Direct Approach

AIRCRAFT INSURANCE POLICY
This is a legal contract between the policyholder and Avemco Insurance Company

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AVEMCO INSURANCE COMPANY

AGREEMENT
We agree to provide insurance for the coverages you have purchased. The insurance is subject to the terms of this Policy. It is based on your statements in the application.

DEFINITIONS USED IN THIS POLICY
(These defined terms are printed in bold type in this Policy)

1. “Accident” means a sudden event, or continued or repeated contact with the same conditions, that results in bodily injury or property damage which an insured person does not expect or intend.

2. “Airport contract” means an agreement insured persons are required to sign so they may use an airport.

3. “Aviation business” means the business or occupation of:
   a. making, repairing, servicing, fueling, towing, chartering, renting or selling any aircraft;
   b. making, repairing, installing, servicing or selling any aircraft component;
   c. operating an airport, hangar, aircraft tiedown or parking facility, flying club or flight training facility;
   d. providing pilot, crew, or flight instruction services.

4. “Bodily injury” means physical or mental injury to, or death of, a person.

5. “Breakdown” means mechanical, structural, engine or electrical failure; deterioration; or wear and tear.

6. “Commercial purpose” means any use of your insured aircraft for which an insured person receives, or intends to receive, money or other benefits. It does not include:
   a. the equal sharing among occupants of the operating costs of a flight;
   b. an insured person being reimbursed by their employer for the expense of a flight, provided such employer is not in an aviation business and the flight is incidental to the insured person’s employment;
   c. you being paid by a pilot named in Item 6A of the Data Page for their personal, non-commercial use of your insured aircraft;
   d. the sharing of the expenses of the ownership, maintenance and use of your insured aircraft among policyholders shown in Item 1 of the Data Page.

7. “FAA” means the Federal Aviation Administration or the governmental authority having jurisdiction over civil aviation in the country of registry of your insured aircraft.

8. “Family member” means a parent, spouse, son or daughter of an insured person (whether natural, adopted or step, and whether or not they reside in the same household as the insured person).

9. “In flight” means the time starting when your insured aircraft moves forward for takeoff and continues until it has landed. It has landed when it has safely stopped or left the runway under control.

10. “In motion” means any time your insured aircraft is moving as the result of its engine power and:
    a. if your insured aircraft is a rotorcraft, any time a rotor is turning;
    b. if your insured aircraft is a turbine-powered, any time an engine is running;
    c. if your insured aircraft is a glider, any time it is being transported, towed, or is in flight.

11. “Insured aircraft” means:
    a. an aircraft shown in Item 4 of the Data Page;
    b. an additional or replacement aircraft of which you have acquired full ownership during the Policy Period if we insure all aircraft you own. However, this does not apply to:
       (1) a rotorcraft unless a rotorcraft is shown in Item 4 of the Data Page;
(2) a turboprop aircraft unless a turboprop aircraft is shown in Item 4 of the Data Page;
(3) a turbojet aircraft unless a turbojet aircraft is shown in Item 4 of the Data Page.

Additional or replacement aircraft will no longer be insured after 30 days from the date you acquire it, or, if sooner, the date you insure it with another insurer.

Included are its communication, navigation, and operating equipment attached or temporarily detached and not replaced. Also included are tools and repair equipment which are specially designed for it.

12. “Insured person” means:
   a. you;
   b. a person or organization using, or responsible for the use of, your insured aircraft with your permission. However, persons or organizations who are in an aviation business are not insured persons when the accident arises out of, or occurs during, the conduct of such aviation business.

13. “Loss” means physical loss of, or damage to, your insured aircraft which an insured person does not expect or intend. Loss does not include depreciation or loss of its use.

14. “Non-owned aircraft” means an aircraft which is not owned in whole or in part by you or a family member of yours. It must not be furnished or leased to you for more than 30 days during the Policy Period.

15. “Occupant” means a person while in, on, or getting into or out of your insured aircraft.

16. “Policy territory” means the Western Hemisphere between 13° and 67° North Latitude and between 52° West Longitude and the International Date Line. It does not include Bermuda, Central America, or Cuba. See map in this Policy.

17. “Premises” means the immediate parking, tiedown or storage area used for your insured aircraft. These premises must not be owned in whole or in part by any insured person.

18. “Property damage” means physical damage to, or destruction of, property. This includes loss of its use.

19. “We,” “us” and “our” mean Avemco Insurance Company.

20. “Workers’ compensation” means compensation prescribed by federal or state law for bodily injury to an employee during the course of employment.

