

IN-HOUSE INSURANCE POLICY
of
VANGUARD IMPORT & FREIGHT CO.

NOTICE — PLEASE READ YOUR ENTIRE POLICY

1. The Policy and its conditions should be examined, and if incorrect returned at once for alteration. Every change affecting the risks insured by this Policy must be immediately advised to the Company. Failure to do this might result in the insurance ceasing to be of effect.
2. This Policy covers automatically on all shipments which come within its scope. It is important that all such shipments be reported as soon as known and the valuation thereof declared as soon as ascertained unless otherwise, agreed with the Company.
3. Your attention is drawn to the basis of insured value as set forth in the Basis of Valuation. The insured value should always be in accordance with the basis specified therein unless otherwise, agreed with the Company prior to shipment.
4. Damage to the goods should be noted on the receipt given to the carrier if possible; and in any event as soon as it is known that the shipment has sustained loss or damage, written claim should be filed with the carrier. Such steps may be necessary to preserve your rights and the Company's rights of subrogation against the carrier.
5. In the event of any known or reported loss or damage you should promptly notify the Claims offices of the Company, as given under 'Claims Procedure' or the office of the Company that issued this policy, to protect the interests of all concerned.

Preamble

In consideration of the Policyholder named herein paying to the VANGUARD IMPORT & FREIGHT CO. (hereinafter called the Company) the premium as stated in the Schedule and in reliance upon the statements made by the Policyholder in the proposal including its attachments or otherwise, and the material incorporated therein, the Company agrees to provide insurance against loss damage liability or expense to the extent and in the manner herein provided subject to all terms, conditions, exceptions and warranties hereinafter set forth.

For and on behalf of
VANGUARD IMPORT & FREIGHT CO.

IMPORTANT

**PROCEDURE IN THE EVENT OF LOSS OR DAMAGE FOR WHICH UNDERWRITERS
MAY BE LIABLE**

DOCUMENTATION OF CLAIMS

To enable claims to be dealt with promptly, the Assured or their Agents are advised to submit all available supporting documents without delay, including when applicable:

1. Original policy or certificate of insurance.
2. Original or copy of shipping invoices and Packing List and/or Weightment Notes.
3. Survey report and other documentary evidence (Damage/Non-Delivery Certificate) to show the extent
4. of the loss or damage.
5. Landing Remarks and Weightment Notes at final destination.
6. Correspondence exchanged with the Supplier and other Third Parties

Basis of Valuation

1. IMPORTS PURCHASED UPON F.O.B., C.&F. OR SIMILAR TERMS OF PURCHASE

Invoice Cost plus all freight, packing and handling expenses.

2. EXHIBITIONS/DEMONSTRATIONS

In respect of machinery and/or equipment, current list price.

Stand, fixtures and fittings, and all other contents replacement cost.

3. STOCK &/OR RAW MATERIALS &/OR WORK IN PROGRESS

Cost price, plus cost of work expended up to date of loss.

4. REPRESENTATIVES SAMPLES &/OR ENGINEERS TOOLS AND EQUIPMENT

Replacement cost excluding betterment.

Library of Clauses

Attachment & Termination of Risk Clause

The insurance hereunder attaches from the time the Subject Matter Insured becomes at the Assured's risk or the Assured assumes interest and continues whilst the Subject Matter Insured is in transit and/or in store and/or elsewhere until final delivery to final destination as required. Including in Customs as required, and transshipment, craft & barge risks, whether customary or otherwise.

Further including the risks of loading prior to dispatch and unloading after arrival at Assured's premises and/or place of final delivery or destination.

Average Clause (applicable to static risks only)

If at the date of any loss and/or damage to the property at risk at any one location, or the total value at risk floating overall locations as specified herein shall be of greater value than the limits of liability then the Assured shall be considered as being his own Insurer for the difference and shall bear a rateable share of the loss or damage accordingly.

Brands Clause

The Assured shall have full rights to possession of all goods bearing embossed or indented brands or labels or other permanent markings identifying the Assured as the manufacturer thereof, or exclusive and/or secret formula (formulae) that may be involved in any loss hereunder, and shall retain control of all such goods.

On shipments covered under this Policy, Insurers are to pay a total loss on any and all goods damaged by perils insured against which the Assured elects to either destroy or return to their factory, or recondition. Insurers being entitled to such **salvage as may be obtained.**

The Assured shall consult with the appointed surveyors/insurers claims department to judge whether the goods involved in any loss hereunder are suitable for marketing and no goods deemed by the Assured to be unfit for marketing shall be sold or otherwise disposed of except by the Assured or with the Assured's consent, but the Assured shall allow Insurers any salvage obtained on any sale or other disposition of such goods.

Buyers Interest Clause

The goods as described in this section are insured against the risks specified in the Policy, but this insurance covers Buyers Interest only.

Claims in respect of loss or damage to the goods shall be payable hereunder only if and to the extent that the Seller and/or his Underwriters fails to pay for such loss or damage.

