

AVN 16 LLOYD'S AIRCRAFT HULL POLICY (U.S.A.)

(Approved by Lloyd's Aviation Underwriters' Association)

WE, UNDERWRITERS AT LLOYDS, London, agree with the Insured, named in the Declarations made a part hereof, in consideration of the payment of the premium and in reliance upon the statements in the Declarations and subject to the limits of liability, Exclusions, Conditions and other Terms of this Policy:-

INSURING AGREEMENTS

1. COVERAGE A – FLIGHT, TAXING, ON THE GROUND OR MOORED.

To pay for direct physical loss of or damage to the aircraft including disappearance if the aircraft is unreported for sixty (60) days after the commencement of flight but only for the amount of each separate loss less the applicable deductible stated in Item 3 of the Declarations.

2. COVERAGE B – TAXING, ON THE GROUND OR MOORED.

To pay for direct physical loss of or damage to the aircraft while not in flight but only for the amount of each separate loss less the applicable deductible stated in Item 3 of the Declarations.

3. COVERAGE C – ON THE GROUND OR MOORED.

To pay for direct physical loss of or damage to the aircraft while not in flight or taxiing but only for the amount of each separate loss less the applicable deductible stated in Item 3 of the Declarations.

4. POLICY PERIOD, TERRITORY, PURPOSES OF USE.

This Policy applies only to direct physical loss of or damage to the aircraft which is sustained during the Policy period while the aircraft is within the Continental limits of the United States of America (excluding Alaska), Canada, or the Republic of Mexico, or is being transported between ports thereof, and is owned, maintained and used for the purpose stated as applicable thereto in the Declarations.

5. TWO OR MORE AIRCRAFT.

When two or more aircraft are insured hereunder the terms of this Policy shall apply separately to each.

EXCLUSIONS

THIS POLICY DOES NOT APPLY:–

[if !supportLists](a) [endif]to loss of use, depreciation, or deterioration; nor to any damage which is due and confined to wear and tear, freezing, mechanical, structural, electrical, hydraulic or pneumatic breakdown or failure, but this exclusion shall not apply to (1) other loss or damage covered by this Policy resulting from such wear and tear, freezing, mechanical, structural, electrical, hydraulic or pneumatic breakdown, (2) such loss or damage by wear and tear, freezing, mechanical, structural, electrical, hydraulic or pneumatic breakdown or failure which results directly from other loss covered by this Policy.

[if !supportLists](b) [endif]to loss or damage due to (1) capture, seizure, arrest, restraint or detention or the consequences thereof or of any attempt thereat, or any taking of the property insured or damage to or destruction thereof by any Government or Governmental or Civil Authority or agent (whether secret or otherwise) or by any military, naval or usurped power, whether any of the foregoing be done by way of requisition or otherwise and whether in time of peace or war and whether lawful or unlawful; (2) war, invasion, civil war, revolution, rebellion, insurrection or warlike operations, whether there be a declaration of war or not; (3) strikes, riots or civil commotions.

[if !supportLists](c) [endif]to loss or damage due to wrongful conversion, embezzlement or

secretion of the aircraft by any person in lawful possession thereof under a licence, lease, mortgage, conditional sale or other agreement, or under an agreement with the Insured, whether written, oral or implied.

[if !supportLists](d) [endif]while the aircraft is in flight unless its Airworthiness Certificate is in full force and effect.

[if !supportLists](e) [endif]while the aircraft is used for any unlawful purpose or is operated otherwise than in compliance with the terms of its Airworthiness Certificate and the approved operating limitations contained in its Airplane Flight Manual or other documents associated with the Airworthiness Certificate, or is being operated by any person other than the pilot(s) stated in Item 5 of the Declarations (other than taxiing by certificated pilots or licensed mechanics) or is operated by any such person in violation of the terms and limitations of his Pilot's Certificate or Medical Certificate, as issued by the appropriate authority.

