

# International Transport Liability

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For

Aeronet, Inc.

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## SECTION I: WHAT THIS AGREEMENT COVERS

Except as or to the extent modified or excluded by endorsements to this policy, we will pay amounts you and other protected persons are required by law to pay in damages to compensate others for:

**Coverage “A”**: **“Cargo Legal Liability”**: physical loss or damage to customers’ cargo arising out of the issuance of your bill of lading when conducting your business as a forwarder or consolidator (principal).

Warning: This coverage applies only to physical loss and damage to customers’ cargo which occurs: (1) within the coverage territory; and (2) within the policy period.

Note: The physical loss or damage must be caused by an accident. An accident means an unforeseen occurrence, and includes repeated exposure to similar conditions.

**Coverage “B”**: **“Errors & Omissions”**: financial loss resulting from your negligence committed in conducting your business as a “Logistics Specialist.”

Warning: This coverage applies only to financial loss which occurs (1) within the coverage territory; and (2) within the policy period.

Note: The financial loss must be caused by an act, error or omission that is the direct and proximate cause of the loss complained of.

**Coverage “C”** **“Bailee Liability”**: See Endorsement (if purchased).

The amount we will pay for Coverages “A”, “B” and “C” is shown in the Introduction page of this policy, less the applicable deductible and the following claims expenses:

## SECTION II: CLAIM EXPENSES

We agree to pay reasonable costs and expenses, including attorneys’ fees that you incur with our prior written approval. We will not pay any expenses, including attorneys’ fees, costs, and other charges you may incur unless we authorize them in advance and in writing. Payment for claims expenses is provided under this agreement, but our obligation to pay ends after the applicable limit of coverage has been used up by the total amount paid for judgments, settlements, attorneys’ fees and/or the following claims expenses:

## 1. Defending Lawsuits

We will defend a suit for a covered claim even if the suit is groundless or fraudulent. Because we control the defense of the claim, we have the right to adjust, investigate, negotiate and settle without your consent, or to otherwise litigate any suit or claim. We will pay all costs of investigating and defending the suit, including interest on any covered part of any judgment provided that the amount does not exceed the applicable limit of coverage. We have the right to withdraw our defense if all **covered counts or causes of action** are dismissed, stricken and/or withdrawn from any claim, arbitration or litigation.

Unless otherwise prohibited by law, we have a right to withdraw our defense and will not pay a claim after the applicable limit of coverage has been used up by paying judgments, settlements, and/or claim expenses, including attorneys' fees for any pending claim.

Unless otherwise prohibited by law, we have the right to seek reimbursement from you for any and all claims expenses, including attorneys' fees, if a claim or lawsuit is ultimately found to be not covered or judgment is rendered only on non-covered grounds. Within thirty (30) days of request, you shall fully reimburse us for such claim expense.

The term "**claim**" means any oral or written demand received by you, or a suit against and served upon you for money damages. The term "**suit**" includes an arbitration proceeding to which you must legally submit or to which you submit with our consent. We have no duty to defend any claim that is not covered by this agreement.

We control the defense of any suit for a covered claim and will pay for the defense if provided under this policy. However, if we agree or if a court orders that you assume the control of the defense, we will reimburse you for all reasonable defense related expenses including attorneys' fees, but only the rate approved by us in accordance with our guidelines in effect in the geographic area where the defense is interposed, up to but not exceeding the applicable limit of coverage. The amounts we pay for the defense or to reimburse you will reduce the amount of applicable coverage limit available. We will not pay you or any protected persons for loss of earnings.

## 2. Legal Bonds

If required in a suit we are defending, we will pay premiums for appeal bonds or bonds to release property that is being used to secure a legal obligation. However, we will only pay for bonds valued up to the applicable limit of coverage and we have no obligation to apply for or furnish these bonds.

### 3. Expenses Related to Shipments (Applies to Coverages “A”, “B” and “C”)

(a) **Misdirection** – With our prior written approval only, we will pay for or reimburse you for reasonable extra expenses incurred in your **redirecting** misdirected cargo to the correct destination.

These extra expenses are limited to the actual transportation costs of transporting the cargo from the place you originally received it to the incorrect destination, plus the costs of transporting the cargo from the incorrect destination to the correct destination, less all freight and other charges ordinarily due you for the transport of the cargo from the point of origin to the correct destination.

We will not pay for air transportation (or any expedited method of transportation) of misdirected cargo to the correct destination unless: (a) the original transportation contract required air transportation or (b) we agree in advance and in writing.

(b) **General Average and Salvage:** - We will provide security for General Average, Salvage and Special Charges due from cargo interests under your bill of lading.

You will not release cargo to consignees without taking counter security for General Average, Salvage and Special Charges (Underwriters’ Guarantees or Cash Deposits). If you release cargo without obtaining counter security, you must pay us back any sums we are obliged to pay in respect of such cargo within 45 days following our written request. Limits for General Average and Salvage are set out in the Limits section 3(A) of the Introduction.

### SECTION III: WHO IS PROTECTED UNDER THIS POLICY:

Protected persons are people and organizations covered by this agreement. Following is a list of protected persons, and of certain limitations on their protection as a **“Logistics Specialist.”** Each is protected separately. However, the limits of coverage shown in the Introduction are shared by all protected persons. This is explained in the Limits of Coverage section.

1. **“Individual”** – If you are an individual named on the Introduction page, you are protected only while conducting your business as a sole proprietor.
2. **“Partnership or Joint Venture”** – If you are a partnership or joint venture, including any co-loader specifically named in the Introduction page, you are protected while conducting such business. Your partners or co-venturers who are named on the Introduction page are protected only while conducting your business. However, we will not protect any person or organization while conducting the business of a partnership or joint venture not named on the Introduction page.
3. **“Corporation”** – If you are a corporation named in the Introduction, you are protected while conducting corporate business. Your officers and directors are protected only while acting within the scope of their duties or authority for you. However, we will not

pay, cover or defend any claim by any employees, shareholders, or other representatives against you or your officers and/or directors.

4. **“Employees”** – Except as to or to the extent excluded by endorsement(s) to this policy, your employees are protected while conducting your corporate business but only while they are acting within the scope of their duties or authority for you while conducting your business.
5. **“Legal Representatives”** – The Heirs, Executors, Administrators, Trustees, Assigns, and Legal Representatives of each Insured in the event of death, insanity or bankruptcy are protected only while acting within the scope of their duties for you as a Logistics Specialist and while conducting the business of the named Insured.

