **non-owned watercraft**, whether **we** determine the loss to be a total loss or not, **our** limit of liability for the combined loss is the lowest of:
 - a. The actual cash value of the damaged or stolen **watercraft** or **motor** at the time of loss, less the applicable deductible;
 - b. The amount necessary to repair or replace the damaged or stolen property with property of like kind and quality, less the applicable deductible; or
 - c. The highest Agreed Value for any of **your watercraft packages** shown on the **declarations**, less the actual cash value of any salvage retained by **you**.
4. For a loss paid under Fishing Equipment Coverage, **our** limit of liability is the lowest of:
 - a. The amount necessary to repair or replace the damaged or stolen **fishing equipment** with property of like kind and quality, less the applicable deductible;
 - b. The cost of a substitute part that reasonably matches the remainder of a pair, set, or series when only a portion is lost or damaged, less the applicable deductible; or
 - c. The amount shown on the **declarations** for Fishing Equipment Coverage.

Subject to these limits, \$1,000 is the most **we'll** pay for any one item of **fishing equipment**, and \$1,000 is the most **we'll** pay for all "non-owned fishing equipment" claimed in any one loss.

5. For a loss paid under Personal Effects Coverage, **our** limit of liability is the lowest of:
 - a. The amount necessary to repair or replace the damaged or stolen **personal effects** with property of like kind and quality, less the applicable deductible;
 - b. The cost of a substitute part that reasonably matches the remainder of a pair, set, or series when only a portion is lost or damaged, less the applicable deductible; or
 - c. The amount shown on the **declarations** for Personal Effects Coverage applicable to **your watercraft package** where the loss occurred, or, for water sports equipment losses occurring at **your** residence, the highest amount shown on the **declarations** for Personal Effects Coverage on any one of **your watercraft packages**.

Subject to these limits, \$1,000 is the most **we'll** pay for all "non-owned personal effects" claimed in any one loss.

6. For a loss to a **covered part** paid under Mechanical Breakdown Coverage, **our** limit of liability is the lowest of:
 - a. The amount necessary to repair or replace the **covered part** with property of like kind and quality, less the applicable deductible;
 - b. The cost of a substitute part that reasonably matches the remainder of a pair, set, or series, or returns the pair, set or series to its pre-**breakdown** condition, when only a portion is lost or damaged, less the applicable deductible;
 - c. The Agreed Value amount shown on the **declarations** for **your watercraft package** to which this Mechanical Breakdown Coverage applies, less the actual cash value of any salvage retained by **you**.

"Like kind and quality" includes, at **our** option, repair and replacement parts and equipment that are new, reconditioned, remanufactured or used, whether made by the original equipment manufacturer or another manufacturer.

For damage to fiberglass, plastic, and other molded materials, **we'll** only pay the reasonable cost of repairing and refinishing the damaged area, in accordance with quality marine repair practice.

We won't pay the cost of replacing or upgrading undamaged parts or equipment, including undamaged items in a set when less than all items are damaged.

Duplicate recovery under this policy for the same elements of loss is not permitted.

PAYMENT OF LOSS

We'll pay **you** or the owner of the property for the loss. **We** may, at **our** option, pay for the loss in money or repair or replace the damaged or stolen property. At **our** expense, **we** may return any stolen property to **you** or to **your** address shown on the **declarations**. If **we** return stolen property, **we'll** pay for any damage to the property resulting from the theft.

We may purchase all or part of the property at an agreed or appraised fair value. **You** may not abandon property to **us**.

INSURABLE INTEREST

We won't pay more to a person or entity for a covered loss to property than the amount of that person or entity's insurable interest in the property at the time of loss.

SALVAGE

We retain all rights to salvage after paying a total loss.

NO BENEFIT TO BAILEE

This insurance won't benefit any person or entity who cares for or handles **your** property for compensation of any kind.

OTHER SOURCES OF RECOVERY

Any insurance **we** provide under Part IV – Physical Damage and Theft, if applicable to property not owned by **you**, is excess over any other applicable insurance or source of recovery, whether collectible or not. If more than one insurance policy applies on the same primary or excess basis as this policy, **we'll** pay only **our** share of the loss. **Our** share is the proportion that **our** limit of liability bears to the total of all applicable limits that apply on the same primary or excess basis as this policy.

RIGHT TO APPRAISAL

If **we** and the owner of the property don't agree on the amount of loss, and more than 60 days have passed since the loss was reported to **us**, then either of **us** may demand an appraisal of the loss. Appraisal is required before filing suit in court to determine value.

If appraisal is requested, **we** and the owner of the property each choose a competent appraiser. These appraisers choose a competent and impartial umpire. The appraisers separately determine the property's actual cash value and the amount of loss. If they disagree, they'll submit their differences to the umpire. An award in writing by two of the three determines the loss amount.

