



RHD 8889703 06

Renewal of Number

**COMMERCIAL LINES POLICY  
COMMON DECLARATIONS  
COMMERCIAL MARINE**

**Coverage is provided in the:** HANOVER INSURANCE COMPANY  
440 LINCOLN STREET  
WORCESTER, MASSACHUSETTS 01653

POLICY NUMBER		POLICY PERIOD		AGENCY CODE
		FROM	TO	
RHD 8889703 07		10/13/2017	10/13/2018	1604065
<b>NAMED INSURED AND MAILING ADDRESS</b>				<b>AGENT</b>
(Street, Town or City, County, State, Zip Code) AFFORDABLE HOMES OF SOUTH TEXAS, INC. FRAMEWORK HOMES, LLC 1420 ERIE AVENUE MCALLEN, TX 78501				TEXAS VALLEY INS AGNCS INC DBA MCAFEE AGENCY PO BOX 625 MERCEDES, TX 78570

**DESCRIPTION OF BUSINESS**

☐ Individual ☒ Corporation ☐ Partnership ☐ Joint Venture ☐ Other:

Business Description: GENERAL CONTRACTOR

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY. THIS POLICY CONSISTS OF THE FOLLOWING COVERAGE PART(S) FOR WHICH A PREMIUM IS INDICATED. THIS PREMIUM MAY BE SUBJECT TO ADJUSTMENT.

	PREMIUM
• Commercial Property Coverage Part.....	\$ 15,104
• Commercial Crime Coverage Part.....	\$
• Commercial Inland Marine Coverage Part.....	\$ 2,578
• Boiler and Machinery Coverage Part.....	\$ 1,559
• Ocean Marine.....	\$
• Terrorism.....	\$
• State Surcharges	\$

<b>PREMIUM</b> <input checked="" type="checkbox"/> The total premium of \$ 19,241 is due at inception <input checked="" type="checkbox"/> The total premium includes a deposit premium subject to adjustment	<b>PAYMENT PLAN:</b> AGENCY BILL/PREPAID
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See list of Form (s) and Endorsement(s) applicable to all Coverage Part(s) and made a part of this policy at time of issue.

Countersigned:

By \_\_\_\_\_  
Authorized Representative

THESE DECLARATIONS TOGETHER WITH THE COMMON POLICY CONDITIONS, COVERAGE PARTS COVERAGE FORM(S) AND FORMS AND ENDORSEMENTS, IF ANY, ISSUED TO FORM A PART THEREOF, COMPLETE THE ABOVE NUMBERED POLICY.

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**FORMS AND ENDORSEMENTS APPLICABLE TO ALL COVERAGE PARTS AND MADE A PART  
OF THIS POLICY AT TIME OF ISSUE**

231-0862 (12/14)	IM 5061 (05/05)
IM 201 (05/08)	IM 5062 (05/05)
401-1377 (12/14)	IM 5063 (05/05)
401-1122 (09/16)	IM 5054 (05/05)
IM 441-1045 (01/12)	IM 7200 (10/02)
401-1126 (01/15)	IM 7215 (09/03)
401-1374 (01/15)	IM 7854 (04/04)
CO 1051 (03/05)	SIG 1100 (08/16)
CO 1052 (04/02)	
411-0964 11/16	
CO 1084 (10/07)	
CO 1228 (04/02)	
CO 1072 (04/02)	
IM 5051 (10/07)	
IM 5064 (05/05)	
IM 5053 (05/05)	
IM 5055 (05/05)	
IM 441-1035 (01/08)	
IM 7205 (10/02)	
IM 7902 (04/04)	
221-0163 (10/03) A-D	
CL 0100 (03/99)	
CL 0273 (05/14)	
CL 0700 (10/06)	
CO 0314 (01/12)	
IM 2089 (05/12)	
401-1337 (02/16)	
CL 0610 (01/15)	
CO 1000 (10/02)	
CO 1227 (05/02)	
CO 1001 (04/02)	
411-0963 (11/16)	
411-0974 (11/16)	
411-0972 (11/16)	
CO 1220 (10/07)	
CO 1232 (04/02)	
IM 5050 (05/05)	

IM441-1056 (06-08)

# **Customer Notice of Privacy Policy and Producer Compensation Practices Disclosures**

## **Privacy Policy Disclosure**

### **Collection of Information**

We collect personal information so that we may offer quality products and services. This information may include, but is not limited to, name, address, Social Security number, and consumer reports from consumer reporting agencies in connection with your application for insurance or any renewal of insurance. For example, we may access driving records, insurance scores or health information. Our information sources will differ depending on your state and/or the product or service we are providing to you. This information may be collected directly from you and/or from affiliated companies, non-affiliated third parties, consumer reporting agencies, medical providers and third parties such as the Medical Information Bureau.

We, and the third parties we partner with, may track some of the web pages you visit through cookies, pixel tagging or other technologies. We currently do not process or comply with any web browser's "do not track" signals or similar mechanisms that request us to take steps to disable online tracking. For additional information regarding online privacy, please see our online privacy statement, located at [www.hanover.com](http://www.hanover.com).

### **Disclosure of Information**

We may disclose non-public, personal information you provide, as required to conduct our business and as permitted or required by law. We may share information with our insurance company affiliates or with third parties that assist us in processing and servicing your account. We also may share your information with regulatory or law enforcement agencies, reinsurers and others, as permitted or required by law.

Our insurance companies may share information with their affiliates, but will not share information with non-affiliated third parties who would use the information to market products or services to you.

Our standards for disclosure apply to all of our current and former customers.

### **Safeguards to Protect Your Personal Information**

We recognize the need to prevent unauthorized access to the information we collect, including information held in an electronic format on our computer systems. We maintain physical, electronic and procedural safeguards intended to protect the confidentiality and integrity of all non-public, personal information, including but not limited to social security numbers, driver's license numbers and other personally identifiable information.

### **Internal Access to Information**

Access to personal, non-public information is limited to those people who need the information to provide our customers with products or services. These people are expected to protect this information from inappropriate access, disclosure and modification.

### **Consumer Reports**

In some cases, we may obtain a consumer report in connection with an application for insurance. Depending on the type of policy, a consumer report may include information about you or your business, such as:

- character, general reputation, personal characteristics, mode of living;
- credit history, driving record (including records of any operators who will be insured under the policy); and/or
- an appraisal of your dwelling or place of business that may include photos and comments on its general condition.

### **Access to Information**

Upon written request, we will inform you if we have ordered an investigative consumer report. You have the right to make a written request within a reasonable period for information concerning the nature and scope of the report and to be interviewed as part of its preparation. You may obtain a copy of the report from the reporting agency and, under certain circumstances, you may be entitled to a copy at no cost.

You also may review certain information we have about you or your business in our files. To review information we maintain in our files about you or your business, please write to us, providing your complete name, address and policy number(s), and indicating specifically what you would like to see. If you request actual copies of your file, there may be a nominal charge.

We will tell you to whom we have disclosed the information within the two years prior to your request. If there is not a record indicating that the information was provided to another party, we will tell you to whom such information is normally disclosed.

There is information that we cannot share with you. This may include information collected in order to evaluate a claim under an insurance policy, when the possibility of a lawsuit exists. It may also include medical information that we would have to forward to a licensed medical doctor of your choosing so that it may be properly explained.

### **Correction of Information**

If after reviewing your file you believe information is incorrect, please write to the consumer reporting agency or to us, whichever is applicable, explaining your position. The information in question will be investigated. If appropriate, corrections will be made to your file and the parties to whom the incorrect information was disclosed, if any, will be notified. However, if the investigation substantiates the information in the file, you will be notified of the reasons why the file will not be changed. If you are not satisfied with the evaluation, you have the right to place a statement in the file explaining why you believe the information is incorrect. We also will send a copy of your statement to the parties, if any, to whom we previously disclosed the information and include it in any future disclosures.

### **Our Commitment to Privacy**

In the insurance and financial services business, lasting relationships are built upon mutual respect and trust. With that in mind, we will periodically review and revise our privacy policy and procedures to ensure that we remain compliant with all state and federal requirements. If any provision of our privacy policy is found to be non-compliant, then that provision will be modified to reflect the appropriate state or federal requirement. If any modifications are made, all remaining provisions of this privacy policy will remain in effect. For more detailed information about our customer privacy policy (including any applicable state-specific policies) and our online privacy statement, visit our Web site, located at [www.hanover.com](http://www.hanover.com).

### **Further Information**

If you have questions about our customer privacy policy (including any applicable state-specific policies) or our online privacy statement, or if you would like to request information we have on file, please write to us at our Privacy Office, N435, The Hanover Insurance Group, Inc., 440 Lincoln Street, Worcester, MA 01653. Please provide your complete name, address and policy number(s). A copy of our Producer Compensation Disclosure is also available upon written request addressed to the attention of the Corporate Secretary, N435, The Hanover Insurance Group, 440 Lincoln Street, Worcester, MA 01653.

### **Producer Compensation Disclosure**

Our products are sold through independent agents and brokers, often referred to as "Producers." We may pay Producers a fixed commission for placing and renewing business with our company. We may also pay additional commission and other forms of compensation and incentives to Producers who place and maintain their business with us. Details of our Producer compensation practices may be found at [www.hanover.com](http://www.hanover.com).

This notice is being provided on behalf of the following Hanover Companies: The Hanover Insurance Group, Inc. - Allmerica Financial Alliance Insurance Company - Allmerica Financial Benefit Insurance Company - Allmerica Plus Insurance Agency, Inc. - Citizens Insurance Company of America - Citizens Insurance Company of Illinois - Citizens Insurance Company of the Midwest - Citizens Insurance Company of Ohio - Citizens Management, Inc. - AIX Ins. Services of California, Inc.- Campania Insurance Agency Co. Inc. - Campmed Casualty & Indemnity Co. Inc. - Chaucer Syndicates Limited- Educators Insurance Agency, Inc.- Hanover Specialty Insurance Brokers, Inc. - The Hanover American Insurance Company - The Hanover Insurance Company - The Hanover New Jersey Insurance Company - The Hanover National Insurance Company - Hanover Lloyd's Insurance Company - Massachusetts Bay Insurance Company - Opus Investment Management, Inc. - Professionals Direct Insurance Services, Inc. -Professional Underwriters Agency, Inc. - Verlan Fire Insurance Company - Nova Casualty Company - AIX Specialty Insurance Company.



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## **Commercial Marine REPORTING CLAIMS**

**In the event of a claim losses must be reported by the insured or agent immediately through our National Claims Reporting Line @ 1-800-628-0250.**

**The caller then presses 2. This delivers the call to our Customer Care Team. Our representative will take the loss report and assign an adjuster.**

**Losses can also be faxed to us @ 1-800-399-4734.**

# TEXAS POLICYHOLDER NOTICE

## TEXAS IMPORTANT NOTICE

To obtain information or make a complaint:

You may call the Hanover Insurance Company's toll-free telephone number for information or to make a complaint at:

**1-800-608-8141**

You may write to The Hanover Insurance Company at:

***The Hanover Insurance Company  
Premier Place  
5910 North Central Expressway  
Suite #300  
Dallas, TX 75206***

You may contact the Texas Department of Insurance to obtain information on companies, coverages, rights or complaints at:

**1-800-252-3439**

You may write to the Texas Department of Insurance at:

Texas Department of Insurance  
PO Box 149104  
Austin, TX 78714-9104  
**FAX#** (512) 490-1007

**Web:** <http://www.tdi.texas.gov>

**E-mail:** [ConsumerProtection@tdi.texas.gov](mailto:ConsumerProtection@tdi.texas.gov)

**PREMIUM OR CLAIMS DISPUTES:** Should you have a dispute concerning your premium or about a claim, you should contact your agent or the company first. If the dispute is not resolved, you may contact the Texas Department of Insurance.

### **ATTACH THIS NOTICE TO YOUR POLICY:**

This notice is for information only and does not become a part or condition of the attached document.

## TEXAS AVISO IMPORTANTE

Para obtener informacion o para someter una queja:

Usted puede llamar al numero de telefono gratis de The Hanover Insurance Company's para informacion o para someter una queja al:

**1-800-608-8141**

Usted tambien puede escribir a The Hanover Insurance Company:

***The Hanover Insurance Company  
Premier Place  
5910 North Central Expressway  
Suite #300  
Dallas, TX 75206***

Puede comunicarse con el Departamento de Seguros de Texas para obtener informacion acerca de companias, coberturas, derechos o quejas al:

**1-800-252-3439**

Puede escribir al Departamento de Seguros de Texas:

Texas Department of Insurance  
PO Box 149104  
Austin, TX 78714-9104  
**FAX#** (512) 490-1007

**Web:** <http://www.tdi.texas.gov>

**E-mail:** [ConsumerProtection@tdi.texas.gov](mailto:ConsumerProtection@tdi.texas.gov)

**DISPUTAS SOBRE PRIMAS O RECLAMOS:** Si tiene una disputa concerniente a su prima o a un reclamo, debe comunicarse con el agente o la compania primero. Si no se resuelve la disputa, puede entonces comunicarse con el departamento (TDI).

**UNA ESTE AVISO A SU POLIZA:** Este aviso es solo para proposito de informacion y no se convierte en parte o condicion del documento adjunto.

THIS NOTICE IS ATTACHED TO AND MADE PART OF YOUR POLICY IN RESPONSE TO THE DISCLOSURE REQUIREMENTS OF THE TERRORISM RISK INSURANCE ACT, AS AMENDED. THIS NOTICE DOES NOT GRANT ANY COVERAGE OR CHANGE THE TERMS AND CONDITIONS OF ANY COVERAGE UNDER THIS POLICY. IF THERE IS A CONFLICT BETWEEN THIS NOTICE AND THE POLICY, THE PROVISIONS OF THE POLICY SHALL APPLY.

## NOTICE – REJECTION OF TERRORISM COVERAGE AND DISCLOSURE OF PREMIUM

### Schedule

#### REJECTION STATEMENT

You have rejected the offer of terrorism coverage. You understand that an **exclusion** for certain terrorism losses will be made part of your policy.

#### Disclosure of Premium:

Total Terrorism Premium	\$ 529
Fire Following Premium	\$ NOT APPLICABLE
Other than Fire Following Premium	\$ 529

You have rejected coverage for “acts of terrorism,” as defined in Section 102(1) of the Terrorism Risk Insurance Act (“Act”) and an exclusion will be included in your policy. You are hereby notified that under the Act, as amended in 2015, the definition of “act of terrorism” is:

Any act or acts that are certified by the Secretary of the Treasury, in consultation with the Secretary of Homeland Security and the Attorney General of the United States, to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States government by coercion.

#### **Note for Commercial Property or Commercial Inland Marine Policyholders in Standard Fire States:**

In your state, a terrorism exclusion makes an exception for (and thereby provides coverage for) fire losses resulting from an act of terrorism. Therefore, if you reject the offer of terrorism coverage, that rejection does not apply to fire losses resulting from an act of terrorism. Coverage for such fire losses will be provided in your policy. The additional premium just for such fire coverage is described as Fire Following Premium in the Schedule above.

#### **Disclosure of Federal Participation in Payment of Terrorism Losses**

The United States government through the Department of the Treasury may pay a share of terrorism losses insured under the federal program under a formula set forth in the Act. Under this formula, the United States government generally reimburses the following percentage of covered terrorism loss which exceeds the statutorily established deductible paid by the insurance company providing the coverage: 85% through 2015; 84% beginning on January 1, 2016; 83% beginning on January 1, 2017; 82% beginning on January 1, 2018; 81% beginning on January 1, 2019; and 80% beginning on January 1, 2020.

#### **Cap on Insurer Participation in Payment of Terrorism Losses**

The Act contains a \$100 billion cap that limits the reimbursement by the United States government as well as insurers' liability for losses resulting from certified acts of terrorism. If the aggregate of insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a calendar year and we have met our insurer deductible under the Act, we will not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion. In such case, insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

THIS NOTICE IS PROVIDED IN RESPONSE TO THE DISCLOSURE REQUIREMENTS OF THE TERRORISM RISK INSURANCE ACT. THIS NOTICE DOES NOT GRANT COVERAGE OR CHANGE THE TERMS AND CONDITIONS OF COVERAGE UNDER THE POLICY. IF THERE IS A CONFLICT BETWEEN THIS NOTICE AND THE POLICY, THE PROVISIONS OF THE POLICY SHALL APPLY.

## DISCLOSURE PURSUANT TO TERRORISM RISK INSURANCE ACT

### Schedule

<b>Disclosure of Premium:</b>	
Total Terrorism Premium	<b>\$ 529</b>
Fire Following Premium	<b>\$ NOT APPLICABLE</b>
Other than Fire Following Premium	<b>\$ 529</b>

### Disclosure of Terrorism Coverage Available

You are hereby notified that under the Terrorism Risk Insurance Act, as amended, you have a right to purchase insurance coverage for losses resulting from "acts of terrorism" defined in Section 102(1) of the Act as follows:

Any act or acts that are certified by the Secretary of the Treasury, in consultation with the Secretary of Homeland Security and the Attorney General of the United States, to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States government by coercion.

The premium charged for this coverage is provided in the Schedule above and does not include any charges for the portion of loss that may be covered by the Federal Government as described below.

Your policy may contain other exclusions which could affect your coverage, such as an exclusion for Nuclear Events or Pollution. **Please read your policy carefully.**

### Note for Commercial Property or Commercial Inland Marine Policyholders in Standard Fire States:

In your state, a terrorism exclusion makes an exception for (and therefore provides coverage for) fire losses resulting from an act of terrorism. If you reject the offer of terrorism coverage, therefore, that rejection does not apply to fire losses resulting from an act of terrorism. Coverage for such fire losses will be provided in your policy. The additional premium just for such fire coverage is shown in the Schedule above.

### Disclosure of Federal Participation in Payment of Terrorism Losses

The United States government through the Department of the Treasury may pay a share of terrorism losses insured under the federal program under a formula set forth in the Act. Under this formula, the United States government generally reimburses the following percentage of covered terrorism loss which exceeds the statutorily established deductible paid by the insurance company providing the coverage: 85% through 2015; 84% beginning on January 1, 2016; 83% beginning on January 1, 2017; 82% beginning on January 1, 2018; 81% beginning on January 1, 2019; and 80% beginning on January 1, 2020.