Underwriters to be subrogated to the Assured's rights against the Seller or any other parties interested in the shipment.

Any assignment of this Policy or of any interest or claim hereunder shall discharge Underwriters from all liability whatsoever. This insurance shall not pay any claims resulting from the Seller and/or his Underwriters being unable to reimburse the Buyer by reason of currency exchange controls.

Warranted the existence of this insurance shall not be divulged to the Seller or any other party(res) interested in the shipment.

Changes in Water Table Clause

This Policy does not cover Damage attributable solely to change in the water table level.

Civil Authority Clause

Notwithstanding anything contained elsewhere in this section, it is understood and agreed that property which is insured under this section is also covered against the risk of damage or destruction by civil authority during a conflagration or for the purpose of retarding the same; provided that neither such conflagration nor such damage or destruction is caused or contributed to by war risks elsewhere excluded herein.

Claused Bill of Lading Clause

This Policy of insurance shall not be prejudiced solely by the reason of the marking of the Bill of Lading with a clause indicating items insufficiently packed.

Climatic Conditions Clause

Excluding loss or damage by climatic or atmospheric conditions or extremes of temperature.

Concealed Damage Clause

It is agreed that any loss or damage discovered on opening cases and/or packages and/or bales (even after risk has ceased hereunder) shall be deemed to have occurred during the transit insured hereunder (and irrespective of attachment of the Assured's interest) and shall be paid for accordingly unless proof conclusive to the contrary be established, it being understood that any cases and/or packages showing visible **signs** of damage must be opened immediately.

This agreement shall, however, only apply where such loss or damage is discovered within 30 days of arrival of the goods at the consignee's or other final warehouse.

Declaration Clause

Declarations to be made to the company, as agreed.

Deliberate Damage – Pollution Hazard Clause

This section is extended to cover loss of or damage to the property insured hereunder directly caused by governmental authorities acting for public welfare to prevent or mitigate a pollution hazard or threat thereof, provided that a recoverable claim would have resulted under this section (subject to all of its terms, conditions and warranties) had the property insured sustained physical loss or damage as a direct result of the accident or occurrence which gave rise to the threatened pollution hazard.

Exhibition/Demonstration Risks Extension

This insurance extends to include, under the Policy conditions, the insured property whilst in transit to and from the exhibition or demonstration site.

Whilst the property remains on such premises during unpacking, assembly and whilst on exhibition or demonstration, dismantling and repacking, but the overall period for such cover shall not exceed days. Further periods held covered at rates, terms and conditions to be agreed.

Notwithstanding anything contained herein to the contrary, this insurance excludes the following:

- Loss or damage arising from latent defect or arising from faulty assembly or construction
- Loss or damage resulting from mechanical, electrical or manual operation of the Assured's property for demonstration or other purposes
- Third party liability
- Theft and/or pilferage from unattended exhibition/demonstration stand/trailer
- This insurance excludes goods on exhibition/demonstration which are hired out by the Assured

Fumigation Clause

In the event of loss of or damage to the property insured caused by fumigation, the Insurer agrees to indemnify the Assured for such loss or damage, and the Assured hereby agrees to subrogate to the Insurer to any recourse they may have for recovery of such loss or damage from others, but this clause does not extend to cover loss or damage caused by customary fumigation applied prior to or at inception of risk.

Goods Purchased by the Assured upon "C.I.F." terms

Where goods are purchased "CIF" and the Supplier fails to effect insurance or effects an insurance which is subsequently rendered inoperative or which is more restrictive than the protection afforded hereunder, such goods shall be covered hereunder on the normal cover conditions.

In such cases the Underwriter will be subrogated to all rights and remedies of the Assured against the Supplier and/or the Supplier's Insurers and/or other parties and in no case shall this insurance contribute in double insurance.

Labels Clause

Warranted that in the event of a claim resulting in damage to labels or wrappers only, the Insurer's liability shall be limited to an amount sufficient to pay the cost of new labels and wrappers and the cost of repacking the goods, but in no event shall the Insurer be liable for more than the insured value of the damaged merchandise.

Own Vehicle Debris Removal Clause

Underwriters agree to indemnify the Assured for the costs incurred in the removal of goods and/or merchandise debris following the operation of a peril insured against during the course of transit by the Assured's own vehicles and/or those within their custody and/or control.

Pair & Sets Clause

Where any insured item consists of articles in a pair or set, this Policy is not to pay more than the value of any particular part or parts which may be lost without reference to any special value which such article(s) may have as part of such pair or set nor more than a proportionate part of such pair or set.

Pollution & Contamination Exclusion Classes

Notwithstanding anything to the contrary contained herein, this Policy does not cover loss or destruction or damage caused by pollution or contamination except (unless otherwise excluded) destruction of or damage to the property insured caused by

- (a) pollution or contamination which itself results from fire, lightning, explosion, aircraft or other aerial devices or articles dropped therefrom, riot, civil commotion, strikers, locked-out workers, persons taking part in labour disturbances, malicious persons other than thieves, earthquake, storm, flood bursting overflowing discharging or leading of water tanks apparatus or pipes, sprinkler leakage or impact by any road vehicle or animal
- (b) any of the perils listed in (a) above which itself results from pollution or contamination.