[if !supportLists](f) [endif]if the total number of passengers carried in the Aircraft at the time of the happening of any loss or damage exceeds the Declared Maximum Number of Passengers stated in Item 3 of the Declarations

[if !supportLists](g) [endif]while with the knowledge and consent of the Insured or of any executive officer or partner if the Insured be a corporation or partnership the aircraft is being operated in violation of the Civil Air Regulations applying to acrobatic flying, instrument flying, repairs, maintenance, inspection, alterations and night flying.

[if !supportLists](h) [endif]while the aircraft is used for any purpose other than as stated in the Declarations.

[if !supportLists](i) [endif]while the aircraft is being used for or in connection with any race, speed or endurance test, any attempt at record breaking, acrobatic flying, crop dusting, spraying, seeding, fertilisation, hunting, bird or fowl herding, unless such use is declared in (D) of Item 4 of the Declarations; or any use in respect to which a waiver or special authority issued by the Civil Aeronautics Authority or the appropriate Authority is required, whether granted or not.

[if !supportLists](j) [endif]while the aircraft is changed or converted into a type other than stated in the Declarations.

[if !supportLists](k) [endif]following a transfer of the interest of the Insured in the aircraft without the written consent of the Underwriters; or whilst the aircraft is subject to any lien, mortgage or other encumbrance not specifically declared and described in this Policy.

DEFINITIONS

"AIRCRAFT". The word "Aircraft" wherever used in this Policy, shall mean the aircraft described herein, and in addition to the airframe shall include power plants, propellers, rotors and appliances forming part of the aircraft at the inception of coverage hereunder, including parts detached and not replaced by other similar parts.

"IN FLIGHT". The aircraft shall be deemed to be in flight from the time the aircraft moves forward in taking off or in attempting to take off for air transit, while in the air and until the aircraft comes to rest after landing or, the landing run having been safely completed, power is applied for taxiing. A rotorcraft shall be deemed to be in flight when the rotors are in motion.

"TAXYING" shall mean while the aircraft is moving under its own power or momentum generated thereby other than in flight as defined, but in the case of water alighting aircraft "Taxying" shall be deemed to mean while the aircraft is afloat and is not "In Flight" or "Moored".

"MOORED" shall mean while the aircraft is afloat and made fast to its moorings, or is being launched or hauled up.

"CIVIL AERONAUTICS AUTHORITY" shall mean the duly constituted Authority of the government of the United States of America, or the authority of the recognised government of any other country in which this policy may apply, having jurisdiction over Civil Aviation.

CONDITIONS

1. INSURED'S DUTIES WHEN LOSS OCCURS.

When loss occurs, the Insured shall

[if !supportLists](a) [endif]take all reasonable measures to protect the aircraft, whether or not the loss is covered by this Policy, and any further loss due to the Insured's failure to do so shall not be recoverable under this Policy; reasonable expense incurred in affording such protection, provided the loss is covered by this Policy, shall be deemed incurred at the Underwriters' request.

[if !supportLists](b) [endif]give notice thereof as soon as practicable to the Underwriters and also in the event of theft, larceny, robbery, pilferage or vandalism, to the Police. The Underwriters shall not be responsible for the payment of a reward offered for the recovery of the insured property unless authorized by the Underwriters or their representatives.

[if !supportLists](c) [endif]file proof of loss with the Underwriters' representatives within sixty (60) days after the occurrence of loss, unless such time is extended in writing by the Underwriters, in the form of a sworn statement of the Insured setting forth the interest of the Insured and of all others in the property affected, any encumbrances thereon, the actual cash value thereof at the time of loss; the amount, place, time and cause of such loss, the amount of all insurance whether valid and collectible or not, covering said property; and the Insured as often as required shall submit to examination under oath by any person named by the Underwriters and subscribe the same; upon the request of the Underwriters the insured shall exhibit the damaged property to the Underwriters or their representatives, and as often as required shall produce for examination all logbooks, and all books of accounts, bills, invoices, and other vouchers, or certified copies thereof if the originals be lost, at such reasonable place as may be designated by the Underwriters or their representatives and shall permit extracts and copies thereof to be made.