### Cap on Insurer Participation in Payment of Terrorism Losses

The Act contains a \$100 billion cap that limits the reimbursement by the United States government as well as insurers' liability for losses resulting from certified acts of terrorism. If the aggregate of insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a calendar year and we have met our insurer deductible under the Act, we will not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion. In such case, insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

### Rejection of Terrorism Insurance Coverage

☐ I decline to purchase terrorism coverage for certified acts of terrorism. I understand that I will have no coverage for losses resulting from certified acts of terrorism.

\_\_\_\_\_  
Applicant/Policyholder Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
**HANOVER INSURANCE COMPANY**

\_\_\_\_\_  
Insurance Company

\_\_\_\_\_  
RHD 8889703 07

\_\_\_\_\_  
Quote or Policy Number

## IMPORTANT INFORMATION ABOUT YOUR INSURANCE COMPANY

The Home Office address for the Insurance Company shown on the policy Declarations page is:

**Allmerica Financial Alliance Insurance Company**

(A Stock Company)  
440 Lincoln Street  
Worcester, MA 01653-0002

**The Hanover American Insurance Company**

(A Stock Company)  
440 Lincoln Street  
Worcester, MA 01653-0002

**Allmerica Financial Benefit Insurance Company**

(A Stock Company)  
440 Lincoln Street  
Worcester, MA 01653-0002

**The Hanover Insurance Company**

(A Stock Company)  
440 Lincoln Street  
Worcester, MA 01653-0002

**Campmed Casualty & Indemnity Company, Inc.**

(A Stock Company)  
12100 Sunset Hills Road, Suite 300  
Reston, VA 20190-3295

**Hanover Lloyds Insurance Company**

(A Texas Lloyd's Plan Company)  
440 Lincoln Street  
Worcester, MA 01653-0002

**Citizens Insurance Company of America**

(A Stock Company)  
808 North Highlander Way  
Howell, MI 48843-1070

**Massachusetts Bay Insurance Company**

(A Stock Company)  
440 Lincoln Street  
Worcester, MA 01653-0002

**Citizens Insurance Company of Illinois**

(A Stock Company)  
333 West Pierce Road, Suite 300  
Itasca, IL 60143-3114

**The Hanover New Jersey Insurance Company**

(A Stock Company)  
440 Lincoln Street  
Worcester, MA 01653-0002

**Citizens Insurance Company of the Midwest**

(A Stock Company)  
9229 Delegates Row, Suite 100  
Indianapolis, IN 46240-3824

**Verlan Fire Insurance Company**

(A Stock Company)  
440 Lincoln Street  
Worcester, MA 01653-0002

**Citizens Insurance Company of Ohio**

(A Stock Company)  
1300 East 9th Street, Suite 1010  
Cleveland, OH 44114-1506

## Minimum Earned Premium

(The entries required to complete this endorsement  
will be shown below or on the "schedule of coverages".)

In the event of cancellation of this policy or reduction in coverage by "you" the minimum earned premium is \$2,500.

Minimum earned premium is the minimum premium "we" will retain regardless of the cancellation or amendment date of "your" policy.

If "your" policy includes reporting conditions the cancellation or amendment of the policy does not waive "your" reporting requirements as stated in "your" policy.

## SCHEDULE OF COVERAGES COMMERCIAL OUTPUT PROGRAM

(The information required to complete this schedule  
will be shown below or on the "schedule of coverages".)

	Limit of Insurance
<b>Catastrophe Limit</b> -- The most "we" pay for any combination of or total of losses arising under one or more coverages in any one occurrence is:	\$ <u>4,231,920</u>

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### PROPERTY COVERAGE PART

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#### LIMITS

-- Building Property Limit -- The most "we" pay for loss at any one "covered location" is: \$ \_\_\_\_\_

-- Business Personal Property Limit -- The most "we" pay for loss at any one "covered location" is: \$ \_\_\_\_\_

or

-- Combined Blanket Limit -- The most "we" pay for loss at any one "covered location" is: \$ \_\_\_\_\_

☒ Refer To Scheduled Locations

#### COVERAGE EXTENSIONS

-- Consequential Loss     BUSINESS PERSONAL PROPERTY LIMIT

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-- Debris Removal, Additional Expense     \$ 50,000

-- Emergency Removal     365 days

-- Emergency Removal Expense     \$ 5,000

-- Fraud and Deceit     \$ 5,000

-- Damage From Theft     POLICY LIMIT

-- Off Premises Utility Service Interruption

-     Limit     \$ 10,000

☒ Overhead Transmission Lines Excluded

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**SUPPLEMENTAL COVERAGES**

-- Brands or Labels Expense	\$ <u>5,000</u>
-- Expediting Expenses	\$ <u>10,000</u>
-- Fire Department Service Charges	\$ <u>25,000</u>
-- Inventory and Appraisal Expense	\$ <u>5,000</u>
-- Ordinance or Law (Undamaged Parts of a Building)	\$ <u>50,000</u>
-- Ordinance or Law (Increased Cost to Repair/ Cost to Demolish and Clear Site)	\$ <u>50,000</u>
-- Personal Effects	\$ <u>5,000</u>
-- Pollutant Cleanup And Removal	\$ <u>10,000</u>
-- Recharge of Fire Extinguishing Equipment	\$ <u>5,000</u>
-- Rewards	\$ <u>10,000</u>
-- Sewer Backup and Water Below the Surface	\$ <u>25,000</u>
-- Trees, Shrubs, and Plants	\$ <u>5,000</u>
-- Underground Pipes, Pilings, Bridges, and Roadways	\$ <u>50,000</u>

**SUPPLEMENTAL MARINE COVERAGES**

-- Accounts Receivable	\$ <u>5,000</u>
-- Electrical or Magnetic Disturbance of Computers	\$ <u>BUSINESS PERSONAL PROPERTY LIMIT</u>
-- Power Supply Disturbance of Computers	\$ <u>BUSINESS PERSONAL PROPERTY LIMIT</u>
-- Virus and Hacking Coverage	
- Limit any one occurrence	\$ <u>2,500</u>
- Limit any 12 month period	\$ <u>5,000</u>
-- Fine Arts	\$ <u>5,000</u>
-- Off Premises Computers	\$ <u>5,000</u>
-- Property On Exhibition	\$ <u>5,000</u>

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**SUPPLEMENTAL MARINE COVERAGES** (cont.)

-- Property In Transit	\$ <u>5,000</u>
-- Sales Representative Samples	\$ <u>5,000</u>
-- Software Storage	\$ <u>5,000</u>
-- Valuable Papers	\$ <u>10,000</u>

**ADDITIONAL PROPERTY SUBJECT TO LIMITATIONS**

-- Furs (theft)	\$10,000
-- Jewelry (theft)	\$10,000
-- Stamps, Tickets, Letters of Credit	\$5,000

**COVERAGE OPTIONS** (check if applicable)

☐ Actual Cash Value Applies

☐ Automatic Increase

- Automatic Increase                        %

☒ Scheduled Locations

- Newly Built or Acquired Buildings                      \$ 500,000

- Personal Property - Acquired Locations                      \$ 250,000

- Locations "You" Elect Not To Describe                      \$ NOT COVERED

- Coinsurance                      0%

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**DEDUCTIBLE**

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Check One

☒ Deductible Amount    \$ 1,000

☐ Refer to Deductible Endorsements

## INCOME COVERAGE PART

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### COVERAGE (check one)

- ☐ Income Coverage Does Not Apply
- ☐ Earnings, Rents, and Extra Expense
- ☐ Earnings and Extra Expense
- ☐ Rents and Extra Expense
- ☒ Extra Expense Only

### LIMIT (check one)

- ☐ Income Coverage Limit -- The most  
"we" pay for loss at any one "covered location" is: \$ \_\_\_\_\_
- ☒ Refer To Scheduled Locations (check if applicable)

### COVERAGE EXTENSIONS

- Interruption By Civil Authority 30 days
- Period of Loss Extension 90days

### SUPPLEMENTAL COVERAGES

- Computer Virus and Hacking
  - Limit any one occurrence \$ 25,000
  - Limit any 12 month period \$ 75,000
  - Waiting Period 12 HOURS
- Dependent Locations \$ 100,000
- Off Premises Utility  
Service Interruption
  - Limit \$ 10,000
  - Waiting Period 12 HOURS
- ☒ Overhead Transmission Lines Excluded

## INCOME COVERAGE PART (cont.)

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### SUPPLEMENTAL COVERAGES (cont.)

-- Contract Penalty

- Limit any one occurrence \$ 25,000
- Limit any 12 month period \$ 100,000

-- Pollutants Cleanup and Removal \$ 25,000

-- Property In Transit, On Exhibition, or Custody  
of Sales Representatives \$ 10,000

### COVERAGE OPTIONS (check if applicable)

☒ Scheduled Locations

- Newly Built or Acquired Locations \$ 250,000
- Coinsurance 0%

☐ Waiting Period \_\_\_\_\_

☐ Monthly Limitation \_\_\_\_\_

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## FLOOD COVERAGE

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☒ Not Covered

☐ Scheduled Flood Coverage

- "Catastrophe Limit" \$ \_\_\_\_\_
- Flood Deductible (\$,%) \_\_\_\_\_

☐ Blanket Flood Coverage

- "Occurrence Limit" \$ \_\_\_\_\_
- "Aggregate Limit" \$ \_\_\_\_\_
- "Catastrophe Limit" \$ \_\_\_\_\_
- Flood Deductible (\$,%) \_\_\_\_\_

## EARTHQUAKE COVERAGE

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☒ Not Covered

☐ Scheduled Earthquake Coverage

- "Catastrophe Limit" \$ \_\_\_\_\_

- Earthquake Deductible (\$,% ) \_\_\_\_\_

☐ Blanket Earthquake Coverage

- "Occurrence Limit" \$ \_\_\_\_\_

- "Aggregate Limit" \$ \_\_\_\_\_

- "Catastrophe Limit" \$ \_\_\_\_\_

- Earthquake Deductible (\$,% ) \_\_\_\_\_

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## EQUIPMENT BREAKDOWN COVERAGE PART

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☒ Not Covered

☐ **EQUIPMENT BREAKDOWN COVERAGE**

	LIMITS	COINSURANCE
Property Damage	\$ _____	____ %
Income Coverages	\$ _____	____ %
<b>Income Coverages</b>		
Period of Loss Extension	____ days	

Coverage Options (check one)

☐ Earnings, Rents, and Extra Expense

☐ Earnings and Extra Expense

☐ Rents and Extra Expense

☐ Extra Expense Only

---

## EQUIPMENT BREAKDOWN COVERAGE PART (cont.)

---

### COVERAGE EXTENSIONS/SUPPLEMENTAL COVERAGES

	Limit
-- Expediting Expense	\$ _____
-- Pollutants	\$ _____
-- Ordinance or Law (Undamaged Parts of Buildings)	\$ _____
-- Ordinance or Law (Increased Cost to Repair / Cost to Demolish and Clear Site)	\$ _____
-- Off Premises Utility Service Interruption	\$ _____

---

-- Defense Costs                      covered

### DEDUCTIBLES

Property Coverages    \$ \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Income Coverages (\$, hrs., ADV, or Combined)    \_\_\_\_\_

Other (describe)  
\_\_\_\_\_  
\_\_\_\_\_

### INCOME COVERAGE OPTIONS (describe)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[illegible]

☐ Not Covered

## Spoilage Limits

\$ \_\_\_\_\_

\$ \_\_\_\_\_

\$ \_\_\_\_\_

☐ Selling Price Valuation

☐ Refrigeration, Maintenance, or Service Agreement

---

☐ **SCHEDULED SPOILAGE COVERAGE**

**Spoilage Limits**

Catastrophe Limit -- The most "we" pay for  
loss in any one occurrence is:

\$ \_\_\_\_\_

**Spoilage Deductible**

\$ \_\_\_\_\_

**Additional Conditions** (check if applicable)

- ☐ Selling Price Valuation
- ☐ Refrigeration, Maintenance, or Service Agreement

**Perils Covered** (check if applicable)

- ☐ Breakdown, Malfunction, or Failure (Equipment Breakdown)
- ☐ Refrigerant Contamination (Equipment Breakdown)
- ☐ Refrigerant Contamination (Other Causes Of Loss)
- ☐ Power Disruption (Equipment Breakdown)
- ☐ Power Disruption (Other Causes Of Loss)

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

## LOCATION SCHEDULE

(The entries required to complete this endorsement  
will be shown below or on the "schedule of coverages".)

Coverage provided by the Commercial Output Program coverage parts applies only to the "covered locations" described below. Refer to "schedule of coverages" for applicable "limits", additional coverages, and applicable coinsurance percentage.

### SCHEDULE

Loc. No.	Covered Location (describe)
1-1	1420 ERIE AVENUE
	MCALLEN, TX 78501
	OFFICE

Covered Property/ Coverage Provided (describe)	Limit
BUILDING	\$ 725,000
BUSINESS PERSONAL PROPERTY	\$ 70,440
EXTRA EXPENSE	\$ 100,000
	\$
	\$

Loc. No.	Covered Location (describe)
2-1	120-134 WEST 5TH STREET
	WESLACO, TX 78596
	OFFICE

Covered Property/ Coverage Provided (describe)	Limit
BUILDING	\$ 500,000
BUSINESS PERSONAL PROPERTY	\$ 11,480
EXTRA EXPENSE	\$ 100,000
	\$
	\$

## LOCATION SCHEDULE

(The entries required to complete this endorsement  
will be shown below or on the "schedule of coverages".)

Coverage provided by the Commercial Output Program coverage parts applies only to the "covered locations" described below. Refer to "schedule of coverages" for applicable "limits", additional coverages, and applicable coinsurance percentage.

### SCHEDULE

Loc. No.	Covered Location (describe)
3-1	500 SOUTH 15TH STREET
	MCALLEN, TX 78501
	OFFICE

Covered Property/ Coverage Provided (describe)	Limit
BUILDING	\$ 1,300,000
BUSINESS PERSONAL PROPERTY	\$ 200,000
EXTRA EXPENSE	\$ 100,000
	\$
	\$

Loc. No.	Covered Location (describe)
4-1	514 SOUTH 16TH STREET
	MCALLEN, TX 78501
	OFFICE

Covered Property/ Coverage Provided (describe)	Limit
BUILDING	\$ 210,000
BUSINESS PERSONAL PROPERTY	\$ 20,000
EXTRA EXPENSE	\$ 100,000
	\$
	\$

---

## LOCATION SCHEDULE

(The entries required to complete this endorsement  
will be shown below or on the "schedule of coverages".)

Coverage provided by the Commercial Output Program coverage parts applies only to the "covered locations" described below. Refer to "schedule of coverages" for applicable "limits", additional coverages, and applicable coinsurance percentage.

---

### SCHEDULE

---

Loc. No.	Covered Location (describe)
5-1	517 SOUTH 16TH STREET
	MCALLEN, TX 78501
	OFFICE

Covered Property/ Coverage Provided (describe)	Limit
BUILDING	\$ 210,000
BUSINESS PERSONAL PROPERTY	\$ 10,000
EXTRA EXPENSE	\$ 100,000
	\$
	\$

Loc. No.	Covered Location (describe)
6-1	510 SOUTH 16 <sup>TH</sup> STREET
	MCALLEN, TX 78501

Covered Property/ Coverage Provided (describe)	Limit
BUILDING	\$ 175,000
BUSINESS PERSONAL PROPERTY	\$ 75,000
	\$
	\$
	\$

---

## LOCATION SCHEDULE

(The entries required to complete this endorsement  
will be shown below or on the "schedule of coverages".)

Coverage provided by the Commercial Output Program coverage parts applies only to the "covered locations" described below. Refer to "schedule of coverages" for applicable "limits", additional coverages, and applicable coinsurance percentage.

---

### SCHEDULE

---

**Loc.  
No.**

**Covered Location** (describe)

7-1	505 SOUTH 16 <sup>TH</sup> STREET
	MCALLEN, TX 78501

**Covered Property/**

**Coverage Provided** (describe)

**Limit**

BUILDING	\$ 175,000
BUSINESS PERSONAL PROPERTY	\$ 50,000
	\$
	\$
	\$

**Loc.  
No.**

**Covered Location** (describe)


**Covered Property/**

**Coverage Provided** (describe)

**Limit**

	\$
	\$
	\$
	\$
	\$

# EQUIPMENT BREAKDOWN SCHEDULE – COMMERCIAL OUTPUT POLICY

## EQUIPMENT BREAKDOWN COVERAGE

	LIMITS	COINSURANCE
Property Damage	\$ 3,731,920	0 %
Income Coverages	\$ 500,000	0 %

### INCOME COVERAGES

Period of Loss Extension	30 days
Dependent Locations –	\$ 25,000

This limit is part of and not in addition to the Income Coverages Limit:

Coverage Options (check one)

- ☐ Earnings, Rents, and Extra Expense
- ☐ Earnings and Extra Expense
- ☐ Rents and Extra Expense
- ☒ Extra Expense Only

### COVERAGE EXTENSIONS

	LIMITS
Data Restoration	\$ 250,000
Expediting Expenses	\$ 250,000
Hazardous Substances	\$ 250,000
Off Premises Equipment Breakdown	\$ 10,000
Ordinance or Law (Undamaged Parts of Buildings)	\$ COVERED
Ordinance or Law (Increased Cost to Repair/Cost to Demolish and Clear Site)	\$ 2,500,000

	LIMITS	COINSURANCE
Service Interruption	\$ 500,000	
Spoilage	\$ 250,000	0 %
Defense Costs	covered	

### DEDUCTIBLES

Property Coverages	\$ 1,000
Income Coverages (\$, hrs., ADV, or Combined)	
Other (describe)	

### INCOME COVERAGE OPTIONS (describe)

**OTHER CONDITIONS** (describe)

If the Scheduled Locations Endorsement is attached to the policy, the “terms” of that endorsement apply to Equipment Breakdown for those “covered locations” described on the Location Schedule and subject to any applicable “limits.” Also, if a coinsurance percentage(s) is indicated on the “Schedule of Coverages,” then the same coinsurance percentage(s) apply for Equipment Breakdown.

## WINDSTORM OR HAIL SCHEDULE

(The entries required to complete this schedule will be shown below or on the "schedule of coverages".)