**SECTION IV: “LOGISTICS SPECIALIST” (L.S.) - Covered By This Policy Only As Follows:**

1. **Definition of “Freight Forwarder”** is an agent for a shipper who dispatches shipments of cargo via air, ocean or surface to and from places in the world to other places in the world. A freight forwarder prepares and/or checks various shipping documents and arranges for the transportation of cargo on behalf of shippers. A freight forwarder may also act as a common carrier of cargo, either under a tariff or an air waybill issued by them in their own name or a bill of lading issued by them in their own name. A freight forwarder does not operate the conveyances on which the actual ocean or air transportation is provided as an incidental activity. However, they may operate the actual truck on which surface transportation is provided. This definition includes: an Ocean Transport Intermediary; an Ocean Freight Forwarder; Air Cargo Agent (IATA/CNS); Property Broker; Domestic Freight Forwarder (within a country); Shipper’s Agent; Import Freight Forwarder; multimodal transport operators; ocean, air or surface consolidator (or principal); a non-vessel operating common carrier by water (NVOCC); or an air freight forwarder (or indirect air carrier - IAC). A freight forwarder may also perform the following incidental business activities: warehousing, packing, crating, trucking, drayage, courier or delivery services. *Inclusion of any other business activity shown on your application does not grant coverage for that activity without our prior written approval.*

2. **Definition of “Customs Broker”** is an agent for an importer operating under the authority of the appropriate government agency who advises on the technical requirements of importing, and when necessary, prepares and files documents; deposits import duties on behalf of its principal; secures documentary release of goods; and may arrange for methods of delivery. A customs broker may also perform the following incidental business activities: warehousing, packing, crating, trucking, drayage, courier or delivery services. *Inclusion of any other business activity shown on your application does not grant coverage for that activity without prior written approval.*

## **SECTION V: NON-COVERED ENTITIES AND ACTIVITIES**

No coverage is afforded under this policy for the following types of business entities: CHARTERERS (or chartering activities of any kind); steamship agents; steamship brokers; ships agents (vessel); shipping agents (vessel); distribution warehouses (principal vs. incidental business activity); packers (principals vs. incidental business activity); craters (principal vs. incidental business activity); stevedores; carriers; vessel owners; vessel operators; vessel managers; truckers (principal vs. incidental business activity); road haulers; couriers (principal vs. incidental business activity); delivery companies (principal vs. incidental business activity); importers or exporters of record; unless coverage is granted by endorsement to this policy.

## **SECTION VI: GENERAL EXCLUSIONS WE WILL NOT COVER (DEFEND OR PAY) CLAIMS FOR:**

### **1. Personal Injury/Infringement of Rights**

This includes claims -- however founded -- for, or arising from, or alleging:

- (a) Bodily injury or sickness; physical condition; mental anguish; emotional distress; disease; or death of any person.
- (b) False arrest, or imprisonment or detention of goods and/or person;
- (c) Libel, slander or defamation of character;
- (d) Discrimination and/or harassment;
- (e) Trespass, wrongful entry upon premises, eviction or invasion of any right of privacy;
- (f) Malicious prosecution;
- (g) Advertising offenses, infringement of copyright, title, slogan, patent, trade dress, trade name, service mark, service number, or trademark; plagiarism, piracy or misappropriation of an idea or intellectual property (whether direct or indirect);
- (h) Unfair competition, restraint of trade including but not limited to disparagement of goods or services of another, and/or boycotts and/or restrictive trade agreements;
- (i) Violation of any antitrust laws or regulations.

## 2. Loss or Damage to Your Property or The Property of Others

This includes:

- (a) Loss or damage to your owned, occupied, leased or rented property regardless of cause.
- (b) Physical loss or damage to the property of others:
  - i. While the property is in your care, custody and/or control except during the normal through course of transit under your bill of lading (only covered if insured under Coverage “A”).  
  
Cargo in the care, custody of your subcontractors and/or agents will not be considered in your care, custody, or control.
  - ii. Caused by inherent vice, contamination or deterioration, including: corrosion, decay, fungus, mildew, mold, rot, rust, or any quality, fault, or weakness in the property that caused it to damage or destroy itself.
  - iii. Caused by mysterious disappearance, unexplained loss or shortage upon taking the inventory, regardless of when or how discovered.
- (c) Loss or damage to the property of others caused by or resulting from voluntarily parting with title to or possession of cargo without receiving original shipping documents, such as a bill of lading, from the receiving party. No “Letter of Indemnity” shall be considered a substitute for an original bill of lading.
  - i. This exclusion does not apply if the cargo was released by your “Arrival Notice Agent” in the country of destination.
  - ii. This exclusion does not apply where the cargo was released in exchange for forged or fraudulent original shipping documents, such as a bill of lading, from the receiving party.
- (d) For physical or consequential loss of, or damage to valuable cargo or any live cargo, including but not limited to, accounts, bills, deeds, evidences of debt, computer or other data on any medium, live animals, fish or plants, furs, precious stones, money, coins, bank notes, bullion, bonds, contract bid proposals, contracts, negotiable instruments or securities of any kind whatsoever.

## 3. Transportation Equipment

We will not cover (defend or pay) claims arising from the chartering, ownership, lease, management, maintenance, operation or use of: watercraft, motor vehicles, aircraft, containers, or mobile vehicles of any kind, or drums, tanks; or any kind of conveyance, equipment or device

used to transport, hold or contain any goods or commodities. This includes loading or unloading by you (at your direction, supervision and/or monitoring).

We will not cover (defend or pay) demurrage or detention claims -- however founded -- made against you by a custodial carrier or equipment provider.

#### **4. Fiduciary Funds**

We will not cover (defend or pay) claims brought about or contributed to by your inability or intentional failure or the inability or intentional failure of your agent(s), representative(s), corresponding broker(s) and/or forwarder(s) to: pay or collect monies or arising from the administration of funds held in the fiduciary capacity by you or your agents(s), representative(s), corresponding broker(s) and/or forwarder(s). This includes, but is not limited to, a situation where you or your agent(s), representative(s), corresponding broker(s) and/or forwarder(s) collect duty and/or freight monies and are unable to pay customs, the freight carrier or any other party.