The owner of the property pays his or her appraisal expenses, and **we** pay **ours**. The umpire fees and associated costs are shared equally between the owner and **us**.

GENERAL PROVISIONS

DUTIES AFTER AN ACCIDENT OR LOSS

We have no duty to provide coverage or a defense under this policy if a failure by any **insured** to comply with any of the following duties is prejudicial to **us**.

You and any other person seeking coverage under this policy must promptly:

1. Notify **us** of how, when, and where the accident or loss happened.
2. Provide **us** the names and addresses of any known witnesses and injured persons.
3. File an accident report with the proper state authority and notify the police immediately of all theft losses.
4. Provide written or recorded statements when requested by **us**.
5. Complete an examination under oath, as often as **we** reasonably require, while not in the presence of any other **insured**, and sign the same.
6. Submit a proof of loss, under oath if requested, when required by **us**.
7. Cooperate with **us** in the investigation, settlement, or defense of any claim or suit.
8. Send **us** copies of any notices or legal papers received in connection with the accident or loss.
9. Provide **us** with any other information or documentation **we** request that relates to the policy or to any claim made under the policy.

Any person seeking Part II – Underinsured Boater Bodily Injury must also:

10. Notify the police if a hit-and-run vessel is involved.
11. Send **us** copies of the legal papers if a suit is brought against the underinsured boater or **us**.

Any person seeking Part III – Medical Payments coverage must also:

12. Submit, as often as **we** reasonably require, to physical examinations by physicians **we** select. **We'll** pay for these exams.
13. Authorize **us** to obtain medical reports and other pertinent records.

Any person seeking Part IV – Physical Damage and Theft must also:

14. Take reasonable steps after loss to protect insured property from further loss. **We'll** pay reasonable expenses incurred to do this.
15. Notify the police if insured property is stolen.
16. Permit **us** to inspect and appraise the damaged property before its repair or disposal.

POLICY PERIOD

This policy is issued for the period shown on the **declarations** and applies only to accidents, occurrences, and losses during that period.

NAVIGATIONAL LIMITS

This policy applies only to accidents, occurrences, and losses within:

1. The continental United States (excluding Alaska) and Canada and all inland lakes, rivers, and navigable waterways therein.
2. 75 miles off the Pacific coast of either the continental United States (excluding Alaska) or Canada (including the Queen Charlotte Islands, but not more than 12 miles off their western shore).

WARRANTY OF SEAWORTHINESS

You warrant and represent to **us**, at the inception of coverage for **your insured watercraft**, that it is in **seaworthy** condition. **You** further warrant and represent to **us** that **you** will continue to maintain **your insured watercraft** in **seaworthy** condition and to comply with all federal safety standards and provisions. This policy doesn't cover any loss or damages caused by **your** failure to maintain **your insured watercraft** in **seaworthy** condition or to comply with all federal safety standards and provisions.

OUR RIGHT TO SETTLE

We may settle any claim or suit if **we** believe it's proper to do so.

OUR RIGHT TO RECOVER PAYMENT

After **we've** made any payment under this policy, **we** have the right to recover the payment from anyone else who may be held responsible. **You** and all **insureds** must sign any papers and do whatever is necessary to enable **us** to exercise this right. No **insured** shall do anything that would adversely affect this right. **We** won't exercise **our** right to recover payment to the extent it would reduce full recovery of compensatory damages for the **insured**.

CHANGES IN YOUR POLICY

You automatically get the benefit of any improved policy coverage if the change doesn't require additional premium.

The only other way this policy can be changed is by **our** policy endorsement or amendment.

CHANGES IN COST OF INSURANCE

For a **newly acquired watercraft** or a **newly acquired motor**, **we'll** adjust the premium as of the date coverage is deemed to begin. Any premium adjustment will be according to **our** rules and rates when the change occurs. If **you** wish to delete a **watercraft**, **motor**, or **trailer** from this policy for any other reason, or if **you** wish to make any other changes to **your** policy, **we'll** adjust the premium for the rest of the policy period according to applicable rules and rates. This new rate will begin as of the date **you** request the change, unless **we** agree to an earlier date.

You must notify **us** promptly whenever any of the following changes occur:

1. New or additional persons regularly operating any of **your insured watercraft**.
2. Change in principle garaging or moorage location for any of **your insured watercraft**.

If **we** learn after policy issue or renewal that a change in circumstances materially affects **our** risk, including those listed above, **we'll** adjust the premium for the rest of the policy period according to **our** rules and rates.

Additional charges or a refund of less than \$2 resulting from policy changes will be waived.