Loc. No.	Covered Location
-------------	------------------

ALL	ALL COVERED LOCATIONS
-----	-----------------------

---

**Windstorm Or Hail Deductible** (check one)

☒ Flat Deductible      \$ 5,000

☐ Percentage Deductible (check one)

☐ 1%      ☐ 2%      ☐ 5%

Loc. No.	Covered Location
-------------	------------------

--	--

---

**Windstorm Or Hail Deductible** (check one)

☐ Flat Deductible      \$ \_\_\_\_\_

☐ Percentage Deductible (check one)

☐ 1%      ☐ 2%      ☐ 5%

**PROPERTY NOT COVERED**

"COMPUTERS"

BUILDINGS AND ADDITIONS TO BUILDINGS UNDER  
CONSTRUCTION, ALTERATION OR REPAIR, INCLUDING  
MATERIALS AND EQUIPMENT USED FOR CONSTRUCTION,  
ALTERATION OR REPAIR

## LOSS PAYABLE SCHEDULE

(The entries required to complete this endorsement  
will be shown below or on the "schedule of coverages".)

Indicate applicable provision:

- ☒ Loss Payable  
☐ Lender's Loss Payable  
☐ Contract of Sale
- 

## SCHEDULE

---

<u>Location</u>	<u>Covered Property</u>	<u>Name and Address of Loss Payee</u>
1420 ERIE AVENUE MCALLEN, TX 78501	BUILDING, BUSINESS PERSONAL PROPERTY	SALT LAKE NEIGHBORHOOD HOUSING SERVICES, INC. 622 WEST NORTH  SALT LAKE CITY, UT 84116
500 SOUTH 15TH STREET MCALLEN, TX 78501	BUILDING, BUSINESS PERSONAL PROPERTY	COMPASS BANK 3900 NORTH 10TH STREET, SUITE 200  MCALLEN, TX 78501

## SCHEDULE OF COVERAGES RESIDENTIAL BUILDERS' COVERAGE

(The entries required to complete this schedule will be  
shown below or on the "schedule of coverages".)

### SCHEDULE OF JOBSITES

Jobsite No.	Jobsite Location	Construction Type	Project Type
1	VARIOUS LOCATIONS IN SOUTH TEXAS	FRAME	SINGLE FAMILY HOMES

☐ Attach Schedule of Additional Projects to schedule more projects

### LIMITS OF INSURANCE

#### Limits

Any One Building or Structure                      \$ 150,000

Soft Cost and Rental Income                      \$ NOT COVERED

### CATASTROPHE LIMIT

The most "we" pay for loss in any one occurrence for  
all hard costs, soft costs, and all other coverages at  
all "jobsites" is:

\$ 3,500,000

## COVERAGE EXTENSIONS AND SUPPLEMENTAL COVERAGES

The "limit" for Coverage Extensions and Supplemental Coverages are shown in the Residential Builders' Coverage Form. If a different "limit" is shown below that "limit" will replace the "limit" in the Residential Builders' Coverage Form.

Additional Debris Removal Expenses	\$ <u>5,000</u>
Emergency Removal	10 days
Emergency Removal Expenses	\$ <u>10,000</u>
Fraud And Deceit	\$ <u>25,000</u>
Limited Fungus Coverage	\$ <u>15,000</u>
Waterborne Property	\$ <u>25,000</u>
Contract Penalty	\$ <u>10,000</u>
Expediting Expenses	\$ <u>10,000</u>
Fire Department Service Charges	\$ <u>10,000</u>
Free Standing Appliances	\$ <u>10,000</u>
Home Pending Sale	<u>Covered</u>
Sales and Office Trailers	\$ <u>20,000</u>
Ordinance Or Law (Undamaged Parts Of A Building)	<u>Covered</u>
Ordinance Or Law (Increased Cost To Repair And Demolish/Clear Site)	\$ <u>1,000,000</u>
Pollutant Cleanup And Removal	\$ <u>10,000</u>
Personal Property	\$ <u>5,000</u>
Property In Transit	\$ <u>50,000</u>
Re-Erecting Scaffolding	\$ <u>10,000</u>
Rewards	\$ <u>25,000</u>
Nonadjacent Roadways And Walkways	\$ <u>10,000</u>
Sewer Backup	\$ <u>10,000</u>
Storage Locations	\$ <u>50,000</u>
Trees, Shrubs, And Plants	\$ <u>10,000</u>
Valuable Papers	\$ <u>10,000</u>

**OPTIONAL EARTHQUAKE COVERAGE** (check if applicable)

☒ **Earthquake Coverage** (attach Earthquake Coverage Endorsement)

Occurrence Limit -- The most "we" pay  
for loss in any one occurrence is: \$ 250,000

Aggregate Limit -- The most "we" pay  
for all losses in a 12-month period is: \$ 250,000

**OPTIONAL FLOOD COVERAGE** (check if applicable)

☒ **Flood Coverage** (attach Flood Coverage Endorsement)

Occurrence Limit -- The most "we" pay  
for loss in any one occurrence is: \$ 250,000

Aggregate Limit -- The most "we" pay  
for all losses in a 12-month period is: \$ 250,000

**DEDUCTIBLE**

Deductible amount for all covered perils  
except as shown below: \$ 1,000

Earthquake Deductible (if coverages is provided) \$ 25,000

Flood Deductible (if coverages is provided) \$ 25,000

Other SEE IM 5064 \$ \_\_\_\_\_

Soft Costs Waiting Period Days

**OPTIONAL REPORTING CONDITIONS**

- ☐ Per Start Reporting Conditions  
☒ Completed Value Reporting Conditions  
☐ Other (Describe) \_\_\_\_\_

Reporting Period (check one)

- ☒ Monthly  
☐ Quarterly  
☐ Annually

Adjustment Period (check one)

- ☒ Monthly  
☐ Quarterly  
☐ Annually

**Additional Premium Due After Expiration** -- When the premium for the coverage provided by this policy is based upon reports of value any additional premium owed to "us" is due on the due date that appears on the billing notice.

Construction Type	Project Type	Location/ or State	Rate
NEW CONSTRUCTION	FRAME, SINGLE FAMILY	TX	\$0.047
UNSOLD HOMES	FRAME, SINGLE FAMILY	TX	\$0.084
MODEL HOMES &	FRAME, SINGLE FAMILY	TX	\$0.063
CONTENTS			

**PREMIUMS:**

Deposit Premium \$ 2,000

Minimum Premium \$ 2,000

## WINDSTORM OR HAIL DEDUCTIBLE

(The entries required to complete this endorsement will be shown below or on the " schedule of coverages ".)

### SCHEDULE

Covered Location	Deductible Amount
VARIOUS LOCATIONS IN SOUTH TEXAS	\$ 2,500 PER LOCATION
	\$
	\$
	\$
	\$

The "terms" of this endorsement apply to the buildings or structures that are described on the schedule for Windstorm or Hail Deductible.

All other "terms" of this policy apply.

2. **Percentage Deductible** -- When a 1%, 2%, 5% or other windstorm or hail percentage deductible is indicated on the schedule, "we" pay only that part of "your" loss over the deductible amount in any one occurrence.

The deductible amount is determined by applying the percentage to the value of the covered property that is involved in the loss. The value is determined by the provisions described under the Valuation section of your policy.

The windstorm or hail percentage deductible applies separately to:

### HOW MUCH WE PAY

The deductible provision under How Much We Pay is replaced by the following when loss to covered property identified on the schedule is caused by or results from windstorm or hail:

1. **Flat Deductible** -- When a flat dollar windstorm or hail deductible is indicated on the schedule, "we" pay only that part of "your" loss over the deductible amount in any one occurrence.

- a. each building or structure, including business personal property within each building or structure;
- b. business personal property located in each building or structure that is not covered by this policy; and
- c. business personal property in the open or in a vehicle.

## TRADE-IN AND UNSOLD PROPERTIES

(The entries required to complete this endorsement  
will be shown below or on the "schedule of coverages".)

	Limit
The most "we" pay for loss to any one Trade-In Property or Unsold Property is:	\$ <u>125,000</u>
The most "we" pay in any one occurrence for loss to all Trade-In and Unsold Properties is:	\$ <u>3,500,000</u>

### SUPPLEMENTAL COVERAGES

1. **Trade-In Property Coverage** -- "We" cover direct physical loss to a trade-in property caused by a covered peril as describe in this endorsement.

Trade-in property means a vacant and unoccupied completed dwelling owned by "you" that was taken in trade by "you" for credit on a new home constructed by "you".

2. **Unsold Properties Coverage** -- "We" cover direct physical loss to an unsold property caused by a covered peril as describe in this endorsement.

Unsold property means a vacant and unoccupied completed dwelling owned by "you" that was previously insured by "us" as a building in the course of construction or as a Home Pending Sale.

3. **Coverage Limitations** -- "We" only cover trade-in property and unsold property:
  - a. that is described on a schedule that "you" submit to "us" and that "we" keep on file; and

b. until such time as:

- 1) the property has been sold;
- 2) the title to the property has been transferred to a buyer; or
- 3) "your" interest in the property ceases.

4. **We Do Not Cover** -- "We" do not cover trade-in property or unsold property that have been occupied in whole or in part for more than 30 consecutive or nonconsecutive days.

### PERILS COVERED

1. **Property That Has Been Vacant For Up To 60 Days** -- "We" cover trade-in property and unsold property that has been vacant for up to 60 days for risks of direct physical loss unless the loss is limited or caused by a peril that is excluded under the Residential Builders' Coverage form.
2. **Property That Has Been Vacant For More Than 60 Days** -- "We" cover trade-in property and unsold property that has been vacant for more than 60 days for risks of direct physical loss caused by or resulting from a peril listed below unless the loss is limited or caused by a peril that is excluded under the Residential Builders' Coverage form:

- a. Vandalism;
- b. sprinkler leakage, however, "we" do not cover sprinkler leakage unless "you" have protected the system against freezing;
- c. building glass breakage;
- d. water damage, water damage means the accidental discharge or leakage of water or steam as the direct result of the breaking or cracking of any part of a system or appliance containing water or steam; or
- e. theft or attempted theft.

---

**IM 5053 0505**

## MODEL HOMES AND SALES OFFICES SCHEDULE

(The entries required to complete this schedule  
will be shown below or on the "schedule of coverages".)

---

### INVENTORY AT POLICY INCEPTION

---

The following is agreed to be the total inventory value of  
"your" model homes and sales offices on the  
date indicated: \$20,000 Date 10/13/2017

The following is agreed to be the total inventory value of  
the contents in "your" model homes and sales offices on the  
date indicated: \$20,000 Date 10/13/2017

---

### MODEL HOMES AND SALES OFFICES

---

The most "we" pay for loss to any one model home or sales  
office is: \$125,000

The most "we" pay in any one occurrence for loss to all  
model homes or sales offices is: \$ 125,000

---

### NEWLY ACQUIRED MODEL HOMES AND SALES OFFICES

---

The most "we" pay for loss to any one newly acquired  
model home or sales office is: \$125,000

The most "we" pay in any one occurrence for loss to all newly  
acquired model homes or sales offices is: \$125,000

---

### DEDUCTIBLE

---

Deductible Amount: \$ 1,000

---

This endorsement changes the  
Inland Marine Coverage  
-- PLEASE READ THIS CAREFULLY --

---

## WINDSTORM, WIND AND HAIL EXCLUSION FOR EXCLUDED TERRITORIES, STATES OR COUNTIES

(The entries required to complete this endorsement  
will be shown below or on the "schedule of coverages".)

---

### PERILS EXCLUDED

---

The exclusion is added under Perils Excluded:

**Windstorm, Wind and Hail** - "We" do not pay for loss or damage caused by or resulting from windstorm, wind (including wind driven rain) or hail to covered property in Tier 1 counties in the listed state(s) or the listed territory, state or county. Such loss or damage is excluded regardless of other causes or events that contribute to or aggravate the loss, whether such causes or events act to produce the loss before, at the same time as, or after the excluded cause or event.

**Check if applicable:**

☒ "You" and "We" agree there is no coverage for windstorm, wind (including wind driven rain) or hail in a Tier 1 County in the following listed state(s). A Tier 1 County is defined as any county that borders and/or touches the ocean, whether it is the Atlantic Ocean, Pacific Ocean or the Gulf of Mexico.

All States & the Entire of Florida

☒ "You" and "We" agree there is no coverage for windstorm, wind (including wind driven rain) or hail in the following territories, counties or states:

Texas; Harris County East of Highway 146, Harris County East of US 59 and North of I-10 -- Harris County East of Highway 288 & South of I-10  
Harris County South of I-10 & East of I-45 -- Orange County South of I-10 -- Jackson County South of Us 59 -- Victoria County South of US 59.

This includes but is not limited to, the following towns in Harris County: Bacliff, Baytown, Deer Park, Dickinson, La Porte, League City, Morgan's Point, Nassau Bay, Pasadena, Seabrook, Shore Acres

**Other Terms** -- All other "terms" of your policy remain the same.

---

**ELECTRONIC DATA PROCESSING  
SCHEDULE OF COVERAGES  
SCHEDULED LIMITS**

(The information required below may be indicated on  
a separate schedule or supplemental declarations.)

---

**DESCRIBED PREMISES**

---

Loc.  
No.

**LOCATIONS**

1	1420 ERIE AVENUE, MCALLEN, TX 78501
2	120-134 WEST 5TH STREET, WESLACO, TX 78596
3	500 SOUTH 15TH STREET, MCALLEN, TX 78501
4	514 SOUTH 16TH STREET, MCALLEN, TX 78501
5	517 SOUTH 16TH STREET, MCALLEN, TX 78501

Check if applicable:

☐ Attach Additional Locations Schedule to schedule more locations

## LOCATION LIMITS

Loc No.	"Hardware"	"Media"	"Programs and Applications"
1	\$ <u>52,688</u>	\$ <u>27,190</u>	\$ <u>NOT COVERED</u>
2	\$ <u>INCLUDED</u>	\$ <u>INCLUDED</u>	\$ <u>NOT COVERED</u>
3	\$ <u>INCLUDED</u>	\$ <u>INCLUDED</u>	\$ <u>NOT COVERED</u>
4	\$ <u>INCLUDED</u>	\$ <u>INCLUDED</u>	\$ <u>NOT COVERED</u>
5	\$ <u>INCLUDED</u>	\$ <u>INCLUDED</u>	\$ <u>NOT COVERED</u>
	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____

	"Data Records"	"Proprietary Programs"	Income Coverage
1	\$ <u>NOT COVERED</u>	\$ <u>NOT COVERED</u>	\$ <u>25,000</u>
2	\$ <u>NOT COVERED</u>	\$ <u>NOT COVERED</u>	\$ <u>INCLUDED</u>
3	\$ <u>NOT COVERED</u>	\$ <u>NOT COVERED</u>	\$ <u>INCLUDED</u>
4	\$ <u>NOT COVERED</u>	\$ <u>NOT COVERED</u>	\$ <u>INCLUDED</u>
5	\$ <u>NOT COVERED</u>	\$ <u>NOT COVERED</u>	\$ <u>INCLUDED</u>
	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____

---

## WEB SITE SERVER

---

**WEB SITE SERVER LIMITS:** (check if applicable)

☐ **On-Site Server**

**Server Coverage** -- The most "we" pay for loss to "on-site servers" in any one occurrence is:

\$ \_\_\_\_\_

**Software Coverage** -- The most "we" pay for loss to "Web site software" in "on-site servers" in any one occurrence is:

\$ \_\_\_\_\_

☐ **On-Site Server Coverage Under Hardware and Software**

Coverage for "on-site server" is provided under Hardware; and coverage for "Web site software" is provided under Software.

☐ **Off-Site Server**

**Server Coverage** -- The most "we" pay for loss to "off-site servers" in any one occurrence is:

\$ \_\_\_\_\_

**Software Coverage** -- The most "we" pay for loss to "Web site software" in "off-site servers" in any one occurrence is:

\$ \_\_\_\_\_

---

## EQUIPMENT COVERAGE PART

---

### COVERAGE EXTENSIONS

Additional Debris Removal Expenses \$ 10,000

Electrical and Power Supply Disturbance PER FORM

Emergency Removal 365 days

Emergency Removal Expenses \$ 2,500

Fraud and Deceit \$ 2,500

Mechanical Breakdown Coverage \$ PER FORM

**SUPPLEMENTAL COVERAGES**

Acquired Locations \$ 250,000  
Earthquake Coverage (check one)

- Coverage Provided ☐
- Coverage Not Provided ☒
- Refer To Earthquake, Flood and  
Sewer Backup Endorsement ☐

Flood Coverage (check one)

- Coverage Provided ☐
- Coverage Not Provided ☒
- Refer To Earthquake, Flood  
and Sewer Backup Endorsement ☐

Newly Purchased or Leased Hardware \$ 50,000

Off-Site Computers \$ 5,000

Pollutant Cleanup and Removal \$ 10,000

Property In Transit \$ 20,000

Protection and Control Systems \$ 10,000

Recharge of Fire Extinguishing Equipment \$ 15,000

Reproduction Equipment \$ 10,000

Rewards \$ 2,500

Sewer Backup (check one)

- Coverage Provided ☐
- Coverage Not Provided ☒
- Refer To Earthquake, Flood  
and Sewer Backup Endorsement ☐

**SUPPLEMENTAL COVERAGES (cont.)**

Software Storage	\$ <u>50,000</u>
Telecommunications Equipment	\$ <u>10,000</u>
Virus and Hacking Coverage	
- Limit Any One Occurrence	\$ <u>15,000</u>
- Limit Each Separate 12 month Period	\$ <u>30,000</u>

---

**DEDUCTIBLE AND COINSURANCE**

---

**DEDUCTIBLE**

	Deductible Amount
For all covered perils unless a different deductible is indicated below	\$ <u>1,000</u>
Earthquake and Volcanic Eruption	\$ _____
"Flood"	\$ _____
"Mechanical Breakdown", "Electrical Disturbance", and "Power Supply Disturbance"	\$ _____

**COINSURANCE**

"Hardware", "Media", and "Programs and Applications"

☒ Not Applicable

☐ 100% ☐ 90% ☐ 80% ☐ % ☐

"Data Records" and "Proprietary Programs"

☒ Not Applicable

☐ 100% ☐ 90% ☐ 80% ☐ % ☐

---

## INCOME COVERAGE PART

---

### COVERAGE OPTIONS (check one)

- Earnings and Extra Expense ☐
- Extra Expense only ☒
- Income Coverage Not Provided ☐

### INCOME COVERAGE EXTENSIONS

Interruption by Civil Authority 30 days

Period of Loss Extension 30 days

### SUPPLEMENTAL INCOME COVERAGES

Acquired Locations \$ 50,000

#### Earthquake Coverage (check one)

- Coverage Provided ☐
- Coverage Not Provided ☒
- Refer To Earthquake, Flood and  
Sewer Backup Endorsement ☐

#### Flood Coverage (check one)

- Coverage Provided ☐
- Coverage Not Provided ☒
- Refer To Earthquake, Flood  
and Sewer Backup Endorsement ☐

#### Off Premises Utility Service Interruption

- Limit \$ 10,000
- Overhead Transmission Lines Excluded (check if applicable) ☒
- Waiting Period 24 hours

Property In Transit \$ 10,000

**SUPPLEMENTAL INCOME COVERAGES (cont.)**

Sewer Backup (check one)

- Coverage Provided ☐
- Coverage Not Provided ☒
- Refer To Earthquake, Flood  
and Sewer Backup Endorsement ☐

Virus and Hacking Coverage

- Limit Any One Occurrence \$ 25,000
- Limit Each Separate 12 month Period \$ 75,000
- Waiting Period 24 hours

**INCOME COVERAGE OPTIONS**

Income Coverage Waiting Period (check one)

- ☐ Not Applicable
- ☒ Waiting Period 24 hours

Coinsurance (check one)

- ☒ Not Applicable
- ☐ 100% ☐ 90% ☐ 80% ☐ % ☐

**OPTIONAL COVERAGES AND ENDORSEMENTS**

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## LOSS PAYABLE SCHEDULE

(The entries required to complete this schedule  
will be shown below or on the "schedule of coverages".)