#### **5. Wrongful, Wilful, Knowing and/or Intentional Conduct**

We will not cover (defend or pay) claims resulting from any wrongful, wilful, knowing, and/or intentional misconduct or omissions by a protected person. We also will not cover claims resulting from the wrongful conduct committed by or at the direction of anyone for whom a protected person is legally responsible.

Wrongful conduct includes but is not limited to: dishonest, criminal, intentional, deliberate, fraudulent, or knowingly wrongful or malicious acts or omissions, gross negligence, or conversion. We will not cover claims resulting from the wrongful, wilful, knowing and/or intentional violation of any law, ordinance, statute and/or regulation.

#### **6. Liability Assumed By Contract**

We will not cover (defend or pay) claims arising out of your liability for negligence, breach of contract or out of any oral or written contract or agreement other than standard "Terms & Conditions of Service" of the National Customs Brokers and Forwarders Association of America, Inc. (NCBFAA), bill of lading and/or the liabilities and claims section of tariffs which has/have been approved by us in advance, attached to and made a part of this policy.

In addition, we will not pay any claimant if (a) you have a deadline or performance contract (oral or written) or agreement and you fail to perform on time; (b) you modify or waive your standard "Terms and Conditions of Service," bill of lading and/or the liabilities and claims section of your tariffs. Further, we will not cover claims arising out of your agreement to hold harmless, indemnify, or contribute to the actual or potential liability of another.

#### **7. Punitive, Exemplary, and Multiplied Damages**

We will not cover (defend or pay) claims for punitive, exemplary or multiplied or other statutory damages, whether doubled, trebled or otherwise, and including attorneys' fees **and/or other costs** awarded punitively and/or sanctions against you. We will only provide defense against such damages if we are defending a suit for relief or which seeks compensation for loss covered by this agreement as well as for punitive, exemplary or multiplied damages. We will not pay any such punitive, exemplary or multiplied damages award.

#### **8. Taxes, Fines, Penalties and Liquidated Damages**

We will not cover (defend or pay) claims for fines, penalties or liquidated damages or taxes assessed directly against you by the government of any country or any of its political subdivisions, administrative and/or regulatory agencies or by any other sovereign for alleged or proven violation of any law or regulation. This includes, but is not limited to, the violation of any export, import or transportation law or regulation. A political subdivision includes but is not limited to: the government of any state, district or region, a city, town or village, county, municipality or any other local governmental authority. This Exclusion does not apply to claims brought against an importer/exporter for which the importer/exporter holds you responsible for an otherwise covered activity.

#### **9. Unfair or Deceptive Trade Practices**

We will not cover (defend or pay) claims for unfair or deceptive trade practices or for unfair or deceptive claims practices whether under the law of any state, province, country, or political subdivision, or under international law, custom or usage. We also will not pay any statutory, court-ordered, or governmental fine(s) or penalty(ies) imposed. We will only provide defense against such claims if we are defending a suit for relief or compensation for loss covered by this agreement. We will not pay any trebled damages or any other type of damages arising from such claims.

#### **10. Hazardous Materials/Pollution/Contamination**

**We will not cover (defend or pay) any claims for environmental damage, pollution, or contamination of any kind, however caused**, including but not limited to: claims arising out of accidental, sudden or gradual, foreseeable or unforeseeable, intentional or unintentional occurrences.

We will not cover (defend or pay) any claims arising out of any activity, transaction, incident or occurrence involving any explosives; pressured gases; nuclear parts, fuels, materials or devices; hazardous, radioactive, toxic, or flammable materials; any weapons or armaments; or any means of biological or chemical warfare.

Further, we will not cover (defend or pay) claims arising out the actual, alleged or threatened discharge, disposal, release or escape of pollutants in any stage of storage, handling or transportation; whether accidental, sudden or gradual, foreseeable or unforeseeable, intentional or unintentional.

**“Pollutants”** mean but are not limited to: any solid, liquid, gaseous, thermal, radioactive, sonic, magnetic, electric or organic irritant; contaminant; or anything which causes or contributes to damage, injury, adulteration or disease. This includes but is not limited to smoke, vapor, soot, fumes, acid, alkalis, chemicals and waste.

**“Waste”** includes but is not limited to: materials to be recycled, reconditioned or reclaimed. We will not cover any claim arising out of the contamination, adulteration, or destruction of any premises; other cargoes; packages; containers; or any other transporting conveyance, or of any other property including live animals.

We also will not cover (defend or pay) claims arising from any error or omission involving the documentation of all or part of the shipments as hazardous, dangerous, poisonous, infectious, nuclear or radioactive. This exclusion will not apply to claims against you for indemnification arising out of your error in preparing documents regarding the types of goods or materials described in this exclusion where such claim is for a fine, penalty or other governmental action against your customer or a third party. We also will not cover claims arising from the failure to provide or make available in any way “emergency response information” or similar emergency procedures; with regard to: the shipment or handling of hazardous, dangerous, poisonous, infection, nuclear, or radioactive materials; in any stage of transit, storage or handling.

We will not cover (defend or pay) any claims arising from failure to properly label, mark, or designate any shipment or any part thereof where shipment involves hazardous, dangerous, poisonous, radioactive or nuclear materials, goods or commodities. We will not cover any claims arising out of the failure to follow or advise of any applicable governmental regulations or procedures regarding any activity involving such materials, goods or commodities.

This policy will not cover (defend or pay) any loss, expense, fine or penalty arising out of any governmental action, requirement, or request that you test for, monitor, clean up, remove, contain, treat, detoxify or neutralize any of the things excluded from coverage.

## **11. Nuclear/Atomic/Radioactive**

We will not cover (defend or pay) any claims arising out of or alleging any activity, transaction, or incident involving any of the following:

- (a) Atomic, nuclear or radioactive energy, fuels, materials, products, by-products or devices of any kind;
- (b) Nuclear reactors or nuclear reactor installations;
- (c) Laboratories handling radioactive materials;
- (d) “Critical facilities”;
- (e) Installations for fabricating complete fuel elements or for processing any quantity whatsoever of “special nuclear material,” or for reprocessing, salvaging, chemically separating, storing or disposing of “spent” nuclear fuel or waste materials;

- (f) Any other installation using any quantity whatsoever of radioactive isotopes or other products of nuclear fusion or fission.