21. “you” and “your” mean the policyholder named in Item 1 of the Data Page.

EXCLUSIONS APPLYING TO ALL COVERAGES
(See Additional Exclusions to Coverages A, B, and C)

This Policy does not cover bodily injury, property damage or loss:

1. When your insured aircraft is:
   a. outside the policy territory;
   b. used for a commercial purpose;
   c. used by an insured person to unlawfully traffic in, or carry, persons, drugs, narcotics or other contraband;
   d. operated in flight by a pilot who is not approved in Item 6 of the Data Page;
   e. operated by a student pilot carrying another occupant unless one of these occupants is a Certified Flight Instructor on board for the purpose of instructing or examining that student pilot;
   f. owned in whole, or in part, by someone except you;
   g. equipped for water takeoff and landing unless shown as such in Item 4 of the Data Page;

2. Arising out of:
   a. declared or undeclared war, civil war, riot or revolt;
   b. the detonation of an atomic device or radioactive contamination from any source.

COVERAGE A—LIABILITY INSURANCE FOR YOUR INSURED AIRCRAFT

DESCRIPTION OF INSURANCE

We will pay for bodily injury and property damage for which an insured person is legally liable. Liability must arise from the ownership, maintenance or use of your insured aircraft or use of the premises on which it is stored. The bodily injury and property damage must occur during the Policy Period and be caused by an accident. When bodily injury and property damage are covered under this Insurance, we will also provide an insured person with a legal defense against such claims for bodily injury and property damage.
EXTENDED SALES COVERAGE

The insurance provided by this coverage will continue to provide you coverage for bodily injury and property damage that occurs within one year of the date you sell your insured aircraft, provided:

1. You sell your insured aircraft during the Policy Period shown in Item 3 of the Data Page; and
2. Your liability arises out of your ownership, maintenance or use of your insured aircraft during the period of time it was insured under this coverage (not for your prior or subsequent ownership, maintenance, or use).

If your insured aircraft was insured under this Policy’s Coverage A for less than one year prior to its sale, the one year period stated above shall be reduced by the number of days for which it was not insured.

ADDITIONAL PAYMENTS

When bodily injury and property damage are covered by this insurance, we will also pay:

1. Costs we incur investigating the accident and defending a suit. Costs do not include payment of a claimant’s attorney fees which may be taxed against an insured person;
2. If there is judgment, interest on that part of a judgment which does not exceed our Limit of Liability. Interest is paid from the date of judgment until we pay, or offer to pay, our part of the judgment;
3. Premiums on appeal bonds and bonds to release attachments in a suit we defend. We will also pay up to $250 for the cost of bail bonds required because of an accident. We will not pay the premiums for bonds that are for more than our Limit of Liability. We have no duty to apply for, or furnish, such bonds;
4. Reasonable costs an insured person incurs to attend trials or hearings at our request;
5. Costs an insured person incurs for first aid to others at the time of an accident;
6. The costs to provide an insured person with legal defense against a pilot certificate enforcement action or a civil penalty action taken by the FAA or by a state or local governmental authority as a result of an accident. We will not pay any penalties or fines. The most we will pay is $5,000 for all such costs incurred as a result of any one accident.

We will defend a suit or settle a claim, whichever we feel proper. However, this shall not apply to enforcement actions taken against an insured person, covered under Paragraph 6 above, in which case an insured person’s consent to settlement shall be required.

ADDITIONAL EXCLUSIONS APPLYING TO COVERAGE A

This coverage does not apply to:

1. Bodily injury or property damage liability an insured person assumes by contract or agreement. However, liability assumed under an airport contract is covered, provided the liability arises out of the insured person's storage or use of the insured aircraft on the airport;
2. Bodily injury or property damage when an insured person is insured under nuclear energy liability insurance. This exclusion applies even if the limits of that insurance are reached;
3. Bodily injury and property damage arising out of:
   a. noise or vibration;
   b. pollution or contamination unless caused by a loss;
4. Bodily injury to:
   a. an occupant unless Item 5 of the Data Page shows “including occupants”;
   b. an employee of an insured person when workers' compensation is available or required to compensate the employee of the insured person against whom the claim is made;
5. Property damage to an insured aircraft (including after its sale where property damage coverage is extended for up to one year);
6. Damage to property:
   a. owned by an insured person;
   b. being carried in your insured aircraft. However, personal effects of each occupant are covered up to $1,000;
   c. rented to, or in the charge of, an insured person. However, rented hangars and their contents are covered up to a maximum of $25,000 each accident.