Indicate applicable provision:

- ☒ Loss Payable  
☐ Lender's Loss Payable  
☐ Contract of Sale

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### SCHEDULE

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Location Number	Address	Covered Property	Name and Address of Loss Payable
			NEIGHBORWORKS CAPITAL
			CORPORATION ISAOA
			8484 GEORGIA AVE, STE 330
			SILVER SPRING, MD 20910



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ THIS CAREFULLY.

MORTGAGEE SCHEDULE

SALT LAKE NEIGHBORHOOD HOUSING SERVICES, INC.  
622 WEST 500 NORTH  
SALT LAKE CITY, UT 84116  
RE: LOCATION 1, 1420 ERIE AVENUE, MCALLEN, TX 78501

INTERNATIONAL BANK OF COMMERCE  
PO BOX 579  
MCALLEN, TX 78501  
RE: LOCATION 2, 120-134 WEST 5TH STREET, WESLACO, TX 78596

COMPASS BANK  
3900 NORTH 10TH STREET, SUITE 200  
MCALLEN, TX 78501  
RE: LOCATION 3, 500 SOUTH 15TH STREET, MCALLEN, TX 78501

VANTAGE BANK TEXAS  
PO BOX 790570  
SAN ANTONIO, TX 78279  
RE: LOCATION 4, 514 SOUTH 16TH STREET, MCALLEN, TX 78501  
LOCATION 5, 517 SOUTH 16TH STREET, MCALLEN, TX 78501

**Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, agreements or limitations of the policy other than as above stated.**

(Completion of the following, including countersignature, is required to make this endorsement effective only when it is issued subsequent to preparation of the Policy.)

Effective \_\_\_\_\_ this endorsement forms a part of Policy No. \_\_\_\_\_

Issued to \_\_\_\_\_

By \_\_\_\_\_

Date of Issue \_\_\_\_\_

Countersigned by \_\_\_\_\_  
Authorized Representative of the Company

A \_\_\_\_\_



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ THIS CAREFULLY.

This endorsement changes the RESIDENTIAL BUILDERS COVERAGE FORM, IM5050 05/05.

#### TERRITORIAL LIMITS

#### OTHER CONDITIONS AMENDMENT

Item 11. Territorial Limits under Other Conditions is amended as follows:

11. Territorial Limits — "We" cover property while located in the State of Texas only.

Any property or job site in another State must be submitted to "us" for approval.

**Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, agreements or limitations of the policy other than as above stated.**

(Completion of the following, including countersignature, is required to make this endorsement effective only when it is issued subsequent to preparation of the Policy.)

Effective \_\_\_\_\_ this endorsement forms a part of Policy No. \_\_\_\_\_

Issued to \_\_\_\_\_

By \_\_\_\_\_

Date of Issue \_\_\_\_\_

Countersigned by \_\_\_\_\_  
Authorized Representative of the Company

B



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ THIS CAREFULLY.

This endorsement changes the RESIDENTIAL BUILDERS COVERAGE FORM, IM5050 05/05.

#### UNSOLD PROPERTIES ENDORSEMENT

1. Unsold Properties Coverage – “We” cover direct physical loss to an unsold property caused by a covered peril as described in this endorsement.
2. Unsold property means a vacant and unoccupied completed dwelling owned by “you” that was previously insured by “us” as a building in the course of construction or as a Home Pending Sale or a vacant and unoccupied completed dwelling insured by “your” prior insurance carrier as a building in the course of construction or as a Home Pending Sale as per schedule on file with “us”.
3. Coverage Limitations – “We” only cover unsold property:
  - a. That is described on a schedule that “you” submit to “us” and that “we” keep on file; and
  - b. Until such time as:
    - i. the property has been sold;
    - ii. the title to the property has been transferred to a buyer; or
    - iii. “your” interest in the property ceases.
4. We Do Not Cover – “We” do not cover unsold property that has been occupied in whole or in part for more than 30 consecutive or nonconsecutive days.

**Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, agreements or limitations of the policy other than as above stated.**

(Completion of the following, including countersignature, is required to make this endorsement effective only when it is issued subsequent to preparation of the Policy.)

Effective \_\_\_\_\_ this endorsement forms a part of Policy No. \_\_\_\_\_

Issued to \_\_\_\_\_

By \_\_\_\_\_

Date of Issue \_\_\_\_\_

Countersigned by \_\_\_\_\_  
Authorized Representative of the Company

C (1 OF 2)



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ THIS CAREFULLY.

#### UNSOLD PROPERTIES ENDORSEMENT

##### 5. Time Limitation and Covered Perils –

Property That Is Unsold (up to 12 months) – "We" cover unsold property that has been completed and vacant for a period of not more than 12 months after the construction of a building or structure has begun for risks of direct physical loss unless the loss is limited or caused by peril that is excluded under the Residential Builders' Coverage form.

Property That Is Unsold (12 months to 24 months) -- "We" cover unsold property that has been completed and vacant for a period of not less than 12 months nor more than 24 months after the construction of a building or structure has begun for risks of direct physical loss caused by or resulting from a peril listed below unless the loss is or caused by peril that is excluded under the Residential Builders' Coverage form.

- a. Vandalism;
- b. sprinkler leakage, however, "we" do not cover sprinkler leakage unless "you" have protected the system against freezing;
- c. building glass breakage;
- d. water damage, water damage means the accidental discharge or leakage of water or steam as the direct result of the breaking or cracking of any part of a system or appliance containing water or steam; or
- e. theft or attempted theft.

##### 6. Rates -

- a. \$.136 on inventory with new construction starts between 12 to 24 months after the construction of a building or structure has begun.

##### 7. Deductible -

- a. \$5,000

**Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, agreements or limitations of the policy other than as above stated.**

(Completion of the following, including countersignature, is required to make this endorsement effective only when it is issued subsequent to preparation of the Policy.)

Effective

this endorsement forms a part of Policy No.

Issued to

By

Date of Issue

Countersigned by \_\_\_\_\_  
Authorized Representative of the Company

C (2 OF 2)



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**ADDITIONAL INSURED SCHEDULE**

NEIGHBORWORKS CAPITAL CORPORATION ISAOA  
8484 GEORGIA AVE, STE 330  
SILVER SPRING, MD 20910

**Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, agreements or limitations of the policy other than as above stated.**

(Completion of the following, including countersignature, is required to make this endorsement effective only when it is issued subsequent to preparation of the Policy.)

Effective \_\_\_\_\_ this endorsement forms a part of Policy No. \_\_\_\_\_

Issued to \_\_\_\_\_

By \_\_\_\_\_

Date of Issue \_\_\_\_\_ Countersigned by \_\_\_\_\_  
Authorized Representative of the Company

D \_\_\_\_\_

## COMMON POLICY CONDITIONS

1. **Assignment** -- This policy may not be assigned without "our" written consent.
2. **Cancellation** -- "You" may cancel this policy by returning the policy to "us" or by giving "us" written notice and stating at what future date coverage is to stop.

"We" may cancel this policy, or one or more of its parts, by written notice sent to "you" at "your" last mailing address known to "us". If notice of cancellation is mailed, proof of mailing will be sufficient proof of notice.

If "we" cancel this policy for nonpayment of premium, "we" will give "you" notice at least ten days before the cancellation is effective. If "we" cancel this policy for any other reason, "we" will give "you" notice at least 30 days in advance of cancellation. The notice will state the time that the cancellation is to take effect.

"Your" return premium, if any, will be calculated according to "our" rules. It will be refunded to "you" with the cancellation notice or within a reasonable time. Payment or tender of the unearned premium is not a condition of cancellation.

3. **Change, Modification, or Waiver of Policy Terms** -- A waiver or change of the "terms" of this policy must be issued by "us" in writing to be valid.
4. **Inspections** -- "We" have the right, but are not obligated, to inspect "your" property and operations at any time. This inspection may be made by "us" or may be made on "our" behalf. An inspection or its resulting advice or report does not warrant that "your" property or operations are safe, healthful, or in compliance with laws, rules, or regulations. Inspections or reports are for "our" benefit only.
5. **Examination of Books and Records** -- "We" may examine and audit "your" books and records that relate to this policy during the policy period and within three years after the policy has expired.

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**CL 0100 03 99**

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## AMENDATORY ENDORSEMENT TEXAS

1. If this policy has been issued to a governmental unit, as defined under Texas regulations, under Common Policy Conditions, Cancellation is deleted and replaced by the following:

### Cancellation And Nonrenewal

- a. "You" may cancel this policy at any time by notifying "us" of the date cancellation is to take effect. "We" will send "you" any refund due when the policy is returned to "us".
- b. "We" may cancel or not renew this policy by delivering or mailing written notice to "you" at the address shown in the policy. Such notice may be delivered by electronic means if "you" have affirmatively consented to that method of delivery and have not withdrawn such consent. Proof of delivery or mailing is sufficient proof of notice. The notice will state the reason for cancellation or nonrenewal.
- c. If this policy has been in effect for less than 90 days, "we" may cancel for any reason, except that under the provisions of the Texas Insurance Code, "we" may not cancel solely because "you" are an elected official.

If this policy has been in effect for 90 days or more, or if it is a renewal of a policy issued by "us", "we" may cancel only if one or more of the following reasons apply:

- 1) "you" have not paid any portion of the premium when due;
- 2) "you" have submitted a fraudulent claim;
- 3) there has been an increase in the hazard covered by this policy that is within "your" control and that would produce a rate increase; or

- 4) the department has determined that continuation of the policy would result in a violation of the Texas Insurance Code or any other law governing the business of insurance in the state.

"We" will give "you" notice at least 10 days before cancellation is effective.

- d. If "we" do not renew this policy, "we" will give "you" notice at least 30 days before nonrenewal is effective. "We" may nonrenew for any reason except that, under the provisions of the Texas Insurance Code, "we" may not nonrenew solely because "you" are an elected official.
- e. "Your" return premium, if any, will be calculated on a pro rata basis and will be refunded at the time of cancellation or as soon as practicable. Payment or tender of the unearned premium is not a condition of cancellation.

2. If this policy has not been issued to a governmental unit, as defined under Texas regulations, under Common Policy Conditions, Cancellation is deleted and replaced by the following:

### Cancellation And Nonrenewal

- a. "You" may cancel this policy by returning the policy to "us" or by giving "us" written notice and stating the date coverage is to stop.
- b. "We" may cancel or not renew this policy by delivering or mailing written notice to "you" at the address shown in the policy. Such notice may be delivered by electronic means if "you" have affirmatively consented to that method of delivery and have not withdrawn such consent. Proof of delivery or mailing is sufficient proof of notice. The notice will state the reason for cancellation or nonrenewal.

- c. If this policy has been in effect for 60 days or less, "we" may cancel for any reason, except that under the provisions of the Texas Insurance Code, "we" may not cancel this policy solely because "you" are an elected official.

If this policy has been in effect for more than 60 days, or if it is a renewal of a policy issued by "us", "we" may cancel only if one or more of the following reasons apply:

- 1) the premium has not been paid when due;
- 2) there has been fraud committed in obtaining coverage;
- 3) there has been an increase in hazard within "your" control that would produce a rate increase;
- 4) there has been a loss of "our" reinsurance covering all or part of the risk covered by this policy; or
- 5) "we" have been placed in supervision, conservatorship, or receivership and the cancellation has been approved or directed by the supervisor, conservator, or receiver.

"We" will give "you" notice at least 10 days before cancellation is effective.

- d. If "we" do not renew this policy, "we" will give "you" notice at least 60 days before nonrenewal is effective. "We" may nonrenew for any reason except that, under the provisions of the Texas Insurance Code, "we" may not nonrenew solely because "you" are an elected official.

If such notice is given to "you" later than 60 days before nonrenewal is effective, coverage remains in effect until the 61st day after the date on which the notice is provided. Earned premium for any period of coverage that extends beyond the expiration date of this policy will be computed pro rata based on the rate charged for the expired policy.

The transfer of a policyholder between admitted companies within the same insurance group is not considered a refusal to renew.

- e. "Your" return premium, if any, will be calculated on a pro rata basis and will be refunded at the time of cancellation or as soon as practicable. Payment or tender of the unearned premium is not a condition of cancellation.

## VIRUS OR BACTERIA EXCLUSION

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### DEFINITIONS

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#### Definitions Amended --

When "fungus" is a defined "term", the definition of "fungus" is amended to delete reference to a bacterium.

When "fungus or related perils" is a defined "term", the definition of "fungus or related perils" is amended to delete reference to a bacterium.

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### PERILS EXCLUDED

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The additional exclusion set forth below applies to all coverages, coverage extensions, supplemental coverages, optional coverages, and endorsements that are provided by the policy to which this endorsement is attached, including, but not limited to, those that provide coverage for property, earnings, extra expense, or interruption by civil authority.

1. The following exclusion is added under Perils Excluded, item 1.:

#### Virus or Bacteria --

"We" do not pay for loss, cost, or expense caused by, resulting from, or relating to any virus, bacterium, or other microorganism that causes disease, illness, or physical distress or that is capable of causing disease, illness, or physical distress.

This exclusion applies to, but is not limited to, any loss, cost, or expense as a result of:

- a. any contamination by any virus, bacterium, or other microorganism; or
  - b. any denial of access to property because of any virus, bacterium, or other microorganism.
2. **Superseded Exclusions** -- The Virus or Bacteria exclusion set forth by this endorsement supersedes the "terms" of any other exclusions referring to "pollutants" or to contamination with respect to any loss, cost, or expense caused by, resulting from, or relating to any virus, bacterium, or other microorganism that causes disease, illness, or physical distress or that is capable of causing disease, illness, or physical distress.

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### OTHER CONDITIONS

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#### Other Terms Remain in Effect --

The "terms" of this endorsement, whether or not applicable to any loss, cost, or expense, cannot be construed to provide coverage for a loss, cost, or expense that would otherwise be excluded under the policy to which this endorsement is attached.

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CL 0700 10 06

## AMENDATORY ENDORSEMENT TEXAS

1. Under Definitions, the following is added:

"Business Day" means a day other than Saturday, Sunday, or a holiday recognized by the state of Texas.
2. Under Definitions, the definition of "pollutant" is deleted and replaced by the following:

"Pollutant" means any solid, liquid, gaseous, or thermal irritant or contaminant, including acids, alkalis, chemicals, fumes, smoke, soot, vapor, and waste. Waste includes materials to be disposed of as well as recycled, reclaimed, or reconditioned.
3. Under Perils Excluded, items 3) and 4) of Defects, Errors, and Omissions are deleted.
4. Under Perils Excluded, Increased Hazard is deleted and replaced by the following:

**Increased Hazard** -- "We" do not pay for loss occurring while the hazard has been increased if such increase in hazard is not usual and incidental to the described occupancy. This exclusion only applies to fire losses.
5. Under Perils Excluded, Seepage is deleted and replaced by the following:

**Seepage** -- "We" do not pay for loss caused by, or resulting from, continuous or repeated seepage or leakage from within a plumbing, heating, or air-conditioning system, or domestic appliance that:

  - a. results in deterioration, rust, mold, or wet or dry rot; or
  - b. occurs over a period of 14 days or more.
6. In the Property Coverage Part, under What Must Be Done In Case Of Loss, the first paragraph of Proof of Loss is deleted and replaced by the following:

"You" must send "us" "your" signed, sworn proof of loss within 91 days of "our" request on a standard form supplied by "us". "We" must request a signed, sworn proof of loss within 15 days after "we" receive "your" written notice of claim, or "we" waive "our" right to require proof of loss. Such waiver will not waive "our" rights under this policy. The proof of loss must include the following information:
7. In the Property Coverage Part, under What Must Be Done In Case Of Loss, Records is amended to include the following:

"You" will not be required, as a condition of settling a claim, to produce "your" federal income tax returns unless:

  - a. "you" have been ordered to produce such tax returns by a court; or
  - b. the claim involves:
    - 1) a fire loss; or
    - 2) a loss of profits or income.
8. In the Crime Coverage Part, if applicable, under What Must Be Done In Case Of Loss, the first paragraph of Proof of Loss For Crime Coverage is deleted and replaced by the following:

"You" must send "us" "your" signed, sworn proof of loss within 120 days of "our" request on a standard form supplied by "us". "We" must request a signed, sworn proof of loss within 15 days after "we" receive "your" written notice of claim, or "we" waive "our"

right to require proof of loss. Such waiver will not waive "our" rights under this policy. The proof of loss must include the following information:

9. Under What Must Be Done In Case Of Loss, the following provision is added:

**Our Duties** -- "Our" duties in the event of loss are as follows:

- a. Within 15 days after "we" receive "your" written notice of claim, "we" must:
- 1) acknowledge receipt of the claim. If "our" acknowledgment of the claim is not in writing, "we" will keep a record of the date, method, and content of "our" acknowledgment;
  - 2) begin any investigations of the claim; and
  - 3) specify the information "you" must provide in accordance with What Must Be Done In Case Of Loss.

"We" may request more information, if during the investigation of the claim such additional information is necessary.

- b. After "we" receive the information "we" request, "we" must notify "you" in writing whether "your" claim will be paid or has been denied or whether more information is needed:

- 1) within 15 "business days"; or
- 2) within 30 days if "we" have reason to believe the loss resulted from arson.