We also will not cover (defend or pay) claims arising out of any activity, transaction or incident involving “special nuclear material,” “spent” nuclear fuel or waste material, radioactive isotopes, any production of nuclear fusion or fission, any complete fuel elements, any material which is the product, by-product, remainder or waste of processing “special nuclear material,” or the product, by-product, remainder or waste of salvaging, chemically separating, storing, packaging, or disposing of “spent” nuclear fuel or waste materials, or of any other nuclear, atomic, or radioactive fuel, material or device of any kind.

We also will not cover (defend or pay) claims arising from any radioactive contamination however caused or arising due to injury, sickness, disease, death or destruction, bodily injury or property damage caused by any of the things excluded from coverage.

For the purposes of this Exclusion, the term “**special nuclear material**” will have the meaning given it by the U.S. Atomic Energy Act of 1954, or by any amendment to this law. This Exclusion applies but is not limited to: accidental, sudden or gradual, foreseeable or unforeseeable, intentional or unintentional occurrences. This Exclusion also applies but is not limited to: claims for physical damages, business interruption, or economic or consequential loss.

This policy will not cover (defend or pay): any loss, expense, fine or penalty arising out of any governmental action; requirement; or request that you test for, monitor, clean up, remove, contain, treat, detoxify or neutralize any of the things excluded from coverage.

## **12. Importer/Exporter of Record**

We will not cover (defend or pay) claims for liability arising solely from your actions or inactions as importer and/or exporter of record.

## **13. Fees, Charges, Tariffs or Debts**

We will not cover (defend or pay) claims arising out of any disputes involving your or your parent, sister, affiliated and/or subsidiary company’s fees, charges or tariff or the return of same. This includes, but is not limited to: any claims arising from your or your parent, sister, affiliated and/or subsidiary companies’ holding, refusing or delaying the release or delivery of a shipment or documents, transportation equipment, money, or of any other property because of any dispute involving your fees, charges or tariff or the return of same or your non-payment, or not paying promptly your debts.

## **14. Insurance**

We will not cover (defend or pay) claims concerning any type of insurance or surety bond advice or arrangements except when incidental to other Logistics Specialist services being performed.

However, we will not cover claims arising out of the insolvency, inability or refusal to pay of any insurance company.

#### **15. Actions From Related Companies/Directors and Officers**

We will not cover (defend or pay) claims made by: (a) one protected person named in this agreement while against another protected person named in this agreement; or (b) made by any business enterprise which controls, or is controlled by, any protected person through 10% or more of voting power or by contract or common management; or (c) made by any business enterprise which is part of a group of companies, one of which is the protected person, having common ultimate ownership.

We will not cover (defend or pay) any claims made against you because you are a partner, office, director, stockholder, or employee of any firm or corporation not named in the Named Insured section of the Introduction. This includes, but is not limited to claims arising out of your activities and/or capacity as an officer, a director, a partner, a trustee, an employee of a business enterprise, a charitable organization or a pension, welfare, profit-sharing, mutual or investment fund or trust, and a public official or any employee of a governmental body, subdivision or agency.

#### **16. Excluded Commodity:**

We will not cover (defend or pay) claims for physical or consequential loss or damage to valuable cargo or any live cargo, including but not limited to, accounts, bills, deeds, evidences of debt, computer or other data on any medium, live animals, fish or plants, furs, precious stones, money, coins, bank notes, bullion, bonds, contract bid proposals, contracts, new or used plasma televisions, negotiable instruments or securities of any kind whatsoever.

#### **17. Excluded Territory**

We will not cover (defend or pay) claims for physical loss or damage to cargo arising out of the issuance of your bill of lading when you are conducting your business as a forwarder or consolidator (principal) of cargo transported to, from or through the following:

Coverage shall be null and void whenever coverage would be in violation of any U.S. economic or trade sanction such as, but not limited to, those sanctions administered and enforced by the U.S. Department of the Treasury, Office of Foreign Assets Control (“OFAC”). No coverage shall apply to incidents occurring in or in any way involving any nation, territory or region which is the subject of any U.S. economic or trade sanction. Current OFAC Restrictions may be viewed at: <http://www.treas.gov/offices/enforcement/ofac/programs/index.shtml>.

#### **18. War and Seizure**

We will not cover (defend or pay) claims arising out of:

- (a) War, civil war, revolution, rebellion, insurrection, or civil strike arising therefrom, or any hostile act by or against a belligerent power; or
- (b) Capture, seizure, arrest, restraint, detainment, civil arrest, attachment or confiscation and the consequences thereof or any attempt thereat. Note: We do cover claims arising out of piracy (defend and pay).

## **19. Labor Dispute and Terrorism**

We will not cover (defend or pay) claims arising out of or alleging:

- (a) Labor disputes, strikers, locked-out workmen or persons taking part in labor disturbances, civil riots or civil commotions; or
- (b) A terrorist act or any person acting from a political or religious motive.

## **SECTION VII: POLICY CONDITIONS**

### **1. Where We Cover**

We will cover claims arising out of LEGAL shipments/transactions that happen anywhere in the world. However, where we cover is restricted by Exclusion 17 “Excluded Territory” (including any amendments) of this agreement.

### **2. When a Claim is Covered**

- (a) **“Occurrence Coverage”**: Subject to the extent of coverage purchased, we will cover claims which arise from physical loss and damage to customers' cargo, or financial loss, which occur within the coverage territory during the POLICY PERIOD.
- (b) **Limited Claim Reporting Period**: Notwithstanding anything herein to the contrary, we will not cover, defend or pay claims reported to the Company in writing more than two years following the expiration of the POLICY PERIOD. This reporting requirement applies to all claims, known or unknown.

### **3. Limits of Coverage**

The limits shown in the Introduction Page of this policy are the most we will pay regardless of the number of:

- (a) protected persons; or

- (b) claims made or suits brought; or
- (c) persons or organizations making claims or bringing suits

and also subject to the following separate limits:

- i. **Each Accident/Incident/Occurrence** – This is the most we will pay for all claims that result from a single accident/incident/occurrence or from a series of related accidents/incidents/occurrences.
- ii. **Total Annual Policy Limit** – This is the most we will pay for all claims occurring in an annual period for Coverage B. Annual policy limit means each consecutive annual period of this agreement.
- iii. **Series of Acts** – Any damages incurred because of an accident/incident/occurrence or a series of related accidents/incidents/occurrences are considered a single claim. The claim will be subject to the limits in effect at the time of the first reported accident/incident/occurrence. This includes any series of accidents/incidents which occur over more than one annual period.