2. ASSISTANCE AND CO-OPERATION OF THE INSURED.

The Insured shall co-operate with the Underwriters and, upon the Underwriters' request, shall attend hearings and trials and shall assist in effecting settlements, securing and giving evidence, obtaining the attendance of witnesses and in the conduct of suits. The Insured shall not, except at his own cost, voluntarily make any payment, assume any obligation or incur any expense.

3. LIMIT OF LIABILITY; SETTLEMENT OPTIONS; NO ABANDONMENT.

The liability of the Underwriters for direct physical loss of or damage to the aircraft shall not exceed the amount of insurance set out in the Declarations, less the applicable deductible, nor what it would cost to repair or replace the aircraft or parts thereof with other of like kind and quality, and without compensation for loss of use. The Underwriters may pay for the loss in money or may repair or replace the aircraft or parts thereof, as aforesaid, or may return any stolen property with payment for any resultant damage thereto at any time before the loss is paid or the property is so replaced, or may take all or such part of the aircraft at the agreed or appraised value, but there shall be no abandonment to the Underwriters.

In the case of partial physical loss of or damage to the aircraft when repairs are effected by the Insured the liability of the Underwriters shall not exceed the actual cost of any parts or materials necessary to effect repairs or replacement plus 150% of the actual cost of labour to the Insured without any further allowance for overhead or overtime; when the repairs are made by other than the Insured, the actual costs as evidenced by bills rendered to the Insured, less any discount granted to the Insured, excluding cost of overtime and its related overhead unless previously agreed to by the Underwriters. The amount of such loss shall include the cost of transporting new or damaged parts or of transporting the damaged aircraft to the place of repair and subsequent return to the airport nearest to the place of accident, or home airport, whichever be the nearer, but shall be limited to the least expensive method of reasonable transportation.

In no event shall the liability of the Underwriters for partial physical loss of or damage to the aircraft exceed the amount for which the Underwriters would be liable were the loss payable as a total loss.

4. SUBSTITUTIONS.

Power plant and/or propellers and/or rotors and/or appliances of like make or type may be substituted. The value of any such installed substituted item shall not exceed the value of the item originally installed unless endorsed hereon and any required additional premium paid hereon.

5. APPRAISAL.

If the Insured and the Underwriters fail to agree as to the amount of loss, each shall, on the written demand of either, made within sixty days after receipt of proof of loss by the Underwriters, select a competent and disinterested appraiser, and the appraisal shall be made

at a reasonable time and place. The appraisers shall first select a competent and disinterested umpire, and failing for fifteen days to agree upon such umpire, then on request of the Insured or the Underwriters, such umpire shall be selected by a judge of a court of record in the county and state in which such appraisal is pending. The appraisers shall then appraise the loss, stating separately the actual cash value at the time of the loss and the amount of loss in respect of each item, and failing to agree, shall submit their differences to the umpire. An award in writing of any two shall determine the amount of loss. The Insured and the Underwriters shall each pay his or their chosen appraiser and shall bear equally the other expenses of the appraisal and umpire.

The Underwriters shall not be held to have waived any of their rights by any act relating to appraisal.

6. OTHER INSURANCE.

If there be other insurance against loss or damage covered by this Policy, the Underwriters shall not be liable under this Policy for a greater proportion of such loss or damage than the amount of insurance stated in the Declarations bears to the total amount of valid and collectible insurance against such loss or damage.

7. NO BENEFIT TO BAILEE.

The insurance afforded by this Policy shall not enure directly or indirectly to the benefit of any carrier or bailee.

8. REINSTATEMENT.

In the event of loss whether or not covered by this Policy the amount of insurance in respect to any aircraft shall be reduced as of the time and date of loss by the amount of such loss and such reduced value shall continue until repairs are commenced. The insurance shall then be increased by the value of the completed repairs until the amount of insurance is fully reinstated or the Policy has expired.

9. SUBROGATION.

In the event of any payment under this Policy, the Underwriters shall be subrogated to all the Insured's rights of recovery therefor against any person or organisation and the Insured shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The Insured shall do nothing after loss to prejudice such rights.