- c. If "we" do not approve payment of "your" claim or need more time for processing "your" claim, "we" must:

- 1) give the reasons for denying "your" claim; or
- 2) give the reasons "we" require more time to process "your" claim. But, "we" must either approve or deny "your" claim within 45 days after requesting more time.

10. Under Valuation, the following provision is added:

**Total Loss** -- In accordance with Texas Insurance Code Section 862.053, a fire insurance policy, in case of a total loss by fire of property insured, shall be held and considered to be a liquidated demand against the company for the full amount of such policy. The provisions of this section shall not apply to personal property.

11. Under Loss Payment, the last paragraph of Our Options is deleted and replaced by the following:

"We" will give "you" notice of our intentions when "we" notify "you" of the status of "your" claim.

12. Under Loss Payment, Your Losses is deleted and replaced by the following:

**Your Losses** -- "We" will adjust all losses with "you". Payment will be made to "you" unless another loss payee is named in the policy.

If "we" notify "you" that "we" will pay "your" claim, or part of "your" claim, "we" must pay within five "business days" after "we" notify "you".

If payment of "your" claim or part of "your" claim requires the performance of an act by "you", "we" must pay within five "business days" after the day "you" perform the act.

13. Under Other Conditions, Restoration of Limits is deleted and replaced by the following:

**Restoration of Limits** -- Any payment "we" make under the Commercial Output Program coverage for loss to real property by fire will reduce the "limit" applicable to that real property by the amount of such loss. As repairs are made, the amount reduced will be reinstated to the extent of the value of the repairs. The reinstatement will not increase the specified "limits" of insurance.

Except as indicated above or with respect to the Supplemental Coverages - Pollutant Cleanup and Removal and Supplemental Marine Coverages - Virus and Hacking Coverage, no other loss "we" pay under this policy will reduce the "limits" applying to a later loss.

14. Under Other Conditions, item b. of Suit Against Us is deleted and replaced by the following:

- b. the suit has been brought within two years and one day from the date the cause of action first accrues.

If any applicable law makes this limitation invalid, the suit must begin within the shortest period permitted by the law.

15. Under Other Conditions, the following condition is added:

**Premiums** -- The premium shown on the "schedule of coverages" was computed based on rates in effect at the time the policy was issued.

Undeclared exposures or change in "your" business operation, acquisition, or use of locations may occur during the policy period that are not shown on the "schedule of coverages". If so, "we" may require an additional premium. That premium will be determined in accordance with "our" rates and rules then in effect.

16. Under Other Conditions, Mortgage Provisions is deleted and replaced by the following:

**Mortgage Provisions** -- If a mortgagee (mortgage holder) is named in this policy, loss to Building Property shall be paid to the mortgagee and "you" as their interest appears. If more than one mortgagee is named, they shall be paid in order of precedence.

The insurance for the mortgagee continues in effect even when "your" insurance may be void because of "your" acts, neglect, or failure to comply with the coverage "terms". The insurance for the mortgagee does not continue in effect if the mortgagee is aware of changes in ownership or substantial increase in risk and does not notify "us" or if the mortgagee does not submit a signed, sworn proof of loss within 91 days after receiving notice from "us" of "your" failure to submit a signed, sworn proof of loss.

If "we" cancel this policy, "we" notify the mortgagee at least 14 days before the effective date of cancellation if "we" cancel for "your" nonpayment of premium, or 30 days before the effective date of cancellation if "we" cancel for any other reason.

If "you" cancel this policy, "we" will notify the mortgagee at least ten days before the date cancellation takes effect.

"We" may request payment of the premium from the mortgagee, if "you" fail to pay the premium.

If "we" pay the mortgagee for a loss where "your" insurance may be void, the mortgagee's right to collect that portion of the mortgage debt from "you" then belongs to "us". This does not affect the mortgagee's right to collect the remainder of the mortgage debt from "you".

As an alternative, "we" may pay the mortgagee the remaining principal and accrued interest in return for a full assignment of the mortgagee's interest and any instruments given as security for the mortgage debt.

If "we" choose not to renew this policy, "we" give written notice to the mortgagee at least ten days before the expiration date of this policy.

17. Under Other Conditions, the following condition is added:

**Catastrophe Claims** -- If a claim results from a weather-related catastrophe or a major natural disaster, each claim handling deadline shown under What Must Be Done In Case Of Loss and Loss Payment is extended for an additional 15 days.

A catastrophe or major natural disaster is a weather-related event which is declared a disaster under the Texas Disaster Act of 1975 or is determined to be a catastrophe by the Texas Department of Insurance.

18. Under Other Conditions, the following is added:

**Bankruptcy** -- Bankruptcy or insolvency of "you" or "your" estate will not relieve "us" of "our" obligations under any legal liability coverage for loss or damage to property of others that is in "your" care, custody, or control and is caused by an "accident" to "covered equipment".

19. In the Equipment Breakdown Coverage Part, if applicable, under Coverage Extensions, item f. of Defense Costs, is deleted and replaced by the following:

- f. Interest that is awarded against "you" before the entry of a judgment. If "we" make an offer to pay the applicable "limit" of insurance, "we" will not pay any prejudgment interest based on that period of time after the offer.

## AMENDATORY ENDORSEMENT TEXAS

This mandatory endorsement must be attached to all Texas policies.

1. Under Definitions, the following definition is added:

"Business day" means a day other than Saturday, Sunday, or a holiday recognized by the state of Texas.

2. Under Definitions, if applicable, the definition of "pollutants" is deleted and replaced by the following:

"Pollutant" means:

- a. any solid, liquid, gaseous, or thermal irritant or contaminant;
- b. electromagnetic (visible or invisible) or sound emission; or
- c. waste, including materials to be disposed of as well as recycled, reclaimed, or reconditioned.

3. Under What Must Be Done In Case Of Loss, Notice is deleted and replaced by the following:

**Notice** -- "You" must promptly notify "us" or "our" agent in the event of a loss. The notice must be in writing. "You" must promptly notify the police if the loss may have been the result of a violation of the law.

4. Under What Must Be Done In Case Of Loss, You Must Protect Property is deleted and replaced by the following:

**You Must Protect Property** -- "You" must take all reasonable steps to protect covered property at and after an insured loss to avoid further loss.

- a. **Payment Of Reasonable Costs** -- "We" will pay the reasonable costs incurred by "you" for necessary repairs or emergency measures performed solely to protect covered property from further damage by a peril insured against.

"You" must keep an accurate record of such costs.

- b. **We Do Not Pay** -- "We" do not pay for such repairs or emergency measures performed on property which has not been damaged by a peril insured against.

5. Under What Must Be Done In Case Of Loss, Proof Of Loss is deleted and replaced by the following:

**Proof Of Loss** -- Upon request, "you" must send "us" a signed, sworn proof of loss within 91 days of the request on a form supplied by "us".

"We" must request a signed, sworn proof of loss within 15 days after receipt of "your" written notice or "we" waive "our" right to require a proof of loss. Such waiver will not waive "our" other rights under this policy.

- a. This proof of loss will state, to "your" best knowledge and belief:

- 1) the time and cause of loss;
- 2) "your" interest and all other's interest in the property involved including all liens on the property;
- 3) other insurance which may cover the loss;
- 4) the actual cash value of each item of property and the amount of loss to each item; and

- 5) if applicable, the name of the occupant and the occupancy of the building at the time of the loss.
- b. If this policy provides replacement cost coverage and "you" elect to make a claim under the "terms" of the replacement cost provision, this proof of loss will also state, to "your" best knowledge and belief:
  - 1) the replacement cost of the described property; and
  - 2) the full cost of repair or replacement of loss without deduction for depreciation.
6. In the Data Compromise Coverage form under What Must Be Done In Case Of A Personal Data Compromise, Sworn Statement is deleted and replaced by the following:
 

**Sworn Statement** -- "You" must send "us", within 91 days after "our" request, a signed, sworn statement. "We" will provide "you" with the necessary forms.
7. Under What Must Be Done In Case Of Loss, Examination is deleted and replaced by the following:
 

**Examination** -- As often as "we" may reasonably require, "you" must submit to examination under oath and sign and swear to it.
8. Under What Must Be Done In Case Of Loss, Records is amended to include the following:
 

"You" will not be required, as a condition of settling a claim, to produce "your" federal income tax returns unless:

  - a. "you" have been ordered to produce such tax returns by a court; or
  - b. the claim involves:
    - 1) a fire loss; or
    - 2) a loss of profits or income.
9. Under What Must Be Done In Case Of Loss, Damaged Property is deleted and replaced by the following:
 

**Damaged Property** -- As often as "we" may reasonably require, "you" must permit "us" to have access to the damaged property before it is disposed of or repaired.
10. Under Loss Payment, the following provision is added:
 

**Acceptance Or Rejection Of Claim** --

  - a. Within 15 days after "we" receive written notice of claim, "we" must:
    - 1) acknowledge receipt of the claim; if the acknowledgment of the claim is not in writing, "we" will keep a record of the date, method, and content of the acknowledgment;
    - 2) begin any investigation of the claim; and
    - 3) specify the information "you" must provide in accordance with the "terms" of the Proof Of Loss condition.
  - b. "We" may request more information, if during the investigation of the claim such additional information is necessary.
  - c. After "we" receive the information requested, "we" must notify "you" in writing whether the claim will be paid or has been denied or whether more information is necessary:
    - 1) within 15 business days; or
    - 2) within 30 days if "we" have reason to believe the loss resulted from arson.
  - d. If "we" do not approve payment of the claim or require more time for processing the claim, "we" must:

- 1) give the reasons for denying the claim; or
- 2) give the reasons "we" require more time to process the claim. But, "we" must either approve or deny the claim within 45 days after requesting more time.

11. Under Loss Payment, Your Losses, Conditions For Payment Of Loss is deleted and replaced by the following:

**Conditions For Payment Of Loss** -- If "we" notify "you" that payment of the claim or part of the claim will be made, "we" must make payment within five "business days" after "our" notification to "you".

If payment of the claim or part of the claim requires the performance of an act by "you", "we" must make payment within five "business days" after the date "you" perform the act.

12. Under Other Conditions, the following condition is added:

**Catastrophe Claims** -- If a claim results from a weather related catastrophe or a major natural disaster, each claim handling deadline shown under What Must Be Done In Case Of Loss and Loss Payment is extended for an additional 15 days.

Catastrophe or Major Natural Disaster means a weather related event which:

- a. is declared a disaster under the Texas Disaster Act of 1975; or
- b. is determined to be a catastrophe by the Texas Department of Insurance.

13. In all coverage forms except Cold Storage Locker Coverage, Contingent Cargo Coverage, Motor Truck Cargo Legal Liability Coverage, Riggers' Legal Liability Coverage, and Warehouse Legal Liability Coverage, under Other Conditions, paragraph b. of Suit Against Us is deleted and replaced by the following:

- b. the suit has been brought within two years and one day from the date the cause of action first accrues.

14. In the Data Compromise Coverage form under Other Conditions, paragraph b. of Legal Action Against Us is deleted and replaced by the following:

- b. the suit has been brought within two years and one day after the cause of action first accrues.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

## **TRADE OR ECONOMIC SANCTIONS ENDORSEMENT**

This insurance does not apply to the extent that trade or economic sanctions or other laws or regulations prohibit us from providing insurance, including, but not limited to, the payment of claims.

ALL OTHER TERMS, CONDITIONS, AND EXCLUSIONS REMAIN UNCHANGED.

## CERTIFIED ACT OF TERRORISM EXCLUSION

1. The following definition is added.

"Certified act of terrorism" means an act that is certified by the Secretary of the Treasury, in consultation with the Secretary of Homeland Security, and the Attorney General of the United States:

- a. to be an act of terrorism;
- b. to be a violent act or an act that is dangerous to human life, property, or infrastructure;
- c. to have resulted in damage:
  - 1) within the United States; or
  - 2) to an air carrier (as defined in section 40102 of title 49, United States Code); to a United States flag vessel (or a vessel based principally in the United States, on which United States income tax is paid and whose insurance coverage is subject to regulation in the United States), regardless of where the loss occurs; or at the premises of any United States mission;
- d. to have been committed by an individual or individuals, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion; and
- e. to have resulted in insured losses in excess of five million dollars in the aggregate, attributable to all types of insurance subject to the Terrorism Risk Insurance Act, as amended.

2. The following exclusion is added.

### **CERTIFIED ACT OF TERRORISM EXCLUSION**

"We" will not pay for loss or damage caused directly or indirectly by a "certified act of terrorism". Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

3. The following provisions are added.

- a. Neither the "terms" of this endorsement nor the "terms" of any other terrorism endorsement attached to this Coverage Part provide coverage for any loss that would otherwise be excluded by this Coverage Part under:
  - 1) exclusions that address war, military action, or nuclear hazard; or
  - 2) any other exclusion; and
- b. the absence of any other terrorism endorsement does not imply coverage for any loss that would otherwise be excluded by this Coverage Part under:
  - 1) exclusions that address war, military action, or nuclear hazard; or
  - 2) any other exclusion.

## COMMERCIAL OUTPUT PROGRAM PROPERTY COVERAGE PART

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### AGREEMENT

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In return for "your" payment of the required premium, "we" provide the coverage described herein subject to all the "terms" of the Commercial Output Program. This coverage is also subject to the "schedule of coverages" and additional policy conditions relating to assignment or transfer of rights or duties, cancellation, changes or modifications, inspections, and examination of books and records.

Endorsements and schedules may also apply. They are identified on the "schedule of coverages".

Refer to Definitions for words and phrases that have special meaning. These words and phrases are shown in quotation marks or bold type.

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### DEFINITIONS

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1. The words "you" and "your" mean the persons or organizations named as the insured on the "schedule of coverages".
2. The words "we", "us", and "our" mean the company providing this coverage.
3. "Accident" means direct physical loss as follows:
  - a. mechanical breakdown;
  - b. rupturing or bursting of moving parts of machinery caused by centrifugal force;
  - c. loss caused by arcing or electrical currents other than lightning;

- d. explosion of steam boilers, steam pipes, steam turbines, or steam engines that "you" own or lease or that are operated under "your" control;
  - e. loss to steam boilers, steam pipes, steam turbines, or steam engines caused by any condition or occurrence within such equipment; or
  - f. loss to hot water boilers or heaters caused by any condition or occurrence within such equipment.
4. "Business" means the usual business operations occurring at "covered locations" including the tenantability of "covered locations" when the selected coverage option includes "rents".
5. "Computers" means:
  - a. "hardware" owned by "you" or in "your" care, custody, or control; or
  - b. "software".
6. "Computer hacking" means an unauthorized intrusion by an individual or group of individuals, whether employed by "you" or not, into a "computer", a Web site, or a "computer" network and that results in but is not limited to:
  - a. deletion, destruction, generation, or modification of "software";
  - b. alteration, contamination, corruption, degradation, or destruction of the integrity, quality, or performance of "software";
  - c. observation, scanning, or copying of "data records", "programs and applications", and "proprietary programs";

- d. damage, destruction, inadequacy, malfunction, degradation, or corruption of any "hardware" or "media" used with "hardware"; or
  - e. denial of access to or denial of services from "computers", "computer" network, or Web site including related "software".
7. "Computer virus" means the introduction into a "computer", "computer" network, or Web site of any malicious, self-replicating electronic data processing code or other code and that is intended to result in, but is not limited to:
- a. deletion, destruction, generation, or modification of "software";
  - b. alteration, contamination, corruption, degradation, or destruction of the integrity, quality, or performance of "software";
  - c. damage, destruction, inadequacy, malfunction, degradation, or corruption of any "hardware" or "media" used with "hardware"; or
  - d. denial of access to or denial of services from "computers", "computer" network, or Web site including related "software".
8. "Covered equipment", unless otherwise specified in a schedule, means equipment:
- a. that generates, transmits, or utilizes energy; or
  - b. which, during normal usage, operates under vacuum or pressure, other than the weight of its contents.

Such equipment must be covered property, except as specifically provided for under Utility Service Interruption coverage and the Spoilage Coverage Part.

"Covered equipment" does not mean:

- a. equipment manufactured by "you" for sale;

- b. buildings, structures, or compartments that cover or house "covered equipment";
  - c. foundations that support "covered equipment";
  - d. sewage and other underground piping and vessels, water piping, or sprinkler system piping. However, "we" cover:
    - 1) boiler feedwater and condensate return piping; and
    - 2) water piping for heating, air conditioning, or refrigeration systems;
  - e. "mobile equipment", including but not limited to draglines or other excavation equipment;
  - f. aircraft or watercraft and their motors, equipment, and accessories;
  - g. automobiles, motor trucks, tractors, trailers, and similar conveyances and their motors, equipment, and accessories. However, any property that is stationary, permanently installed at a "covered location", and receives electrical power from an external power supplier will not be considered an automobile, motor truck, tractor, or trailer; or
  - h. "computers".
9. "Covered location" means any location or premises where "you" have buildings, structures, or business personal property covered under this coverage.

However, if the Scheduled Locations Endorsement is added to this policy, "covered location" means a location that is described on the Location Schedule.

"Covered location" does not mean vehicles containing covered property, except vehicles on or within 1,000 feet of the premises of any covered building or structure.

10. "Data records" means files, documents, and information in an electronic format and that are stored on "media".
11. "Dependent locations" means locations that are operated by others and that "your" "business" depends on, as described below. Dependent locations includes but is not limited to:
  - a. contributing locations, these are "your" suppliers' locations or locations of suppliers that deliver services or materials to others for "your" account. Contributing locations do not include suppliers of:
    - 1) water;
    - 2) telecommunications, including but not limited to Internet service providers; or
    - 3) power;
  - b. recipient locations, these are locations that receive "your" products;
  - c. leader locations, these are locations that attract customers to "your" "business"; or
  - d. manufacturing locations, these are locations that make products for delivery to "your" customers under contract of sale.
12. "Fine arts" means bona fide works of art of rarity, historical value, or artistic merit, including but not limited to paintings, etchings, pictures, tapestries, and art glass windows.
13. "Flood" means flood, surface water, waves, tidal water, or the overflow of a body of water, all whether driven by wind or not. This includes spray that results from any of these whether driven by wind or not.
14. "Hardware" means a network of electronic machine components (microprocessors) capable of accepting instructions and information, processing the information according to the instructions, and producing desired results. "Hardware" includes but not limited to:
  - a. mainframe and mid-range computers and servers;
  - b. personal computers and workstations;
  - c. laptops, palmtops, notebook PCs, other portable computer devices and accessories including, but not limited to, multimedia projectors; and
  - d. peripheral data processing equipment, including but not limited to, printers, keyboards, monitors, and modems.
15. "Limit" means the amount of coverage that applies.
16. "Media" means an instrument that is used with "hardware" and on which "data records", "programs and applications", and proprietary programs can be recorded or stored. "Media" includes, but is not limited to, films, tapes, cards, discs, drums, cartridges, cells, DVDs, or CD-ROMs.
17. "Mobile equipment" means:
  - a. contractors' equipment or similar equipment of a mobile or floating nature;
  - b. self-propelled vehicles designed and used primarily to carry mounted equipment; or
  - c. vehicles designed for highway use that are unlicensed and not operated on public roads.
18. "Money" means currency, bullion, coins, bank notes in current use, and traveler's checks, register checks, and money orders held for sale to the public.
19. "Off-site server" means a server for "your" Web site that is being maintained or operated by and that is located at the premises of:
  - a. an independent contractor acting as "your" Web host; or
  - b. "your" Internet service provider that is acting as "your" Web host.