#### 4. Policy Premium

- (a) The premium shown on the Introduction page is your premium for the first annual policy period.
- (b) **Declared Value Shipments** – You must keep a record and report to us all declared value shipments at the end of the policy period. Your premium for declared value shipments is equal to the amount of the total declared values reported multiplied by the applicable rate (air or ocean) shown in the Introduction. No premium will be charged for amounts in excess of the total limit for each accident as shown in Section 3(A) on the Introduction page.

#### 5. Deductibles

Your deductibles are shown on the Introduction page. You or the protected persons involved will be responsible up to the amount of the applicable deductible for each accident/incident/occurrence or a series of related accidents/incidents/occurrences as shown in the Introduction. If a covered claim involves more than one of the coverages A, B or C, then the highest of the applicable deductibles will apply. If more than one claim results from an accident/incident or a series of related accidents/incidents committed by one or more protected persons, the applicable deductible will apply only once.

We will then pay covered claims over the applicable deductible, up to the limit of the applicable coverage. We can pay all or part of the applicable deductible to settle a claim. If we do, you or the protected person involved agree to repay us within 30 days after we notify you of the settlement. If you do not repay us, we may cancel this policy according to Condition 16 and we may seek the recovery of that deductible from you together with all costs and attorneys' fees we incur in connection with such recovery. If you fail to timely pay your deductible to us, in addition to the above, we will charge you interest at the highest legal rate allowable.

The deductible won't apply to attorneys' fees for attorneys we appoint.

We will not be liable for any claim for loss or damage or both combined, unless the amount of the claim exceeds the applicable deductible amount shown in the Introduction. The claim amount does not affect our duties as described at "1. Defending Lawsuits."

## 6. Your Policy Period

This policy will begin at 12:01 a.m. Eastern Standard Time U.S.A. on the effective date shown in the Introduction and is continuous until 12:01 a.m. Eastern Standard Time U.S.A. on the expiration date of the policy also shown in the Introduction. The policy period is for one year unless otherwise noted in the Introduction.

## 7. Other Insurance

If other valid and collectible insurance is available to you for a claim we may cover, our obligations under this agreement are limited as follows:

- (a) **Primary Insurance** – This agreement is primary except when (B) below applies. If this agreement is primary, our obligations are not affected unless any of the other insurance is also primary. Then, we will share with all other insurers by the method described in (c) below.
- (b) **Excess Insurance** – If the claimed damages are not otherwise excluded herein, this agreement is specifically excess over any other insurance, whether primary, excess, contingent, or on any other basis. When this insurance is excess, we will have no duty under this agreement to defend any claim or "suit" that any other insurer has a duty to defend. If no other insurer defends, we will undertake to do so, but we will be entitled to your rights against all those other insurers and may require that you execute a written assignment of your rights in our favor.

When this agreement is excess over other insurance, we will pay only our share of the amount of the damages, if any, that exceeds the sum of:

- (1) The total amount that all other insurance would pay for the loss in the absence of this agreement; and

- (2) The total of all deductible and self-insured amounts under all other insurance.

We will share the remaining amount of damages, if any, with any other insurance that is not described in this Excess Insurance provision and was not purchased specifically to apply in excess of the Limit of Your Coverage shown in the Introduction of this agreement.

- (c) **Method of Sharing** – If all other insurance allows contribution by equal shares, we will follow this method as well. Under this approach, each insurer contributes equal amounts until it has paid its applicable limit of insurance or none of the amount of damages remains, whichever comes first.

If any of the other insurance does not allow contribution by equal shares, we will contribute by limits. Under this method, each insurer's share is based on the ratio of its applicable limit of insurance to the total applicable limits of insurance of all insurers.

If either you or we believe that other insurance policies could apply to a submitted claim, you must (1) timely and properly submit claims to these insurance companies and (2) provide us with copies of the policies and all correspondence.

## **8. What To Do If You Know or Believe You Might Have a Loss\***

- (a) **Notice to Us:** You must immediately notify us in writing of each accident/incident/occurrence. You must do this even though no claim has been made. If you, or another protected person becomes aware that something was done that should not have been done, or that something was not done that should have, then you must tell us and provide us with complete details of the loss, contact information for those parties involved and copies of any and all documents relating to the accident/incident/occurrence.
- (b) **Place of Reporting:** All claims under this policy shall be reported in writing to the third party administrator:

**Interclaims  
Royal Airport Center  
5933 West Century Boulevard, Suite 1111  
Los Angeles, California 90045  
U.S.A.**

**telephone (310) 410-8800  
facsimile (310) 410-8818**

- (c) **Notice to the Carriers:** You must give timely and proper written notice of claim to all involved air, ocean, barge, motor truck carriers including other freight forwarders, consolidators and customs brokers as well as other insurers of the accident/incident or occurrence as well as provide timely statutory notice of claims where applicable.
- (d) **Notice of Demands Received:** You must immediately send us copies of all written demands against you and of your written responses to those demands. If requested, you must also send us a log of oral demands from or oral communications with the claimant(s) and of your responses to such oral demands, or of the contents of such communications. You must also send us copies of all your internal written communications (or a log of all your internal oral communications) which occurred at any time since the underlying transaction which gave rise to the claim.

**\*NOTE:** *All information listed above shall be provided to us in the English language. Any translation is at your expense.*

- (e) **Your Cooperation:** You must cooperate and assist us and our legal representatives in the investigation, negotiation or litigation of any claim and/or lawsuit. This includes but is not limited to appearing and giving a statement under oath in a place we mutually agree upon and at our expense (not including lost time or salary) subject to the applicable policy deductible. This further includes but is not limited to securing and giving evidence, attending hearings and trials, and obtaining attendance of witnesses.

Your authorized representative(s) including any lawyer you choose to hire on your own, at your own expense, owes us this same duty to cooperate and assist us and our legal representative(s). Therefore, you must advise such persons and/or entities of this duty to cooperate.

You must keep strictly confidential your alleged negligence unless disclosure is required by law. However, you may confidentially disclose the alleged negligent act, error or omission to your lawyer.

## **9. THINGS YOU MUST NOT DO IF You Know or Believe You Might Have a Loss**

Absent our prior written approval, you must not take on any financial obligation, guarantee any payment, or pay out any money without our written authorization. Further, absent our prior written approval, you must not make any statement or take any action admitting responsibility for a claim. If you do any of the above, it will result in the denial of your claim even though the claim may otherwise have been covered by the policy.