LIMITS OF LIABILITY

The Limits of Liability shown in Item 5 of the Data Page apply as follows:

1. The limit for “each person” is the most we
will pay for **bodily injury** to one person in one accident. **Bodily injury** sustained by any one person shall include all injury and damages sustained by others as a consequence of such **bodily injury**.

2. The limit for “**property damage**” is the most we will pay for all **property damage** in one accident;

3. The limit for “each accident” is the most we will pay for all **bodily injury** and **property damage** combined in one accident.

The number of **our** policies, **insured persons**, **insured aircraft**, claims or claimants does not increase these amounts.

**Our** Limit of Liability for a replacement aircraft or additional aircraft shall be the highest Limit of Liability for any **insured aircraft**.

**OTHER INSURANCE**

When there is other liability coverage for **bodily injury** and **property damage** covered by this Insurance, **we** will pay our share. **Our** share will be the percentage that **our** Limit of Liability bears to the sum of all liability limits. However, this Insurance shall be excess over any coverage available to **you** for liability arising during the term of the Extended Sales Coverage. It shall also be excess over any coverage available to an **insured person** where their liability is assumed under an **airport contract**. Other insurance, however, may be purchased in specific excess of these coverages.

**ADDITIONAL EXCLUSIONS APPLYING TO COVERAGE B**

This coverage does not apply to **loss** to your **insured aircraft**:

1. While it is **in flight** unless Item 5 of the Data Page shows “including **in flight**”;

2. Caused by legal or illegal seizure or confiscation, or during detention by any governmental body;

3. Which arises out of a taking, holding, secreting, repossession or sale by:
   a. anyone to whom its care, custody, control or use has been given by an **insured person**;
   b. anyone making a claim for or against it under contract, agreement or law;

4. Due and confined to **breakdown**. This exclusion does not apply to ensuing **loss**, unless it is another such **breakdown**;

5. If the **loss** is to a turbine engine of your **insured aircraft** when it is caused by:
   a. an object that is part of an engine or its accessories;
   b. heat resulting from the starting, operation or shutdown of an engine;
   c. a **breakdown**, failure or malfunction of an engine component, accessory or part;
   d. an object, not a part of an engine or its accessories, unless the **loss** was sudden and caused by a single recorded event that requires immediate repair to meet the requirements of the engine manufacturer.
LIMIT OF LIABILITY

Our Limit of Liability for loss:

1. To an aircraft shown in Item 4 of the Data Page is the “insured value” shown in Item 5 of the Data Page;
2. To a replacement or additional aircraft is the highest “insured value” for any insured aircraft. But, our liability is not more than its cost to you;
3. Is reduced by the amount of prior damage to your insured aircraft. It increases by the value of repairs performed until the “insured value” is reached.

The limit for Additional Payments, Paragraph 4 of this Coverage B, may not be added to the limit of Additional Payments, Paragraph 6, of Coverage A. If both accident and loss result in a pilot certificate enforcement action or civil penalty action, only one such limit applies.

NO BENEFIT TO OTHERS

This coverage is for the benefit of insured persons only.

TERMS OF PAYMENT OF LOSS

When we pay for loss, the following terms apply:

1. PAYMENT
   a. We will pay for repairs made, or for damaged or missing parts which are replaced with parts of like kind and quality. However:
      (1) when the estimated costs to transport, and to repair or replace parts of your insured aircraft exceed 70% of the “insured value,” we may, at our option, pay our Limit of Liability;
      (2) if you choose not to have your insured aircraft repaired, or to replace damaged or missing parts, we may pay for the loss in money. However, you and we must agree on the amount of, and any terms for, this payment;
   b. If your insured aircraft is stolen or disappears in flight and is not found, we will pay our Limit of Liability after 60 days. If it is found prior to our payment, we may pay the transportation cost to return it to you with payment for repairs;
   c. We may reduce the amount we pay for loss by any amount you owe us.

2. APPRAISAL
   You or we may demand appraisal for the loss. Each will choose and pay a competent and disinterested appraiser. Each will share other appraisal costs equally. The appraisers will pick a third person to settle differences. An amount agreed to in writing by two of the three will be the amount of the loss.

3. SALVAGE
   When we pay for a loss, any salvage will be ours. You must give us clear title to the salvage when we pay for the loss.