20. "One accident" means:

When an initial "accident" causes or results in other "accidents", all of the "accidents" will be considered "one accident". All "accidents" that are the result of the same occurrence will be considered "one accident".

21. "Perishable stock" means personal property preserved and maintained under controlled conditions and susceptible to loss or damage if the controlled conditions change.

22. "Pollutant" means:

- a. any solid, liquid, gaseous, thermal, or radioactive irritant or contaminant, including but not limited to acids, alkalis, chemicals, fumes, smoke, soot, vapor, and waste. Waste includes materials to be recycled, reclaimed, or reconditioned, as well as disposed of; and
- b. electrical or magnetic emissions, whether visible or invisible, and sound emissions.

23. "Programs and applications" means operating programs and applications that "you" purchase and that are:

- a. stored on "media"; or
- b. pre-installed and stored in "hardware".

Applications includes, but is not limited to, programs for word processing, spreadsheet calculations, and graphic design.

24. "Proprietary programs" means proprietary operating programs and applications that "you" developed or that "you" had developed specifically for "you" and that are:

- a. stored on "media"; or
- b. installed and stored in "hardware".

25. "Rents" means "your" actual loss of:

- a. rental income from a "covered location" as furnished or equipped by "you", less any expenses that do not continue;

- b. the fair rental value of any part of a "covered location" that "you" occupy, less any expenses that do not continue; and
- c. other charges for which a tenant is legally obligated and which "you" would otherwise be obligated.

26. "Restoration period" means:

- a. The time it should reasonably take to resume "your" "business" to a similar level of service starting from the date of a physical loss of or damage to property at a "covered location" that is caused by a covered peril and ending on the date:
  - 1) the property should be rebuilt, repaired, or replaced; or
  - 2) business is resumed at a new permanent location.

This is not limited by the expiration date of the policy.

- b. The "restoration period" also means the increased time required to comply with the enforcement of any ordinance, law, or decree that:

- 1) regulates the construction, use, or repair of any property; or
- 2) requires the demolition of any property, in part or in whole, not damaged by a covered peril.

However, except as provided under Supplemental Income Coverage, Pollutant Cleanup and Removal, "we" do not cover the costs associated with the enforcement of any ordinance, law, or decree that requires "you" or anyone else to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize or in any way respond to or assess the effects of "pollutants".

The ordinance, law, or decree must be in force at the time of loss.

- c. Only as regards coverage described under Dependent Locations in the Supplemental Income Coverages, "restoration period" also means the time it should reasonably take to resume "your" "business" starting from the date of direct physical loss of or damage to a "dependent location" caused by a covered peril, and ending on the date:
- 1) the property at the "dependent location" should be rebuilt, repaired, or replaced; or
  - 2) business is resumed at a new, permanent location.
- This is not limited by the expiration date of the policy.
- d. Only as regards coverage described under Off Premises Utility Service Interruption; and Property In Transit, On Exhibition, or In the Custody Of Sales Representatives in the Supplemental Income Coverages, "restoration period" also means the time it should reasonably take to resume "your" "business" starting from the date of direct physical loss of or damage caused by a covered peril to:
- 1) property not located at a "covered location" and that is owned by a utility, a landlord, or another utility supplier;
  - 2) the "off-site server" for "your" Web site or the location that houses the "off-site server" for "your" Web site;
  - 3) property in transit, on exhibition, or in the custody of sales representatives; and ending on the date the property should be rebuilt, repaired, or replaced. This is not limited by the expiration date of the policy.
27. "Schedule of coverages" means:
- a. all pages labeled schedule of coverages or schedules which pertain to this coverage; and
  - b. declarations or supplemental declarations which pertain to this coverage.
28. "Securities" means negotiable and nonnegotiable instruments or contracts representing either "money" or other property. This includes, but is not limited to, stock certificates; tokens, tickets, revenue, or stamps (whether represented by actual stamps or unused value in a meter) in current use; and evidences of debt used in connection with charge, credit, or debit cards that are not issued by "you", but does not include "money".
29. "Sinkhole collapse" means the sudden settlement or collapse of earth supporting the covered property into subterranean voids created by the action of water on a limestone or similar rock formation. It does not include the value of the land or the cost of filling sinkholes.
30. "Software" means:
- a. "media";
  - b. "data records";
  - c. "programs and applications"; and
  - d. "proprietary programs".
31. "Specified perils" means aircraft; civil commotion; explosion; falling objects; fire; hail; leakage from fire extinguishing equipment; lightning; riot; "sinkhole collapse"; smoke; sonic boom; vandalism; vehicles; "volcanic action"; water damage; weight of ice, snow, or sleet; and windstorm.
- Falling objects does not include loss to:
- a. business personal property in the open; or
  - b. to the interior of buildings or structures, or business personal property inside buildings or structures unless the exterior of the roof or walls are first damaged by a falling object.

Water damage means the sudden or accidental discharge or leakage of water or steam as a direct result of breaking or cracking of a part of the system or appliance containing the water or steam.

32. "Spoilage" means any detrimental change in physical state of "perishable stock". Detrimental change includes, but is not limited to, thawing of frozen goods, warming of refrigerated goods, solidification of liquid or molten material, chemical reactions to material in process, and reduction in value of time sensitive materials.
33. "Terms" are all provisions, limitations, exclusions, conditions, and definitions that apply.
34. "Theft" means any act of stealing, including burglary or robbery.
35. "Valuable papers" means documents, manuscripts, or records that are inscribed, printed, or written. This includes, but is not limited to, abstracts, books, deeds, drawings, films, maps, or mortgages.
36. "Volcanic action" means airborne volcanic blast or airborne shock waves; ash, dust, or particulate matter; or lava flow. It does not include the cost to remove ash, dust, or particulate matter that does not cause direct physical loss to the covered property.

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## PROPERTY COVERED

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"We" cover the following property unless the property is excluded or subject to limitations.

"We" cover direct physical loss to covered property at a "covered location" caused by a covered peril.

### BUILDING PROPERTY

1. **Covered Building Property** -- Covered Building Property means buildings and structures and:

- a. completed additions;
- b. fixtures, machinery, and equipment which are a permanent part of a covered building or structure;
- c. outdoor fixtures;
- d. personal property owned by "you" and used to maintain or service a covered building or structure or its premises. This includes air-conditioning equipment; fire extinguishing apparatus; floor coverings; and appliances for refrigerating, cooking, dish washing, and laundering;
- e. if not covered by other insurance, buildings and additions to buildings under construction, alteration, and repair including:
  - 1) materials, equipment, supplies, and temporary structures, on or within 1,000 feet of a "covered location", intended and designated for use in the construction, alteration, and repair of buildings or additions to buildings; and
  - 2) "your" contractual liability for the interest of contractors and sub-contractors in buildings and additions to buildings under construction, alteration, and repair such as materials, equipment, supplies, and temporary structures, on or within 1,000 feet of a "covered location", intended and designated for use in the construction, alteration, and repair of buildings or additions to buildings;
- f. building glass;
- g. the following property if it is located on or within 1,000 feet of a covered building or structure:
  - 1) radio and television towers, antennas, satellite dishes, masts, lead-in wiring, and guy wires. This includes foundations and any other property that is permanently attached to any of these types of property;

- 2) awnings or canopies; and
- 3) fences;
- h. signs, whether or not they are attached to covered buildings, or structures; or
- i. foundations of buildings, structures, machinery, or boilers.

**2. Building Property That Is Not Covered --**

Except as provided under Supplemental Coverages - Underground Pipes, Pilings, Bridges and Roadways, Covered Building Property does not include:

- a. pilings, piers, wharves, docks, or retaining walls;
- b. underground pipes, flues, or drains; and
- c. bridges, walkways, roadways, and other paved surfaces.

**BUSINESS PERSONAL PROPERTY**

**1. Covered Business Personal Property --**

Covered business personal property means "your" business personal property in buildings or structures at a "covered location" or in the open (or in vehicles) on or within 1,000 feet of a "covered location". This includes:

- a. "your" use interest as a tenant in improvements to the buildings or structures. Improvements are fixtures, alterations, installations, or additions:
  - 1) to a building or structure "you" occupy but do not own; and
  - 2) made or acquired at "your" expense and which cannot be legally removed by "you".

"We" also cover "your" interest as a tenant in undamaged improvements that "you" lose because "your" lease has been canceled by the lessor as a result of damage to the building or structure "you" occupy but do not own. The damage to the building must be caused by a covered peril;

- b. leased personal property which "you" have a contractual responsibility to insure;
- c. "your" interest in personal property of others to the extent of "your" labor, material, and services;
- d. "computers", if not covered by other insurance;
- e. personal property which will become a part of "your" installation, fabrication, or erection project while:
  - 1) at the site of installation, fabrication, or erection; or
  - 2) while in temporary storage awaiting installation, fabrication, or erection.

Coverage under this provision is not restricted to buildings or structures at a "covered location" or within 1,000 feet of a "covered location";

- f. "mobile equipment", if not covered by other insurance. Coverage under this provision is not restricted to buildings or structures at a "covered location" or within 1,000 feet of a "covered location"; and
- g. personal property of others. This means personal property of others that is in "your" care, custody, or control.

Personal property of others includes property that is sold under an installation agreement where "your" responsibility continues until the property is accepted by the buyer.

"Our" payment for loss to personal property of others will only be for the benefit of the owners of the personal property.

**2. Business Personal Property That Is Not Covered --**

Covered business personal property does not include:

- a. "off-site server"; and

- b. except as provided under Supplemental Marine Coverages;
    - 1) personal property in transit as described under Property In Transit;
    - 2) "fine arts" as described under Fine Arts;
    - 3) "computers" while away from a "covered location" as described under Off Premises Computers;
    - 4) property while temporarily on display or exhibit as described under Property On Exhibition;
    - 5) samples of "your" stock as described under Sales Representative Samples; and
    - 6) duplicate or back-up "software" as described under Software Storage.
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## PROPERTY NOT COVERED

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- 1. **Airborne or Waterborne Property** -- "We" do not cover airborne or waterborne personal property unless the property is being transported by regularly scheduled airlines or ferry service.
- 2. **Aircraft or Watercraft** -- "We" do not cover aircraft or watercraft (and their motors, equipment, and accessories) that are operated principally away from a "covered location". However, "we" do cover:
  - a. aircraft or watercraft (and their motors, equipment, and accessories) that "you" manufacture, process, warehouse, or hold for sale; and
  - b. rowboats or canoes out of water at a "covered location".
- 3. **Animals** -- "We" do not cover animals, including but not limited to birds and fish, unless owned by others and boarded by "you". "We" do cover animals "you" own and hold for sale while inside of buildings.
- 4. **Automobiles and Vehicles** -- "We" do not cover automobiles, motor trucks, tractors, trailers, and similar conveyances designed and used for over-the-road transportation of people or cargo.

"We" do cover:

  - a. "mobile equipment" described under Business Personal Property; and
  - b. automobiles and vehicles that "you" manufacture, process, or warehouse. However, "we" do not cover automobiles or vehicles held for sale, lease, loan or rental.
- 5. **Checked Luggage** -- "We" do not cover loss resulting from "theft" or disappearance of a laptop, palmtop, notebook PC, or any portable "computer" while in transit as checked luggage.
- 6. **Contraband** -- "We" do not cover contraband or property in the course of illegal transportation or trade.
- 7. **Cost of Excavation** -- "We" do not cover the cost of excavations, grading, filling, or backfilling. However, if a covered loss occurs to covered property below the surface of the ground, "we" cover costs that are a necessary part of the repairing, rebuilding, or replacement of the property.
- 8. **Crops While Outside of Buildings** -- "We" do not cover grain, hay, straw, or other crops while outside of buildings.
- 9. **Exports and Imports** -- "We" do not cover exported or imported property that is covered under any ocean marine cargo insurance policy or any similar policy that anyone has obtained covering exports and imports.
- 10. **Land, Water, and Growing Crops** -- "We" do not cover:
  - a. land, including but not limited to land on which the covered property is located;

- b. underground or surface water; or
- c. growing crops.

11. **Money, Securities, Accounts, and Valuable Papers** -- Except as provided elsewhere in this policy, "we" do not cover "money", "securities", accounts, bills, and the cost to reproduce, replace, or restore "valuable papers" and lost information.
12. **Outdoor Trees, Shrubs, Plants, or Lawns** -  
- Except as provided under Supplemental Coverages - Trees, Shrubs, and Plants, "we" do not cover trees, shrubs, plants, or lawns (other than stock).
13. **Property More Specifically Insured** -- "We" do not cover property which is more specifically insured in whole or in part by any other insurance. "We" do cover the amount in excess of the amount due from the more specific insurance whether "you" can collect on it or not.
14. **Property of Others** -- "We" do not cover property of others for which "you" are responsible as:
  - a. a carrier for hire; or
  - b. an arranger of transportation. This includes carloaders, consolidators, brokers, freight forwarders, or shipping associations.
15. **Property You Have Sold** -- "We" do not cover property that "you" have sold after it has been delivered. This does not include property which "you" have sold under an installation agreement.

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## COVERAGE EXTENSIONS

The following Coverage Extensions indicate an applicable "limit". This "limit" may also be shown in the "schedule of coverages". If a different "limit" is indicated in the "schedule of coverages", that "limit" will apply instead of the "limit" shown below.

However, if no "limit" is indicated for a Coverage Extension, coverage is provided up to the full "limit" for the applicable covered property unless a different "limit" is indicated on the "schedule of coverages".

Unless otherwise indicated, the coverages provided below are part of and not in addition to the applicable "limit" for coverage described under Property Covered.

The "limit" provided under a Coverage Extension cannot be combined or added to the "limit" for any other Coverage Extension or Supplemental Coverage including a Coverage Extension or Supplemental Coverage that is added to this policy by endorsement.

The following coverage extensions are not subject to and not considered in applying coinsurance when coinsurance conditions are added to this coverage.

1. **Consequential Loss** -- "We" pay for "your" consequential loss of undamaged business personal property. Consequential loss means the loss of value of an undamaged part or parts of a product which becomes unmarketable. It must be unmarketable due to a physical loss to another part or parts of the product caused by a covered peril.
2. **Debris Removal** -- "We" pay the cost to remove the debris of covered property that is caused by a covered peril. This coverage does not include costs to:
  - a. extract "pollutants" from land or water; or
  - b. remove, restore, or replace polluted land or water."We" do not pay any more under this coverage than 25% of the amount "we" pay for the direct physical loss. "We" will not pay more for loss to property and debris removal combined than the "limit" for the damaged property.

However, "we" pay up to an additional \$50,000 for debris removal expense when the debris removal expense exceeds 25% of the amount "we" pay for direct physical loss or when the loss to property and debris removal combined exceeds the "limit" for the damaged property.

"We" do not pay any expenses unless they are reported to "us" in writing within 180 days from the date of direct physical loss to covered property.

3. **Emergency Removal** -- "We" pay for any direct physical loss to covered property while it is being moved or being stored to prevent a loss caused by a covered peril. This coverage applies for up to 365 days after the property is first moved, but does not extend past the date on which this policy expires.
4. **Emergency Removal Expenses** -- "We" pay up to \$5,000 for "your" expenses to move or store covered property to prevent a loss caused by a covered peril. This coverage applies for up to 365 days after the property is first moved, but does not extend past the date on which this policy expires.

The "limit" for Emergency Removal Expenses is separate from, and not part of, the applicable "limit" for coverage described under Property Covered.

5. **Fraud and Deceit** -- "We" pay up to \$5,000 for "theft" of covered property when "you", "your" agents, customers, or consignees are fraudulently induced to part with the covered property:
  - a. to persons who falsely represent themselves as the proper persons to receive the property; or
  - b. by the acceptance of fraudulent bills of lading or shipping receipts.

6. **Damage From Theft** -- "We" cover direct physical damage caused by "theft" or attempted "theft" to:
  - a. a building that "you" do not own and that contains "your" business personal property; or
  - b. personal property not owned by "you" within such building and that is used to maintain or service the building or structure or its premises.

This coverage extension only applies to a location where "you" are a tenant and the terms of "your" lease make "you" liable for damage caused by "theft" or attempted "theft".

7. **Off Premises Utility Service Interruption**
  - a. **Coverage** -- "We" cover direct physical loss or damage caused by the interruption of an off premises utility service when the interruption:
    - 1) results in the direct physical loss or damage to covered property located at a "covered location"; and
    - 2) is a result of direct physical loss or damage by a covered peril to property that is not located at a "covered location" and that is owned by a utility, a landlord, or another supplier who provides "you" with:
      - a) power or gas;
      - b) telecommunications, including but not limited to Internet access; or
      - c) water, including but not limited to waste water treatment.

- b. **Overhead Transmission Lines** -- If the "schedule of coverages" indicates that overhead transmission lines are excluded, coverage under this extension does not include loss to overhead transmission lines that deliver utility service to "you". Overhead transmission lines include, but are not limited to:
- 1) overhead transmission and distribution lines;
  - 2) overhead transformers and similar equipment; and
  - 3) supporting poles and towers.
- c. **Perishable Stock Exclusion** -- Coverage under this extension does not include loss of "perishable stock" due to "spoilage" that results from:
- 1) complete or partial lack of electrical power; or
  - 2) fluctuation of electrical current.
- d. **Applicable Limit** -- The most "we" pay in any one occurrence under this Coverage Extension is \$50,000.