Further, you must never grant an extension of suit time without our specific written consent.

## **10. Action Against Company**

You are not entitled to take action against us if:

You have not complied with all the terms and conditions of this policy; the amount of damages has not been settled by judgment by a court or arbitrator or agreed to by you, us, and the claimant; and the action is filed after one (1) year after the accident/incident/occurrence. You cannot, nor can a claimant, name us as defendant or co-defendant in a suit brought to determine your liability for damages resulting from the accident/incident/occurrence.

## **11. Arbitration**

In the event of a coverage dispute (including the issue of our duty to defend you) between you and us, the following applies:

- (a) You will provide us, as promptly as possible, with the following:
  - I. Any and all relevant documents, correspondence, pleadings, discovery, agreements, etc.; and
  - ii. A chronological outline of all facts and circumstances giving rise to the subject claim together with the names and addresses, phone numbers and e-mail addresses of those persons most knowledgeable regarding such claim; and
  - iii. A detailed statement containing any and all reasons why you believe the claim should be afforded coverage.
- (b) If the dispute cannot be resolved after the above has been provided to us, then both parties agree to submit such dispute to binding arbitration under the rules and procedures then in effect for the American Arbitration Association, or, in the alternative, to such other method of alternative dispute resolution as both parties may agree upon.
- (c) Such proceedings will be binding and will occur at a time and place that both parties may agree upon. Should the parties be unable to agree upon a venue, the arbitration shall take place in New York City. Further, any such dispute resolution will take place before a three (3) member panel (unless both parties agree in writing otherwise). All costs of the arbitration itself, including the costs of the arbitrators, will be shared equally between you and us.
- (d) Both parties waive the right to prosecute any claim, in any proceedings, either legal, equitable or in arbitration, for punitive or exemplary damages of any kind.

## **12. Our Mutual Right of Recovery**

If we make payments under this agreement, any rights of recovery from other persons or entities are ours. You agree not to waive or prejudice our rights before or after any claim. You must do whatever is necessary for us to obtain that recovery. In the event of such recovery, the dollar amount paid back to you will be calculated as follows: we will take the percentage of the applicable deductible in relation to the total amount of covered damages paid in the claim (amount paid to the claimant; claims expenses; and attorneys' fees) and apply that same percentage to the total amount we recover from other persons. The resulting amount is your share of the recovery.

### **13. Changes or Amendments to the Policy**

This agreement may only be changed or amended by written endorsement. The endorsement form must be signed by one of our authorized representatives and becomes part of this agreement. Nothing else will change this agreement, or waive any of its terms, or prevent us from asserting any of our rights under it.

### **14. Changes in Protected Persons and Premium**

You must notify us in writing within thirty (30) days of any material change to your statements in the application either before or after this agreement becomes effective. Such changes include but are not limited to the names or number of protected persons in the countries where you operate or the cities where you maintain covered offices/locations. Material changes may require changes in rates or conditions depending on the circumstances.

### **15. Assignment and Transfer**

No one covered under this agreement can assign or transfer any interest in it without our written consent which becomes a part of this agreement.

### **16. Cancellation**

You may cancel this agreement at any time by returning this agreement to us or any of our authorized agents or by mailing a written notice to us stating the effective cancellation date. We must receive the policy or written notice before the cancellation date. (If you cancel the policy, you agree to report to us no later than 30 days after the effective date of the cancellation all **Declared Value Shipments** [as provided for under Section VII - Policy Condition 4(b)]). If you cancel the policy, you will receive a refund of 90% of any premium paid by you but not earned by us as of the effective date of cancellation. We may cancel this agreement at any time for any reason by delivering or mailing a written notice to you. We will give you this notice at least 30 days before the effective date of cancellation.

However, if you have not paid the premium in whole or in part from this or any prior policy period or failed to pay a previous adjustment premium or failed to reimburse us for any payment we made under the applicable deductible amount, we will only give you 10 days notice of cancellation. The date and hour of cancellation will be shown in the notice. The refunded premium will be computed without cancellation penalty (pro rata).

We will make the premium adjustment with you as soon as practicable after cancellation. However, this premium adjustment is not a condition precedent to cancellation.

## **17. Our Right to Inspect**

You agree to let us inspect your business property and business operation during normal business hours while this agreement is in effect. However, we are not required to make inspections, nor will we guarantee that your property or operations are safe, or that they conform to any laws, rules or regulations. You also agree to allow us to examine your business records that relate to this insurance at any time up to three years after this agreement ends or the last claim was reported, whichever is later.

**18. Examination Under Oath**

You agree to submit to examination under oath by the person we designate as often as required in connection with this insurance or any claim thereunder.

**19. What Law Governs**

This agreement is to be interpreted in accordance with the Maritime and Admiralty Laws of the United States and the laws of the State of New York.

**20. Legal Counsel**

The designated attorneys for this insurance program are the Law Offices of Countryman & McDaniel, <http://www.cargolaw.com>.

**21. Severability**

If any part of this agreement is found to unenforceable or invalid, the remainder of this agreement continues to be in effect.

**22. Concealment and Fraud**

We will not provide coverage before or after any claim or loss if you or any protected person(s):

- (a) concealed or misrepresented, intentionally or unintentionally, any material facts or circumstances; or
- (b) made false statements or engaged in fraudulent conduct relating to this insurance and the application.

**23. Premium Paid Warranty**

If this policy premium has not been paid in full within forty-five (45) days of inception, the policy is null and void.

**24. This Is the Entire Contract (Including the Application and Policy)**

When you accept this agreement, you agree that:

- (a) This policy is issued in reliance upon the truth of the statements and representations in your application.
- (b) The statements and representations are yours.
- (c) Neither you, nor we, have agreed to anything not contained in this agreement.



Authorized Representative:

**Navigators Management Company, Inc.**

Signature Date: 11/22/2016

**ENDORSEMENT NO. 1**

**CUSTOMS COVERAGE BUYBACK**

Attached to and forming part of Policy No. IS16TPT0A528A01

Issued to Aeronet, Inc.