4. DEDUCTIBLE
   We will adjust each loss separately. Our payment for loss will be reduced by the deductible shown in Item 5 of the Data Page. For an additional or replacement aircraft the highest deductible for any insured aircraft applies. No deductible applies when your insured aircraft collides with another of our policyholder’s aircraft. Also, no deductible applies when loss is due solely to fire, lightning, explosion or vandalism; or when your insured aircraft is a total loss.

5. LOSS PAYEE
   Payment for loss will be made to you and the lienholder shown in Item 2 of the Data Page. We may include repairers or suppliers in the payment.

6. OTHER INSURANCE
   When there is other insurance for a loss covered by this Insurance, we will pay that part of the loss that our Limit of Liability bears to the total limits of all insurance.

COVERAGE C—INSURANCE FOR MEDICAL EXPENSES

DESCRIPTION OF INSURANCE

We will pay for the Benefits shown below for bodily injury to an occupant of your insured aircraft. The bodily injury must occur during the Policy Period and be caused by an accident. It must arise out of the ownership, maintenance or use of your insured aircraft with your permission.

Benefits

1. MEDICAL EXPENSES
   We will pay for any necessary medical or funeral expenses. These expenses must be incurred within one year of the accident.
2. HOSPITALIZATION
We will pay $100 for each day of in-patient hospital care received within one year of the accident, in addition to medical expenses.

ADDITIONAL EXCLUSIONS APPLYING TO COVERAGE C
This coverage does not apply to:
1. An employee of an insured person when workers’ compensation is available or required;
2. Anyone who expects or intends bodily injury to themselves.

LIMIT OF LIABILITY
We will pay no more than the Limit of Liability shown in Item 5C – Medical Expenses of the Data Page for “each occupant” injured in one accident for medical expenses and hospitalization combined. The number of our policies, insured persons, aircraft, claims or claimants does not increase this amount.

INSURANCE FOR YOUR USE OF NON-OWNED AIRCRAFT
DESCRIPTION OF INSURANCE
The insurance for Coverage A and Coverage C which you have purchased also applies to:
1. Your use of a non-owned aircraft which is a substitute for your insured aircraft while it is not usable because of breakdown, servicing, repair or loss;
2. Your use of a non-owned aircraft if you are one individual or one individual and spouse, whether or not your insured aircraft is not usable because of breakdown, servicing, repair or loss.

All of the Exclusions and Limits of Liability which apply to Coverage A and Coverage C for your insured aircraft apply to this Insurance, except Exclusion 1.f. of Exclusions Applying to All Coverages (“owned in whole, or in part, by someone except you”).

Exclusion 6.c. to Coverage A (“damage to property rented to, or in the charge of, an insured person”) does not apply to property damage to the non-owned aircraft, subject to the further limitations on Property Damage to Non-Owned Aircraft shown below.

LIMITATIONS ON PROPERTY DAMAGE TO NON-OWNED AIRCRAFT
1. Coverage A for property damage to a non-owned aircraft will be provided if you have purchased Coverage B for your insured aircraft. You must purchase in flight coverage for your insured aircraft to have in flight coverage for a non-owned aircraft;
2. All the exclusions which apply to loss to your insured aircraft also apply to property damage to a non-owned aircraft;
3. Our Limit of Liability under Coverage A for property damage to a non-owned aircraft shall not exceed the Limit of Liability for Coverage B shown in Item 5 of the Data Page as follows:
   a. for “excluding in flight” coverage, the highest amount shown for any insured aircraft with “excluding in flight” coverage;
   b. for “including in flight” coverage, the highest amount shown for any insured aircraft with “including in flight” coverage;
4. None of the Limits of Liability shown for Coverage A in Item 5 of the Data Page shall be increased by this change to Exclusion 6.c. to Coverage A.

ADDITIONAL EXCLUSIONS APPLYING TO INSURANCE FOR YOUR USE OF NON-OWNED AIRCRAFT
This Insurance does not apply to:
1. The non-owned aircraft owner, or the owner’s agent or employees;
2. The use of a non-owned aircraft which:
   a. does not hold a “Standard” category airworthiness certificate;
   b. is a rotorcraft, unless your insured aircraft is a rotorcraft;
   c. is a turboprop aircraft, unless your insured aircraft is a turboprop aircraft;
   d. is a turbojet aircraft, unless your insured aircraft is a turbojet aircraft;
   e. has a seating capacity of more than 7 persons, or, if greater, the seating capacity of your insured aircraft;
   f. is used without its owner’s consent.