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## SUPPLEMENTAL COVERAGES

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The following Supplemental Coverages indicate an applicable "limit". This "limit" may also be shown in the "schedule of coverages". If a different "limit" is indicated in the "schedule of coverages", that "limit" will apply instead of the "limit" shown below.

However, if no "limit" is indicated for a Supplemental Coverage, coverage is provided up to the full "limit" for the applicable covered property unless a different "limit" is indicated on the "schedule of coverages".

Unless otherwise indicated, a "limit" for a Supplemental Coverage provided below is separate from, and not part of, the applicable "limit" for coverage described under Property Covered. The "limit" available for coverage described under a Supplemental Coverage:

- a. is the only "limit" available for the described coverage; and
- b. is not the sum of the "limit" indicated for a Supplemental Coverage and the "limit" for coverage described under Property Covered.

The "limit" provided under a Supplemental Coverage cannot be combined or added to the "limit" for any other Supplemental Coverage or Coverage Extension including a Supplemental Coverage or Coverage Extension that is added to this policy by endorsement.

Unless otherwise stated, each supplemental coverage:

- a. applies to covered property in or on buildings or structures at a "covered location" or in the open (or in vehicles) within 1,000 feet of a "covered location"; and
  - b. is not subject to and not considered in applying coinsurance when coinsurance conditions are added to this coverage.
1. **Brands or Labels Expense** -- If covered business personal property is damaged and the damage is caused by a covered peril, "we" have the option to take all or any part of the damaged business personal property at the agreed or appraised value. "You" may stamp salvage or remove any brands or labels from the property or its containers. "You" must not damage the property or containers when "you" remove the brands or labels. "You" must re-label the merchandise or its containers if required by law.

The most "we" pay in any one occurrence for "your" expenses for stamping or removing brands or labels is \$50,000.

2. **Expediting Expenses** -- When a covered peril occurs to covered property, "we" pay for reasonable expenses necessary to expedite permanent repairs or replacement and make temporary repairs to damaged covered property. Expediting expenses include additional labor or overtime, and transportation costs.

The most "we" pay for all expediting expenses in any one occurrence is \$50,000.

3. **Fire Department Service Charges** -- "We" pay up to \$25,000 to cover "your" liability, assumed by contract or agreement prior to the loss, for fire department service charges.

This coverage is limited to charges incurred when the fire department is called to save or protect covered property from a covered peril.

No deductible applies.

4. **Inventory and Appraisal Expense** -- "We" pay up to \$50,000 for reasonable expenses, for the taking of inventory and appraisals, incurred by "you" at "our" request to assist "us" in the determination of the amount of a loss caused by a covered peril.

"We" do not pay for:

- a. any expenses incurred under the Other Conditions, Appraisal section of this coverage; or
  - b. any public adjusters' fees or attorneys' fees.
5. **Ordinance or Law (Undamaged Parts of a Building)** -- When a covered peril occurs to a covered building or structure, "we" pay for the value of undamaged parts of a covered building or structure that is required to be demolished as a result of the enforcement of any ordinance, law, or decree that:
- a. requires the demolition of undamaged parts of a covered building or structure that is damaged or destroyed by a covered peril;

- b. regulates the construction or repair of a building or structure, or establishes building, zoning, or land use requirements at a "covered location"; and
- c. is in force at the time of loss.

"We" do not cover the costs associated with the enforcement of any ordinance, law, or decree that requires "you" or anyone else to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize or in any way respond to or assess the effects of "pollutants".

This coverage is part of and not in addition to the applicable "limit" for coverage described under Property Covered.

6. **Ordinance or Law (Increased Cost to Repair and Cost to Demolish and Clear Site)** --

- a. **Increased Cost to Repair** -- When a covered peril occurs to a covered building or structure, "we" cover the:
  - 1) increased cost to repair, rebuild, or reconstruct damaged portions of a covered building or structure; and
  - 2) increased cost to repair, rebuild, or reconstruct undamaged portions of a covered building or structure whether or not those undamaged portions need to be demolished;

as a result of the enforcement of building, zoning, or land use ordinance, law, or decree and is in force at the time when a covered peril occurs to a covered building or structure.

If a covered building or structure is repaired or rebuilt, it must be intended for similar occupancy as the current property, unless otherwise required by building, zoning, or land use ordinance, law, or decree.

"We" do not cover the increased cost of construction until the covered building or structure is actually repaired or replaced and unless the repairs or replacement are made as soon as reasonably possible after the loss, not to exceed two years.

b. **Cost to Demolish and Clear Site --**

"We" cover the cost to demolish and clear the site of undamaged parts of the covered building or structure that is damaged or destroyed by a covered peril. The demolition must be a result of the enforcement of a building, zoning, or land use ordinance, law, or decree that is in force at the time when a covered peril occurs to a covered building or structure.

c. **We Do Not Cover --** "We" do not cover the costs associated with the enforcement of any ordinance, law, or decree that:

- 1) requires "you" or anyone else to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize or in any way respond to or assess the effects of "pollutants"; or
- 2) "you" were required to comply with before the covered peril occurred to a covered building or structure, even if the building or structure was undamaged and "you" failed to comply with the ordinance, law, or decree.

d. **What We Pay If The Building Is Repaired or Replaced --** If the covered building or structure is repaired or replaced, "we" pay the lesser of:

- 1) the amount "you" actually spend to demolish and clear the site, plus the actual increased cost to repair, rebuild, or construct the property but not for more than a building or structure of the same height, floor area, and style; or
- 2) \$100,000.

e. **What We Pay If The Building Is Not Repaired or Replaced --** If the covered building or structure is not repaired or replaced, "we" pay the lesser of:

- 1) the amount "you" actually spend to demolish and clear the site; plus the cost "you" would have incurred to replace the damaged or destroyed property with other property:
  - a) of like kind, and quality;
  - b) of the same height, floor area, and style; and
  - c) used for the same purpose; or
- 2) \$100,000.

7. **Personal Effects --** "We" cover direct physical loss caused by a covered peril to personal effects owned by "you", "your" officers, "your" partners, or "your" employees.

The most "we" pay for loss to personal effects in any one occurrence or at any one "covered location" is \$15,000.

8. **Pollutant Cleanup and Removal --** "We" pay "your" expense to extract "pollutants" from land or water if the discharge, dispersal, seepage, migration, release, or escape of the "pollutants" is caused by a covered peril that occurs during the policy period. The expenses are paid only if they are reported to "us" in writing within 180 days from the date the covered peril occurs.

"We" do not pay the cost of testing, evaluating, observing, or recording the existence, level, or effects of "pollutants". However, "we" pay the cost of testing which is necessary for the extraction of "pollutants" from land or water.

The most "we" pay for each site or "covered location" is \$50,000 for the sum of all such expenses arising out of a covered peril occurring during each separate 12 month period of this policy.

9. **Recharge of Fire Extinguishing**

**Equipment** -- "We" pay up to \$50,000 to cover "your" incurred expenses to recharge "your" automatic fire extinguishing equipment or hand held fire extinguishing equipment when the equipment is discharged:

- a. to fight a fire;
- b. as a result of a covered peril; or
- c. as a result of an accidental discharge.

However, "we" do not pay for "your" expenses to recharge equipment as a result of a discharge during testing or installation.

If it is less expensive to do so, "we" will pay "your" costs to replace "your" automatic fire extinguishing equipment or hand held fire extinguishing equipment rather than recharge the equipment.

10. **Rewards** -- "We" pay up to \$10,000 as a reward for information that leads to a conviction for arson, "theft", or vandalism. The conviction must involve a covered loss caused by arson, "theft", or vandalism.

The amount "we" pay is not increased by the number of persons involved in providing the information.

11. **Sewer Backup and Water Below the**

**Surface** -- "We" cover direct physical loss caused by:

- a. water that backs up through a sewer or drain; or
- b. water below the surface of the ground, including but not limited to water that exerts pressure on or flows, seeps, or leaks through or into a covered building or structure, sidewalk, driveway, foundation, swimming pool, or other structure.

The most "we" pay for loss caused by sewer backup and water below the surface in any one occurrence is \$25,000.

12. **Trees, Shrubs, and Plants** -- "We" cover direct physical loss (and debris removal expenses) to outdoor trees, shrubs, plants, and lawns at a "covered location". "We" only cover loss caused by:

- a. fire;
- b. lightning;
- c. explosion;
- d. riot or civil commotion;
- e. falling objects; or
- f. vandalism.

The most "we" pay for loss to trees, shrubs, and plants in any one occurrence is \$50,000.

Coverage under this supplemental coverage does not apply to property held for sale by "you".

13. **Underground Pipes, Pilings, Bridges, and Roadways** -- "We" cover direct physical loss caused by a covered peril to:

- a. pilings, piers, wharves, docks, or retaining walls;
- b. underground pipes, flues, or drains; and
- c. bridges, walkways, roadways, and other paved surfaces.

The most "we" pay under this Supplemental Coverage in any one occurrence or at any one "covered location" is \$250,000.

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## SUPPLEMENTAL MARINE COVERAGES

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The following Supplemental Marine Coverages indicate an applicable "limit". This "limit" may also be shown in the "schedule of coverages". If a different "limit" is indicated in the "schedule of coverages", that "limit" will apply instead of the "limit" shown below.

However, if no "limit" is indicated for a Supplemental Marine Coverage, coverage is provided up to the full "limit" for the applicable covered property unless a different "limit" is indicated on the "schedule of coverages".

Unless otherwise indicated, a "limit" for a Supplemental Marine Coverage provided below is separate from, and not part of the applicable "limit" for coverage described under Property Covered. The "limit" available for coverage described under a Supplemental Marine Coverage:

- a. is the only "limit" available for the described coverage; and
- b. is not the sum of the "limit" indicated for a Supplemental Marine Coverage and the "limit" for coverage described under Property Covered.

The "limit" provided under a Supplemental Marine Coverage cannot be combined or added to the "limit" for any other Supplemental Marine Coverage, Supplemental Coverage, or Coverage Extension including a Supplemental Marine Coverage, Supplemental Coverage, or Coverage Extension that is added to this policy by endorsement.

The following supplemental marine coverages are not subject to and not considered in applying coinsurance when coinsurance conditions are added to this coverage.

1. **Accounts Receivable** -- "We" pay up to \$50,000 to cover losses and expenses that "you" incur as a result of a direct physical loss caused by a covered peril to "your" records of accounts receivable.

Losses and expenses under this coverage means:

- a. all sums due "you" from customers, provided "you" are unable to effect collection;
- b. interest charges on any loan used to offset impaired collections pending "our" payment of such sums;
- c. collection expenses in excess of normal collection costs made necessary because of loss or damage; and
- d. other reasonable expenses incurred by "you" in recreating records of accounts receivable following such loss or damage.

2. **Electrical or Magnetic Disturbance of Computers** -- "We" cover direct physical loss to "computers" caused by electrical or magnetic disturbance that results in electrical or magnetic damage to "computers" and damage to, disturbance of, or erasure of electronic records.

This coverage is part of and not in addition to the applicable "limit" for coverage described under Property Covered.

3. **Power Supply Disturbance of Computers** -  
- "We" cover direct physical loss to "computers" caused by power supply disturbance such as interruption of power supply, power surge, blackout, or brownout.

This coverage is part of and not in addition to the applicable "limit" for coverage described under Property Covered.

4. **Virus and Hacking Coverage** -- "We" cover direct physical loss to covered "computers", "your" "computer" network and "your" Web site caused by a "computer virus" or by "computer hacking". However, "we" do not cover:
- a. loss of exclusive use of any "data records" or "proprietary programs" that have been copied, scanned, or altered;
  - b. loss of or reduction in economic or market value of any "data records" or "proprietary programs" that have been copied, scanned, or altered;
  - c. theft from "your" "data records" or "proprietary programs" of confidential information through the observation of the "data records" or "proprietary programs" by accessing covered "computers", "your" computer network, or "your" Web site without any alteration or other physical loss or damage to the records or programs.

Confidential information includes, but is not limited to, customer information, processing methods, or trade secrets; and

- d. except as provided under the Supplemental Income Coverages section of the Commercial Output Program - Income Coverage Part (if attached to this policy), denial of access to or services from "computers", "your" "computer" network, or "your" Web site.

The most "we" pay in any one occurrence under this Supplemental Marine Coverage is \$25,000.

The most "we" pay for all covered losses under this Supplemental Marine Coverage during each separate 12-month period of this policy is \$50,000.

5. **Fine Arts** -- "We" cover direct physical loss caused by a covered peril to "your" "fine arts" at a "covered location". "We" also cover "your" "fine arts" while:
- a. temporarily on display or exhibit away from a "covered location"; or
  - b. in transit between a "covered location" and a location where the "fine arts" will be temporarily on display or exhibit.

The most "we" pay for loss to "fine arts" in any one occurrence or at any one "covered location" is \$100,000.

6. **Off Premises Computers** -- "We" cover direct physical loss caused by a covered peril to "computers" in the custody of "you", "your" officers, "your" partners, or "your" employees, while:
- a. away from a "covered location"; or
  - b. in transit between a "covered location" and "you", "your" officers, "your" partners, or "your" employees.

The most "we" pay in any one occurrence for loss to off premises "computers" is \$25,000.

7. **Property on Exhibition** -- "We" cover direct physical loss caused by a covered peril to business personal property while temporarily on display or exhibit at locations "you" do not regularly occupy.

The most "we" pay in any one occurrence for loss to property on exhibition is \$50,000.

8. **Property in Transit** -- "We" cover direct physical loss caused by a covered peril to business personal property while in transit, regardless if the loss involves one or more vehicles, conveyances, containers, trailers, or any combination of these.

- a. **Property You Have Sold** -- "We" also cover direct physical loss caused by a covered peril to business personal property that "you" have sold and are shipping at the owner's risk. "We" only pay for loss to business personal property that "you" have sold when the shipment has been rejected by the owner because:
  - 1) the property is damaged; and
  - 2) the owner of the property has refused to pay "you".
- b. **Rejected Shipments** -- "We" also cover direct physical loss caused by a covered peril to rejected shipments while in due course of transit back to "you" or while awaiting return shipment to "you".
- c. **Bills of Lading** -- "You" may accept bills of lading or shipping receipts issued by carriers for hire that limit their liability to less than the actual cash value of the covered property.
- d. **Perishable Stock** -- "We" do not cover loss to "perishable stock" resulting from a breakdown of refrigeration equipment on any vehicle, conveyance, container, or trailer.

The most "we" pay in any one occurrence for loss to property in transit is \$50,000.

9. **Sales Representative Samples** -- "We" cover direct physical loss caused by a covered peril to samples of "your" stock in trade (and containers) and similar property of others.

"We" cover samples of "your" stock in trade while the property is:

- a. in the custody of "your" sales representatives and agents;
- b. in "your" custody while acting as a sales representative; or

- c. in transit between a "covered location" and "your" sales representatives.  
The most "we" pay in any one occurrence for loss to samples of "your" stock in trade is \$50,000.

10. **Software Storage** -- "We" cover direct physical loss caused by a covered peril to duplicate and back-up "software" stored at a "software" storage location. Each "software" storage location must be in a separate building which is at least 100 feet away from a "covered location".

The most "we" pay in any one occurrence for loss to duplicate and back-up "software" is \$50,000.

11. **Valuable Papers** -- "We" pay up to \$100,000 for the cost of research or other expenses necessary to reproduce, replace, or restore lost information that results from a direct physical loss caused by a covered peril to "your" "valuable papers".

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## PERILS COVERED

"We" cover risks of direct physical loss unless the loss is limited or caused by a peril that is excluded.

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## PERILS EXCLUDED

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1. "We" do not pay for loss or damage caused directly or indirectly by one or more of the following excluded causes or events. Such loss or damage is excluded regardless of other causes or events that contribute to or aggravate the loss, whether such causes or events act to produce the loss before, at the same time as, or after the excluded causes or events.

- a. **Ordinance or Law** -- Except as provided under Supplemental Coverages - Ordinance or Law, "we" do not pay for loss or increased cost caused by enforcement of any code, ordinance, or law regulating the use, construction, or repair of any building or structure; or requiring the demolition of any building or structure including the cost of removing its debris.

"We" do not pay for loss regardless if the loss is caused by or results from the:

- 1) enforcement of any code, ordinance, or law even if a building or structure has not been damaged; or
- 2) increased costs that "you" incur because of "your" compliance with a code, ordinance, or law during the construction, repair, rehabilitation, remodeling, or razing of a building or structure, including the removal of debris, following a direct physical loss to the property.

- b. **Earth Movement** -- "We" do not pay for loss caused by any earth movement (other than "sinkhole collapse") or caused by eruption, explosion, or effusion of a volcano. Earth movement includes, but is not limited to: earthquake; landslide; mudflow; mudslide; mine subsidence; or sinking, rising, or shifting of earth.

"We" do cover direct loss by fire, explosion, or "volcanic action" resulting from either earth movement or eruption, explosion, or effusion of a volcano.

This exclusion does not apply to "computers", "mobile equipment", and the Supplemental Marine Coverages.

- c. **Civil Authority** -- "We" do not pay for loss caused by order of any civil authority, including seizure, confiscation, destruction, or quarantine of property.

"We" do cover loss resulting from acts of destruction by the civil authority to prevent the spread of fire, unless the fire is caused by a peril excluded under this coverage.

- d. **Nuclear Hazard** -- "We" do not pay for loss caused by or resulting from a nuclear reaction, nuclear radiation, or radioactive contamination (whether controlled or uncontrolled; whether caused by natural, accidental, or artificial means). Loss caused by nuclear hazard is not considered loss caused by fire, explosion, or smoke. Direct loss by fire resulting from the nuclear hazard is covered.

- e. **War and Military Action** -- "We" do not pay for loss caused by:
- 1) war, including undeclared war or civil war; or
  - 2) a warlike action by a military force, including action taken to prevent or defend against an actual or expected attack, by any government, sovereign, or other authority using military personnel or other agents; or
  - 3) insurrection, rebellion, revolution, or unlawful seizure of power including action taken by governmental authority to prevent or defend against any of these.

With regard to any action that comes within the "terms" of this exclusion and involves nuclear reaction, nuclear radiation, or radioactive contamination, this War and Military Action Exclusion will apply in place of the Nuclear Hazard Exclusion.

- f. **Flood** -- "We" do not pay for loss caused by "flood". However, "we" do cover the resulting loss if fire, explosion, or sprinkler leakage results.  
This exclusion does not apply to "computers", "mobile equipment", and the Supplemental Marine Coverages.