It is hereby understood and agreed that effective November 1, 2016, in consideration of an additional premium of \$N/A, Section VI, Clause 8 "Taxes, Fines, Penalties and Liquidated Damages" shall be amended as follows:

**8. Taxes, Fines, Penalties and Liquidated Damages**

- (a) We will not cover (defend or pay) claims for fines, penalties or liquidated damages or taxes assessed directly against you by the government of any country or any of its political subdivisions, administrative and/or regulatory agencies or by any other sovereign for alleged or proven violation of any law or regulation. This includes, but is not limited to, the violation of any export, import or transportation law or regulation. A political subdivision includes but is not limited to the government of any state, district or region, a city, town or village, country, municipality or any other local governmental authority.
- (b) This Exclusion does not apply to the following:
  - i. We will cover (defend and pay), claims brought against an importer/exporter for which the importer/exporter holds you responsible for an otherwise covered activity.
  - ii. We will cover (defend and pay) fines and penalties which are the result of information you or your employees have provided to U.S. Customs and Border Protection, but excluding liability under any form of bond or guarantee, excluding criminal or fraudulent activity by you or your employees and excluding fines & penalties for breach of any regulation, statute or law or other than a fine or penalty imposed by U.S. Customs and Border Protection.

*ALL OTHER TERMS AND CONDITIONS OF THE POLICY TO WHICH THIS ENDORSEMENT IS ATTACHED REMAIN UNCHANGED.*



Authorized Representative:  
**Navigators Management Company, Inc.**  
Signature Date: 11/22/2016

## ENDORSEMENT NO. 2

### WRONGFUL RELEASE OF CARGO BUYBACK ENDORSEMENT

Attached to and made a part of Policy No. IS16TPT0A528A01

Issued to Aeronet, Inc.

It is hereby understood and agreed that effective November 1, 2016, in consideration of an additional premium of \$N/A, Section VI, Clause 5 "Wrongful, Willful, Knowing and/or Intentional Conduct" shall be amended as follows:

#### **5. Wrongful, Wilful, Knowing and/or Intentional Conduct**

We will not cover (defend or pay) claims resulting from any wrongful, willful, knowing, and/or intentional misconduct or omissions by a protected person. We also will not cover claims resulting from the wrongful conduct committed by or at the direction of anyone for whom a protected person is legally responsible.

Wrongful conduct includes but is not limited to: dishonest, criminal, intentional, deliberate, fraudulent, or knowingly wrongful or malicious acts or omissions, gross negligence, or conversion. We will not cover claims resulting from the wrongful, willful, knowing and/or intentional violation of any law, ordinance, statute and/or regulation.

It is further agreed that this exclusion shall not apply to the wrongful release of cargo (meaning voluntary parting of the cargo), intentional or unintentional, subject to a deductible of \$5,000.00 per occurrence and a sublimit of \$1,000,000.00 per occurrence/ annual aggregate.

*ALL OTHER TERMS AND CONDITIONS OF THE POLICY TO WHICH THIS ENDORSEMENT IS ATTACHED REMAIN UNCHANGED.*



Authorized Representative:

**Navigators Management Company, Inc.**

Signature Date: 11/22/2016

## ENDORSEMENT NO. 3

### WAREHOUSE LEGAL LIABILITY COVERAGE

Attached to and forming part of Policy No. IS16TPT0A528A01

Issued to Aeronet, Inc.

This policy is extended to cover the legal liability of the Assured as a warehouseman for physical loss or damage to lawful goods and/or merchandise accepted by the Assured for storage for which the Assured has issued a warehouse receipt from the time the Assured becomes responsible for said goods and/or merchandise until the Assured responsibility or liability ceases including while in the care, custody or control of the Assured in said warehouse(s) per the Assured's warehouse receipt.

It is agreed between the Assured and the Assurer that the Assured is taking upon themselves as to said goods and/or merchandise only the risks, perils and liabilities of a warehouseman imposed by law upon the Assured. Also to pay all legal expenses and costs incurred in defending claims founded or unfounded in respect of the insurance provided herein.

#### 1. LIMIT OF LIABILITY:

These Underwriters shall be liable, irrespective of values at risk, for no more than:

Location	Limit
1. 850 Mitten Road Burlingame, CA 94010	\$ 500,000.00
2. 20437 S. Western Avenue Torrance, CA 95122	\$ 500,000.00
3. 1709 Junction Avenue San Jose, CA 95122	\$ 1,000,000.00
4. 920 Minsters Chapel Road Grapevine, TX 76015	\$ 500,000.00
5. 1088 Thorndale Bensenville, IL 60106	\$ 500,000.00
6. 2799 Airport Parkway Atlanta, GA 30352	\$ 100,000.00

#### 2. DEDUCTIBLE:

From the amount of each claim recoverable hereunder the sum shown below shall be deducted:

1. \$5,000.00

### **3. EXCLUSIONS:**

This policy does not cover:

- A. Liability for loss of or damage to vehicles and/or containers and/or real property except to the extent such may be held for storage and/or consolidation by the Assured;
- B. Liability for which a contractor or subcontractor is responsible and for which by special agreement the Assured shall have waived their rights of recovery unless such waiver is endorsed hereon and additional premium paid;
- C. Liability for respect loss or damage to accounts, bills, currency, deeds, evidence of debt, securities, money, jewelry, watches, precious stones and similar valuables or any form of animal life or plant life, except with express written permission of the Assurer;
- D. Liability arising out of the neglect of the Assured to use all reasonable means to save and preserve property for which the Assured may be liable;
- E. Loss, damage or expense including legal costs incurred defending claim founded or unfounded under the deductible referenced above;
- F. Liability for loss or damage caused by or resulting from misappropriation, secretion, conversion, infidelity or any dishonest act on the part of the Assured or of his employees or agents;
- G. Liability for loss or damage caused by or resulting from voluntary parting, fraudulent scheme, trick, device or false pretense including but not limited to forged warehouseman's receipt and/or unauthorized instructions to transfer property to any person or any place;
- H. Liability for loss or damage arising from loss of market and/or inherent vice, demurrage or other consequential loss;
- I. Loss or damage to property owned, leased, or rented by the Assured;
- J. Loss or damage to property covered or would have been covered under any warehouse and/or processors endorsement (if attached) of this policy;
- K. Liability for loss or damage to property that was stored gratuitously, as an accommodation; is held as collateral or in trust;
- L. Liability for loss or damage to refrigerated or other similar perishable goods except with written permission by the Assurer;
- M. Liability for loss or damage caused by mysterious disappearance, unexplained loss or shortage upon taking inventory howsoever caused;
- N. Loss of life or personal injury, howsoever caused;