The Company (Insurers) will not pay for any costs or expenses: -

- (i) incurred in removing debris except from the site of such property destroyed or damaged and the area immediately adjacent to such site
- (ii) arising from pollution or contamination of property not insured by this Policy.

Rejected or Returned Shipments Clause

In the event of shipments insured under this section being rejected or returned for any reason, such shipments are covered continuously hereunder, including whilst in warehouse or elsewhere until finally disposed of by the Assured.

Reports of such detentions and/or returned shipments to be made to the Insurer at destination or origin as soon as known to the Assured.

Rates for such risks to cover storage rates for the period at original destination, or elsewhere, plus transit rate as per cover for return journey.

Sellers' interest

In respect of those exports sold on F.O.B., C.&F, or similar terms and where the Assured are not obliged or instructed to arrange insurance hereunder, but excluding F.O.B. or C.&F. Sales made through confirming houses and the like and where full payment is received before shipment, the following shall apply.

- (1) This insurance is to cover the interest of the Assured as seller of goods in respect of those consignments sold on "free on board" and "cost and freight" terms dispatched on or after the commencement date appearing in the Policy.
- (2) This insurance commences from the attachment of the Assured's interest in the goods but unless otherwise specifically agreed not prior to the time the goods are set in motion in the Assured's and/or Sub-Contractor's Premises, Storage Depots and/or Warehouses for the commencement of Transit and terminates when the goods are delivered into the carrying vessel at the port of place of loading. Including all Loading and Unloaded Risks.
- (3) Thereafter cover re-attaches retrospective to the commencement of the transit if one or more of the following contingencies occur:
 - (a) the buyer fails or refuses to accept the shipping documents.
 - (b) the buyer fails or refuses to accept the goods where such failure or refusal arises
 - (c) the Assured exercises a lien on the goods, or interrupts their transit, or suspends the sale contract whilst the goods are in transit, when this is reasonable to safeguard his interests.
- (4) The Assured must use all reasonable and usual care, skill and forethought and take all practical measures, including measures which may be required by the Insurers to prevent or minimize loss, and to enforce the contract of sale.
- (5) All rights and benefits against the buyer and/or the buyer's insurers, and/or carrier(s) and/or persons are to be subrogated to the Underwriter.
- (6) The Assured must advise the Underwriter immediately of the occurrence of any of the contingencies in Clause 3 above.
- (7) Delay and/or Deviation are held covered at an additional premium to be agreed. This overrides any term, condition or clause to the contrary in the Policy or in the Institute Clauses incorporated herein by reference.
- (8) This insurance and any money payable under it is not assignable without the consent in writing of the Underwriter.
- (9) The existence of this Insurance is not to be disclosed to the buyer.
- (10) In circumstances where the Buyer's Insurers have settled a claim but where the buyer is unable to effect payment of the Assured's invoice in full or in part, due to foreign exchange regulations, Underwriters hereunder agree to advance the unpaid amount to the Assured, provided the Assured subsequently takes all reasonable steps to recover the unpaid amount from the Buyer, in order to reimburse Underwriter.

Shortage from Containers, Trailers and/or Vehicles Clause

In respect of shipment in containers, curtain sided trailers or full vehicle loads, provided documentary evidence is produced to substantiate the quantity loaded into such containers, trailer or vehicle, the fact that the container's, trailer's or vehicle's seal is intact at unloading point shall not invalidate claims for theft, pilferage, shortage and non-delivery.

VANGUARD IMPORT & FREIGHT CO.

CERTIFICATE OF IN-HOUSE INSURANCE

No. _____

THE ASSURED		AMOUNT INSURED	
AT AND FROM: GUANGZHOU	TO: MANILA	TRANSHIPMENT AT (subject to prior agreement):	
SUBJECT MATTER INSURED		MARKS & NUMBERS	

Description of Cargo: _____

Type of Packing:

- Crates Domestic Cartons Export Carton Wooden Cases
 Others (please specify) : _____

Mode of Conveyance:

- Airfreight Courier Local Courier Service Conventional Ship Container Vessel
 Others (please specify) : _____

Additional Information:

- 1) Basis of valuation: Invoice Value + _____ %
2) Coverage Type: Full Coverage
3) Existing Insurer: _____

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PROCEDURE IN THE EVENT OF LOSS OR DAMAGE FOR WHICH UNDERWRITERS MAY BE
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DOCUMENTATION OF CLAIMS

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2. Original or copy of shipping invoices and Packing List and/or Weightment Notes.
3. Survey report and other documentary evidence (Damage/Non-Delivery Certificate) to show the extent of the loss or damage.
4. Landing Remarks and Weightment Notes at final destination.
5. Correspondence exchanged with the Supplier and other Third Parties

ISSUED AT:

For and on behalf of
VANGUARD IMPORT & FREIGHT CO.

DATE: _____