10. CHANGES.

Notice to any agent or knowledge possessed by any agent or by any other person shall not effect a waiver or a change in any part of this Policy or estop the Underwriters from asserting any right under this Policy; nor shall any part of this Policy be waived or changed, except by endorsement signed by the Underwriters and issued to form part of this Policy.

11. ASSIGNMENT.

This Policy shall not be assigned in whole or in part except with the consent of the Underwriters verified by endorsement signed by the Underwriters and issued to form part of this Policy; if, however, the Insured shall die or be adjudged bankrupt or insolvent within the Policy period, this Policy, unless cancelled, shall, if written notice be given to the Underwriters within thirty days after the date of such death or adjudication, cover the Insured's legal representative as the Insured.

12. CANCELLATION.

This Policy may be cancelled by the Insured by surrender thereof or by mailing to the Underwriters written notice stating when thereafter such cancellation shall be effective. This Policy may be cancelled by the Underwriters by mailing to the Insured at the address shown in this Policy written notice stating when not less than ten days thereafter such cancellation shall be effective. The mailing of notice as aforesaid shall be sufficient proof of notice and the effective date and hour of cancellation stated in the notice shall become the end of the Policy period. Delivery of such written notice either by the Insured or by the Underwriters shall be equivalent to mailing.

If the Insured cancels, earned premiums shall be computed in accordance with the customary short rate table and procedure. If the Underwriters cancel, earned premiums shall be computed pro-rata. Premium adjustment may be made at the time cancellation is effected and, if not then made, shall be made as soon as practicable after cancellation becomes effective.

The Underwriters' check or the check of their representative mailed or delivered as aforesaid shall be sufficient tender of any refund of premium due to the Insured.

No Return Premium shall be paid to the Insured as to any aircraft on which a loss under this Policy, adjustable on the basis of a total loss, has occurred.

13. TERMS OF POLICY CONFORMED TO STATUTE.

Terms of this Policy which are in conflict with the statutes of the state wherein this Policy has application are hereby amended to conform to such statutes.

14. ACTION AGAINST UNDERWRITERS.

No action shall lie against the Underwriters unless as a Condition precedent thereto the Insured shall have fully complied with all the terms of this Policy nor until sixty days after proof of loss shall have been filed and the amount of loss shall have been determined as provided in this Policy nor unless such action shall have been commenced within twelve months next after the happening of the loss.

15. SERVICE OF SUIT.

It is agreed that in the event of the failure of the Underwriters to pay any amount claimed to be due hereunder, the Underwriters, at the request of the Insured, will submit to the jurisdiction of any court of competent jurisdiction within the United States and will comply with all requirements necessary to give such Court jurisdiction and all matters arising hereunder shall be determined in accordance with the law and practice of such Court.

It is further agreed that service of process in such suit may be made upon, and that in any suit instituted against any one of them upon this Policy, the Underwriters will abide by the final decision of such Court or of any Appellate Court in the event of an appeal.

The above-named are authorized and directed to accept service of process on behalf of the Underwriters in any such suit and/or upon the request of the Insured to give a written undertaking to the Insured that they will enter a general appearance upon the Underwriters' behalf in the event such a suit shall be instituted.

Further, pursuant to any statute of any state, territory or district of the United States which makes provision therefor, the Underwriters hereby designate the Superintendent, Commissioner or Director of Insurance or other officer specified for that purpose in the statute or his successor or successors in office, as their true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Insured or any beneficiary hereunder arising out of this Policy and hereby designate the above-named as the person to whom the said officer is authorized to mail such process or a true copy thereof.

16. SCHEDULE OF STATEMENTS.

By acceptance of this Policy the Insured agrees that the statements in the Declarations are his agreements and representations, that this Policy is issued in reliance upon the truth of such representations and that this Policy embodies all agreements existing between himself and the Underwriters relating to this insurance.

17. MISREPRESENTATION AND FRAUD.

This Policy shall be void if the Insured has concealed or misrepresented any material fact or circumstance whether under the Declarations or not concerning this insurance or the subject thereof or in the case of any fraud, attempted fraud or false swearing by the Insured touching any matter relating to this insurance or the subject thereof, whether before or after a loss.