- O. Liability that would be covered by the terms and conditions of the standard Comprehensive General Liability Policy as promulgated by the Insurance Service Organization (ISO);
- P. Liability assumed by the Assured under contract or otherwise in extension of the liability imposed upon the Assured by law in the absence of contract unless with the express written permission of the Assurer;
- Q. Liability for loss or damage due to extremes in temperature, changes in atmospheric pressure, leakage, evaporation, shrinkage, loss of weight, loss of volume, rust, oxidation, corrosion, fungus, moths, insects, vermin, infestation, wear or tear, decay and deterioration; or
- R. Liability for loss or damage caused by acts of God including but not limited to:
- i) Surface water, waves, tidal water or tidal wave, overflow of streams or other bodies of water, or spray from any of the foregoing, all whether driven by wind or not
  - ii) Water which backs up through sewers or drains;
  - iii) Water below the surface of the ground including that which exerts pressure on or flows, seeps or leaks, through sidewalks, driveways, foundations, walls, basement or other floors, or through doors, windows or other openings in such sidewalks, driveways, foundations, walls or floors; unless loss by fire or explosion ensues and the Assurer shall then be liable only for such ensuing loss;
  - iv) Any earth movement such as an earthquake, mine subsidence, landslide, or earth sinking, rising or shifting. but the Assurers will pay for direct loss or damage caused by resulting fire or explosion if these perils are not otherwise excluded;
  - v) Volcanic eruption, explosion or effusion; however, the Assurer will pay for direct loss or damage caused by resulting fire or explosion if these perils are not otherwise excluded.
  - vi) Volcanic action means direct loss resulting from the eruption of a volcano when the loss is caused by:
    - a) Airborne volcanic blast or airborne shock waves;
    - b) Ash, dust or particulate matter or;
    - c) Lava Flow.

All volcanic action does not include the cost to remove ash, dust or particulate matter that does not cause direct physical loss to the property insured;
  - vii) Windstorm or hail, regardless of any other peril insured against or otherwise; or
  - viii) Rain, snow, sand or dust, whether driven by wind or not, if that loss or damage would not have occurred but for the Windstorm or Hail.
- S. Liability for loss or damage to shipments of goods and/or merchandise which are specifically excluded from the Assured's bill of lading or freight receipt;

T. Liability for loss or damage caused by breakage of filaments and/or internal elements of x-ray tubes, cathode ray tubes, television tubes, radio and similar transmitting and/or receiving tubes.

**4. CLAIMS AND CLAIMS PROCEDURES:**

In the event of any occurrence which may result in loss, damage and/or expense for which the Assurer may become liable under this insurance, notice thereof shall be given to the Assurer as soon as practicable and all documents relating to such occurrence shall be forwarded promptly to the Assurer or their designated agent, **AND THE ASSURED SHALL NOT ADMIT LIABILITY WITHOUT PRIOR WRITTEN CONSENT OF THE ASSURER.** Whenever required by the Assurer, the Assured shall cooperate with the Assurer (at the latter's expense) in all matters which the Assurer may deem necessary in the defense of any claim or suit or appeal from any judgment in respect of any occurrence as herein before provided. In cases where the liability of the Assured as aforesaid investigation and/or contested with the consent of the Assurer, this policy shall be liable for and will also pay in full, costs and expenses paid and incurred in investigation, contesting or settling liability. This insurance shall be void and of no force or effect, in respect of any accident or occurrence in the event the Assured interferes in any negotiations of the Assurers for settlement or in any legal proceeding in respect of any claim for which the Assurers are or may be liable under this insurance.

**5. SUBROGATION:**

The Assurers shall be subrogated to all the rights which the Assured may have against any other person or entity, in respect of any claims of payment made under this policy to the extent of such payment, and the Assured shall upon the request of the Assurers, execute all documents necessary to secure to the Assurers such rights.

**6. ACTION AGAINST THE ASSURER:**

No action shall lie against the Assurer unless the Assured shall have fully complied with all the terms and conditions of this policy, nor until the amount of the Assured's obligation to pay shall have been finally determined either by judgment against the Assured, the claimant and the Assurer, nor unless same shall be commenced within twelve (12) months the final judgment or decree is entered in the litigation against the Assured, or in case the claim against the Assurers accrues without the entry of twelve (12) months from the date of the payment of such claim; provided that where such limitation of time is prohibited by the laws of the State wherein this policy is issued, then no such suit or action shall be sustainable unless commenced within the shortest limitation of time permitted by the laws of such State.

No claim or demand against the Assurers under this policy shall be assigned to or transferred to a third party and additionally, no person, excepting a legally appointed receiver of the property of the Assured, shall acquire any rights against the Assurers by virtue of this insurance without the expressed consent of the Assurers.

**7. LOSS PAYMENT:**

In the event of loss recoverable hereunder such loss to be paid within thirty (30) days after presentation and acceptance of satisfactory proof of interest and loss liability.

**8. OTHER INSURANCE:**

It is expressly agreed that this insurance shall not cover to the extent of any other valid and collectible insurance whether prior or subsequent hereto in date, and by whomsoever

effected, directly or indirectly covering the same property, and/or liability, and the Assurer shall be liable for loss of damage only for the excess value beyond the amount of such other insurance. In the event of two or more of this policy's coverages apply to the same claim, the Assurer will not pay more than greater of the actual amount of the loss or the highest coverage limit applicable to the loss. Permission is granted the Assured to purchase coinsurance or excess insurance.

**9. REPORTS AND PAYMENTS OF PREMIUM:**

The Assured agrees to keep an accurate record of all values covered by a warehouse receipt and to report to the Assurer as soon as practicable after each month. Premium shall be paid thereon as listed on the Rating Schedule.

**10. INSPECTION OF RECORDS:**

The Assurer shall have the privilege, at any time during business hours, to inspect the records of the Assured as respects shipments coming within the terms of this policy.

**11. WAREHOUSE RECEIPTS:**

The Assured agrees to place the issuing office of the Assurer on it's mailing list for any warehouse receipt changes and will keep this office supplied with up-to-date *copies of* warehouse receipts and other contracts with third parties.

*ALL OTHER TERMS AND CONDITIONS OF THE POLICY TO WHICH THIS ENDORSEMENT IS ATTACHED REMAIN UNCHANGED.*



Authorized Representative:

**Navigators Management Company, Inc.**

Signature Date: 12/22/2016