CONCEALMENT OR FRAUD

We don't provide any coverage under this policy when **you** or any **insured** has intentionally concealed or misrepresented any material fact or circumstance, made false statements with intent to deceive, or engaged in fraudulent conduct relating to this insurance.

CANCELLATION OF POLICY

You may cancel this policy by calling or writing **us** or **your** agent using mail, fax, or e-mail and stating the future date **you** want the cancellation to take effect. If **you** request cancellation, **we'll** charge only for the time **we** protected **you**. **We'll** retain any refund less than \$2.

We may cancel this policy for any reason within the first 60 days the initial policy is in effect.

After the policy is in effect for 60 days, or at any time if it is a renewal with **us**, **we** may cancel for one or more of the following reasons:

1. Nonpayment of premium;
2. Suspension or revocation of **your** driver's license or that of a **family member** or **rated resident** or any other person who regularly operates **your insured watercraft**;
3. **Your** place of residence has changed to a state or country where **we** are not authorized to issue the insurance provided by this policy;
4. The risk has changed substantially since the policy was issued; or
5. Any other reason permitted by law.

We will notify **you** at least 10 days before cancellation is to take effect if this policy is being cancelled for nonpayment of premium. **You** may keep the policy in force by paying the required amount within that 10-day period.

In all other cases, **we** will notify **you** at least 60 days before the cancellation date.

The notice will include the actual reason for cancellation. Notice will be sent to any additional interests added to the policy by endorsement. Proof of mailing will be sufficient proof of notice.

Any refund due will be calculated on a pro-rata basis.

If **your** policy is reinstated after cancellation, **we** may charge a fee for the reinstatement.

This policy isn't in force and provides no coverage from the date and time of cancellation to the date and time of reinstatement.

RENEWAL OF POLICY

You don't need to ask **us** to renew this policy at the end of **your** policy period. **We'll** renew **your** policy at the rates then in force for the coverages provided *unless we* mail to **you** a written nonrenewal notice at least 60 days before the policy period ends. The notice will include the actual reason for nonrenewal.

TRANSFER OF POLICY

Your rights and duties under this policy may not be transferred without **our** written consent. However, if **you** die, the policy will continue in force for the rest of the policy period for family members and **rated residents**, legal representatives acting within their capacity, and anyone having proper temporary custody of **your watercraft package**.

AUTOMATIC TERMINATION OF POLICY

If **you** obtain other insurance for **your watercraft package**, any similar insurance provided by this policy will terminate as to **your watercraft package** on the effective date of the other insurance.

If **your insured watercraft, motor** or **trailer** is sold or ownership is transferred to someone other than **you**, all coverage under this policy will terminate as to that **watercraft, motor** or **trailer** on the effective date of the sale or transfer.

RESCISSION OF POLICY

This policy is issued in reliance on the information provided on **your** insurance application and at reinstatement. Notwithstanding anything to the contrary in this policy, **we** may void this policy at any time, including after the occurrence of an accident or loss, if **you**:

1. made incorrect statements or representations to **us** with regard to any material fact or circumstance;
2. concealed or misrepresented any material fact or circumstance; or
3. engaged in fraudulent conduct;

with the intent to deceive at the time of application or reinstatement. This means **we** won't be liable for any claims or damages that would otherwise be covered.

PREMIUM PAYMENTS

If **you** pay less than the full amount due for **your** insurance, **you** may be charged a fee. **We** may also charge a fee if **your** payment is late, or if **your** bank doesn't process **your** check or electronic funds transfer.

CONFORMITY TO LAW

Any terms of this policy that conflict with the laws of the state where this policy is issued are hereby amended to conform to such laws.

BANKRUPTCY

The bankruptcy or insolvency of an insured person will not relieve **us** of any obligations under this policy.

LEGAL ACTION

No legal action may be brought against **us** unless the claimant has complied with all policy provisions and the action is started within one year from the time the cause of action accrues.

MUTUAL POLICY CONDITIONS

While this policy is in force, you are a member of PEMCO Mutual Insurance Company. PEMCO's annual meeting of members is held at its headquarters in Seattle, Washington, on January 3 of each year at 4 p.m. If January 3 falls on a Saturday or Sunday, the meeting will take place on the next business day. The purpose of the meeting is to receive reports as to the Company's affairs and to elect directors to its board. All meetings of members shall be exclusive to members.

Members participate in earnings of PEMCO in a manner and to an extent as determined by its board of directors.

This policy is non-assessable, meaning that, beyond payment of the premium for this insurance, you have no responsibility for the Company's debts or obligations.

This is not a complete and valid contract without an accompanying policy Declarations page.

ENDORSEMENTS ARE AN IMPORTANT PART OF YOUR POLICY. PLEASE KEEP THEM TOGETHER.