OTHER INSURANCE
This Insurance is excess over any other applicable insurance.
GENERAL PROVISIONS

1. POLICY CHANGE TO BE MADE BY US
   No change may be made to this Policy except by endorsement issued by us.

2. SUIT AGAINST US
   We may not be sued unless there has been compliance with all terms of this Policy. Under Coverage A no one has a right to sue us until the duty of an insured person to pay is finally decided by a court. Bankruptcy or insolvency of an insured person, or an insured person’s estate, does not relieve us of our obligations under this Policy.

3. OUR RECOVERY RIGHTS
   If we pay under this Policy, we have all rights of recovery of an insured person. That insured person must do all that is needed to help us exercise these rights. An insured person may do nothing to take away these rights. However, our rights do not extend to Coverage C—Insurance for Medical Expenses.

4. IN THE EVENT OF AN ACCIDENT OR LOSS
   An insured person’s duties when an accident or loss occurs are shown in this Policy. An insured person must comply with them to the best of their ability. When our representative arrives at the scene of an accident or loss, we may, at our option, take whatever steps we feel necessary to protect your insured aircraft and to begin investigation of the accident or loss. Any costs we incur in doing so will be borne by us.

5. TRANSFER OF POLICY
   Interest in this Policy may not be transferred without our written consent. If you die, or are adjudged bankrupt or insolvent, the policyholder will be:
   a. anyone who has custody of your insured aircraft until a legal agent is named; and
   b. your legal agent while carrying out their duties.

6. NONRENEWAL
   If we decide not to renew this Policy, we will mail you a notice of nonrenewal. This notice will be sent to the address shown in Item 1 of the Data Page. It will be sent at least 30 days before the Policy Period ends. Proof of mailing will be proof that you were notified.
   If we offer to renew and you do not pay the renewal premium, you have declined our offer.

7. CANCELLATION
   To cancel this Policy, you must tell us in writing at what future date the cancellation should be.
   We may cancel by mailing you a cancellation notice. This notice will be sent to the address shown in Item 1 of the Data Page. It will be sent at least 30 days before the cancellation date. Only 10 days’ notice will be given if we cancel for nonpayment of premium. Also, only 10 days’ notice will be given if the Policy has been in effect less than 60 days and is not a Renewal Policy. Proof of mailing will be proof that you were notified.
   Upon cancellation, you may be entitled to a premium refund. We will send that refund to you. Our making a refund is not a condition of cancellation.
   If we cancel for a reason other than nonpayment of premium, the refund will be figured on a pro rata basis. If you cancel for any reason, or if we cancel because of your nonpayment of premium, the refund will be 90% of the pro rata amount.
   Our receipt and deposit of your premium payment after mailing a notice of cancellation will not reinstate the Policy. However, cancellation for nonpayment of premium will not be effective if the required payment is received before the cancellation date.

8. POLICY CONFORMS TO YOUR STATE LAW
   If the terms of this Policy conflict with your state law, they are amended to conform to that law. If your state has required minimum limits of liability this Policy will pay no more than the Limits of Liability shown in Item 5 of the Data Page or your state’s required minimum limit, whichever is greater.

9. PAYMENTS
   All monetary amounts referred to in this Policy are in United States currency, unless your insured aircraft is shown on the Data Page as based in Canada, in which case these amounts are in Canadian currency.

The President and Secretary of Avemco Insurance Company have signed this Policy and it is countersigned on the Data Page by an authorized representative.

Michael J. Donovan
President

Alexander Ludlow
Secretary

POL0001 (08/01/2016)
DUTIES AFTER AN ACCIDENT OR LOSS

NOTIFY US PROMPTLY

The notice should give the time, place and circumstances. It should include names and addresses of witnesses and injured persons.

OTHER DUTIES

1. An insured person shall:
   a. cooperate with, and assist, us in matters concerning a claim or suit;
   b. promptly send us all legal papers received;
   c. authorize us to obtain medical and other records;
   d. provide proofs of loss we require;
   e. notify us in the event they are put on notice of a pilot enforcement action or civil penalty action. We are not responsible for payment of any costs an insured person incurs defending such action unless we have been notified and authorized payment.

An insured person shall not assume any obligation or make any payment other than for first aid to others.

2. When you have purchased Coverage B for damage to your insured aircraft, you shall also:
   a. take reasonable steps after a loss to protect your insured aircraft;
   b. promptly report theft or vandalism to the police;
   c. allow us to inspect your insured aircraft before repair or disposal.

POLICY TERRITORY

Western Hemisphere between 13˚ and 67˚ North Latitude and between 52˚ West Longitude and the International Date Line. It does not include Bermuda, Central America or Cuba.