- g. **Utility Failure** -- Except as provided under Coverage Extensions - Off Premises Utility Service Interruption, "we" do not pay for loss caused by or resulting from the failure of a utility to supply electrical power or other utility service to a "covered location", however caused, if the failure takes place away from the "covered location".

But if failure of a utility to supply electrical or other utility service to a "covered location" results in a covered peril, "we" cover the loss or damage caused by that covered peril.

This exclusion does not apply to "computers", "mobile equipment", and the Supplemental Marine Coverages.

- h. **Sewer Backup and Water Below the Surface** -- Except as provided under Supplemental Coverages - Sewer Backup and Water Below the Surface, "we" do not pay for loss caused by or resulting from:
- 1) water that backs up through a sewer or drain; or
  - 2) water below the surface of the ground, including but not limited to water that exerts pressure on or flows, seeps, or leaks through or into a covered building or structure, sidewalk, driveway, foundation, swimming pool, or other structure.
- But if sewer backup and water below the surface results in fire, explosion, or sprinkler leakage, "we" cover the loss or damage caused by that fire, explosion, or sprinkler leakage.

This exclusion does not apply to "computers", "mobile equipment", and the Supplemental Marine Coverages.

2. "We" do not pay for loss or damage that is caused by or results from one or more of the following excluded causes or events:

- a. **Animal Nesting, Infestation, or Discharge** -- "We" do not pay for loss caused by nesting, infestation, discharge, or release of waste products or secretions by animals, including but not limited to, birds, insects, or vermin.

But if nesting, infestation, discharge, or release of waste products or secretions by animals results in a "specified peril" or breakage of building glass, "we" cover the loss or damage caused by that "specified peril" or breakage of building glass.

- b. **Collapse** -- "We" do not pay for loss caused by collapse, except as provided under the Other Coverages, Collapse. But if collapse results in a covered peril, "we" cover the loss or damage caused by that covered peril.

This exclusion does not apply to "computers", "mobile equipment", and the Supplemental Marine Coverages.

- c. **Computer Virus or Computer Hacking** -- Except as provided under Supplemental Marine Coverages - Virus and Hacking Coverage, "we" do not pay for:
- 1) any direct or indirect loss or damage; or
  - 2) loss of access, loss of use, or loss of functionality

caused by a "computer virus" or by "computer hacking".

- d. **Contamination or Deterioration** -- "We" do not pay for loss caused by contamination or deterioration including corrosion, decay, fungus, mildew, mold, rot, rust, or any quality, fault, or weakness in covered property that causes it to damage or destroy itself.

But if contamination or deterioration results in a "specified peril" or breakage of building glass, "we" cover the loss or damage caused by that "specified peril" or breakage of building glass.

This exclusion does not apply to loss caused by corrosion, decay, fungus, mildew, mold, rot, or rust to "computers" that results from direct physical damage by a covered peril to the air conditioning system that services "your" "computers".

- e. **Criminal, Fraudulent, Dishonest, or Illegal Acts** -- "We" do not pay for loss caused by or resulting from criminal, fraudulent, dishonest, or illegal acts committed alone or in collusion with another by:
- 1) "you";
  - 2) others who have an interest in the property;
  - 3) others to whom "you" entrust the property;
  - 4) "your" partners, officers, directors, trustees, joint adventurers; or
  - 5) the employees or agents of 1), 2), 3), or 4) above, whether or not they are at work.

This exclusion does not apply to acts of destruction by "your" employees, but "we" do not pay for "theft" by employees.

This exclusion does not apply to covered property in the custody of a carrier for hire.

- f. **Defects, Errors, and Omissions** -- "We" do not pay for loss which results from one or more of the following:

- 1) an act, error, or omission (negligent or not) relating to:
  - a) land use;
  - b) the design, specification, construction, workmanship, installation, or maintenance of property;
  - c) planning, zoning, development, siting, surveying, grading, or compaction; or
  - d) maintenance of property (such as land, structures, or improvements);

whether on or off a "covered location";

- 2) a defect, weakness, inadequacy, fault, or unsoundness in materials used in construction or repair, whether on or off a "covered location";
- 3) the cost to make good an error in design; or
- 4) a data processing error or omission in programming or giving improper instructions.

In addition, "we" do not pay for loss to business personal property caused by deficiencies or defects in design, specifications, materials, or workmanship, or caused by latent or inherent defects.

But if a defect, error, or omission as described above results in a covered peril, "we" cover the loss or damage caused by that covered peril.

- g. **Electrical Currents** -- "We" do not pay for loss caused by arcing or by electrical currents other than lightning. But if arcing or electrical currents other than lightning result in fire, "we" cover the loss or damage caused by that fire.

"We" do cover the direct loss by a covered peril which occurs at "covered locations" as a result of any power interruption or other utility services.

This exclusion does not apply to "computers".

- h. **Steam Boiler Explosion** -- "We" do not pay for loss caused by an explosion of steam boilers, steam pipes, steam turbines, or steam engines that "you" own or lease or that are operated under "your" control.

But if an explosion of steam boilers, steam pipes, steam turbines, or steam engines results in a fire or combustion explosion, "we" cover the loss or damage caused by that fire or combustion explosion. "We" also cover loss or damage caused by or resulting from the explosion of gas or fuel in a firebox, combustion chamber, or flue.

- i. **Increased Hazard** -- "We" do not pay for loss occurring while the hazard has been materially increased by any means within "your" knowledge or "your" control.
- j. **Loss of Use** -- "We" do not pay for loss caused by loss of use, delay, or loss of market.
- k. **Mechanical Breakdown** -- "We" do not pay for loss caused by mechanical breakdown or rupturing or bursting of moving parts of machinery caused by centrifugal force.

But if a mechanical breakdown or rupturing or bursting of moving parts of machinery caused by centrifugal force results in a "specified peril", the breakage of building glass, or an elevator collision, "we" cover the loss or damage caused by that "specified peril", breakage of building glass, or elevator collision.

This exclusion does not apply to "computers".

- l. **Neglect** -- "We" do not pay for loss caused by "your" neglect to use all reasonable means to save covered property at and after the time of loss.

"We" do not pay for loss caused by "your" neglect to use all reasonable means to save and preserve covered property when endangered by a covered peril.

- m. **Pollutants** -- "We" do not pay for loss caused by or resulting from release, discharge, seepage, migration, dispersal, or escape of "pollutants":
- 1) unless the release, discharge, seepage, migration, dispersal, or escape is caused by a "specified peril" or
  - 2) except as specifically provided under the Supplemental Coverages, Pollutant Cleanup and Removal.

"We" do pay for any resulting loss caused by a "specified peril".

- n. **Seepage** -- "We" do not pay for loss caused by continuous or repeated seepage or leakage of water or steam that occurs over a period of 14 days or more.

- o. **Settling, Cracking, Shrinking, Bulging, or Expanding** -- "We" do not pay for loss caused by settling, cracking, shrinking, bulging, or expanding of pavements, footings, foundations, walls, ceilings, or roofs. But if settling, cracking, shrinking, bulging, or expanding results in a "specified peril" or the breakage of building glass, "we" cover the loss or damage caused by that "specified peril" or the breakage of building glass.

This exclusion does not apply to "computers" and "mobile equipment".

- p. **Smoke, Vapor, or Gas** -- "We" do not pay for loss caused by smoke, vapor, or gas from agricultural smudging or industrial operations.

This exclusion does not apply to "computers" and "mobile equipment".

- q. **Smog** -- "We" do not pay for loss caused by smog. But if smog results in a "specified peril" or the breakage of building glass, "we" cover the loss or damage caused by that "specified peril" or the breakage of building glass.

This exclusion does not apply to "computers" and "mobile equipment".

- r. **Temperature/Humidity** -- "We" do not pay for loss to:
- 1) personal property, except as provided under Coverage Extensions - Off Premises Utility Service Interruption; or
  - 2) "perishable stock";
- caused by dryness, dampness, humidity, or changes in or extremes of temperature.

But if dryness, dampness, humidity, or changes in or extremes of temperature, as described above, results in a "specified peril" or the breakage of building glass, "we" cover the loss or damage caused by that "specified peril" or the breakage of building glass.

"We" do pay for loss to "computers" that results from direct physical damage by a covered peril to the air conditioning system that services "your" "computers".

- s. **Wear and Tear** -- "We" do not pay for loss caused by wear and tear, marring, or scratching.

But if wear and tear, marring, or scratching results in a "specified peril" or the breakage of building glass, "we" cover the loss or damage caused by that "specified peril" or the breakage of building glass.

- t. **Weather** -- "We" do not pay for loss caused by weather conditions if the weather conditions contribute in any way with a cause or event excluded in paragraph 1. above to produce the loss or damage.

But if weather conditions result in a covered peril, "we" cover the loss or damage caused by that covered peril.

- u. **Voluntary Parting** -- Except as provided under Coverage Extensions - Fraud and Deceit, "we" do not pay for loss caused by or resulting from voluntary parting with title to or possession of any property because of any fraudulent scheme, trick, or false pretense.
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## **ADDITIONAL PROPERTY NOT COVERED OR SUBJECT TO LIMITATIONS**

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1. **Accounts Receivable** -- "We" do not cover loss to accounts receivables that is a result of:
- a. an error or omission in bookkeeping, accounting, or billing; or

- b. "your" discovery of a discrepancy in "your" books or records if an audit or inventory computation is necessary to prove the factual existence of the discrepancy.
2. **Animals** -- "We" do not cover loss to animals, including but not limited to birds and fish, except death or destruction of animals held for sale caused by "specified perils" or breakage of building glass.
3. **Boilers** -- "We" do not cover loss to steam boilers, steam pipes, steam turbines, or steam engines caused by any condition or occurrence within such equipment. "We" do cover loss to such equipment caused by the explosion of gas or fuel in a firebox, combustion chamber, or flue.
- "We" do not cover loss to hot water boilers or heaters caused by any condition or occurrence within such equipment other than explosion. This exclusion includes bursting, cracking, or rupturing.
4. **Contamination of Perishable Stock Due to Release of Refrigerant** -- "We" do not pay for loss of "perishable stock" due to contamination from the release of a refrigerant, including but not limited to ammonia.
5. **Furs** -- "We" do not cover furs or fur garments for loss by "theft" for more than \$10,000 total in any one occurrence.
6. **Glassware/Fragile Articles** -- "We" do not cover breakage of fragile articles such as glassware and porcelains, except as a result of "specified perils" or breakage of building glass.
- This exclusion does not apply to:
- glass that is a part of a building or structure;
  - bottles or other containers held for sale;
  - lenses of photographic and scientific instruments; or
- d. "fine arts" as described under Supplemental Marine Coverages.
7. **Jewelry, Watches, and Precious Stones** -- "We" do not cover more than \$10,000 total in any one occurrence for loss by "theft" of jewelry, watches, and precious stones, including but not limited to watch movements, jewels, pearls, and semi-precious stones. This limitation does not apply to items of jewelry, watches, or precious stones worth \$100 or less.
8. **Missing Property** -- "We" do not cover missing property when the only proof of loss is unexplained or mysterious disappearance, or shortage discovered on taking inventory, or other instance where there is no physical evidence to show what happened to the property.
- This exclusion does not apply to property in the custody of carriers for hire.
9. **Personal Property in the Open** -- "We" do not cover loss to personal property in the open caused by rain, snow, ice, or sleet.
- This exclusion does not apply to "mobile equipment" or to property in the custody of carriers for hire.
10. **Stamps, Tickets, and/or Letters of Credit** -- "We" do not cover more than \$5,000 total in any one occurrence for loss by "theft" to stamps, tickets (such as lottery tickets held for sale), or letters of credit.
11. **Unauthorized or Fraudulent Transfer** -- Except as provided under Coverage Extensions - Fraud and Deceit, "we" do not cover loss of, or loss caused by the transfer or delivery of covered property from a "covered location" or "your" "computer" to a person or place outside of a "covered location" on the basis of unauthorized or fraudulent instructions, including but not limited to instructions transmitted:
- by a computer, whether or not owned by "you", or

- b. via any telecommunications transmission method.

12. **Valuable Papers** -- "We" do not cover loss to "valuable papers" caused by errors or omissions in processing or copying.

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## OTHER COVERAGES

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- 1. **Collapse** -- "We" pay for loss caused by direct physical loss involving collapse as described in a., b., and c. below.
  - a. Collapse of a building or structure, any part of a building or structure, or personal property inside a building or structure, if the collapse is caused by one or more of the following:
    - 1) "specified perils" or breakage of building glass all only as insured against in this Coverage Part;
    - 2) hidden decay, unless "you" know of the presence of the decay prior to the collapse;
    - 3) hidden insect or vermin damage, unless "you" know of the damage prior to the collapse;
    - 4) weight of people or personal property;
    - 5) weight of rain that collects on a roof; or
    - 6) use of defective material or methods in construction, remodeling, or renovation if the collapse occurs during the course of the construction, remodeling, or renovation.

However, if the collapse occurs after construction, remodeling, or renovation is complete and is caused in part by a peril listed in 1) through 5) above, "we" will pay for the loss or damage even if the use of defective material or methods in construction, remodeling, or renovation, contributes to the collapse.

- b. The following property is covered for loss involving collapse only if the collapse is of a building or structure or any part of a building or structure and is caused by one or more of the causes listed above in 1.a. or collapse caused by "specified perils" or breakage of building glass all only as insured against in this Coverage Part:
  - 1) outdoor radio or television antennas (and satellite dishes) and their lead-in wiring, masts, or towers;
  - 2) awnings, gutters, and down spouts;
  - 3) yard fixtures;
  - 4) outdoor swimming pools;
  - 5) fences;
  - 6) bulkheads, piers, wharves, and docks;
  - 7) beach or diving platforms or appurtenances;
  - 8) retaining walls that are not part of buildings; and
  - 9) bridges, walkways, roadways, and other paved surfaces.
- c. Collapse means a sudden and unexpected falling in or caving in of a building or structure or any portion of a building or structure with the result that the building or portion of the building cannot be occupied for its intended purpose.
- d. The following are not considered to be in a state of collapse:
  - 1) a building or structure that is standing or any portion of a building that is standing even if it displays evidence of bending, bulging, cracking, expansion, leaning, sagging, settling, or shrinkage;
  - 2) a building or structure or any portion of a building structure in danger of falling in or caving; and
  - 3) a portion of a building or structure that is standing even if it has separated from another portion of the building or structure.

2. **Tearing Out and Replacing** -- When "we" cover buildings or structures and a loss caused by water, other liquids, powder, or molten material is covered, "we" also pay the cost of tearing out and replacing any part of the covered building or structure to repair damage to the system or appliance from which the water or other substance escapes.

"We" also pay the cost to repair or replace damaged parts of fire extinguishing equipment if the damage results in discharge of any substance from an automatic fire protection system; or is directly caused by freezing.

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## WHAT MUST BE DONE IN CASE OF LOSS

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1. **Notice** -- In case of a loss, "you" must:

- a. give "us" or "our" agent prompt notice including a description of the property involved ("we" may request written notice);
- b. give notice to the police when the act that causes the loss is a crime; and
- c. give notice to the credit card company if the loss involves a credit card.

2. **Protect Property** -- "You" must take all reasonable steps to protect covered property at and after an insured loss to avoid further loss. "We" will pay the reasonable costs incurred by "you" for necessary repairs or emergency measures performed solely to protect covered property from further damage by a peril insured against if a peril insured against has already caused a loss to covered property. "You" must keep an accurate record of such costs. However "we" will not pay for such repairs or emergency measures performed on property which has not been damaged by a peril insured against. This does not increase "our" "limit".

3. **Proof of Loss** -- "You" must send "us", within 60 days after "our" request, a signed, sworn proof of loss. This must include the following information:

- a. the time, place, and circumstances of the loss;
- b. other policies of insurance that may cover the loss;
- c. "your" interest and the interests of all others in the property involved, including all mortgages and liens;
- d. changes in title or occupancy of the covered property during the policy period;
- e. detailed estimates for repair or replacement of covered property; and
- f. an inventory of damaged and undamaged covered property showing in detail the quantity, description, cost, actual cash value, and amount of the loss. "You" must attach to the inventory copies of all bills, receipts, and related documents that substantiate the inventory.

4. **Examination** -- "You" must submit to examination under oath in matters connected with the loss as often as "we" reasonably request and give "us" sworn statements of the answers. If more than one person is examined, "we" have the right to examine and receive statements separately and not in the presence of others.

5. **Records** -- "You" must produce records, including tax returns and bank microfilms of all canceled checks relating to value, loss, and expense and permit copies and extracts to be made of them as often as "we" reasonably request.

6. **Damaged Property** -- "You" must exhibit the damaged and undamaged property as often as "we" reasonably request and allow "us" to inspect or take samples of the property.

7. **Volunteer Payments** -- "You" must not, except at "your" own expense, voluntarily make any payments, assume any obligations, pay or offer any rewards, or incur any other expenses except as respects protecting property from further damage.
  8. **Abandonment** -- "You" may not abandon the property to "us" without "our" written consent.
  9. **Cooperation** -- "You" must cooperate with "us" in performing all acts required by the Commercial Output Program coverages.
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## VALUATION

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1. **Replacement Cost** -- The value of covered property will be based on replacement cost without any deduction for depreciation unless Actual Cash Value is indicated on the "schedule of coverages".

The replacement cost is limited to the cost of repair or replacement with similar materials on the same site and used for the same purpose. The payment will not exceed the amount "you" spend to repair or replace the damaged or destroyed property.

Replacement cost valuation does not apply until the damaged or destroyed property is repaired or replaced. "You" may make a claim for actual cash value before repair or replacement takes place, and later for the replacement cost if "you" notify "us" of "your" intent within 180 days after the loss.

This replacement cost provision does not apply to paragraphs 3. through 13. below.

2. **Actual Cash Value** -- When Actual Cash Value is indicated on the "schedule of coverages" for covered property, the value of covered property will be based on the actual cash value at the time of the loss (with a deduction for depreciation) except as provided in paragraphs 3. through 13. below.

3. **Fine Arts** -- The value of "fine arts" will be based on the fair market value at the time of loss.
4. **Glass** -- The value of glass will be based on the cost of safety glazing material where required by code, ordinance, or law.
5. **Hardware** -- The following is the value of "hardware":
  - a. **Hardware That Is Replaced** -- The value of "hardware" that is replaced will be based on the cost of replacing the "hardware" with new equipment that is functionally comparable to the "hardware" that is being replaced.
  - b. **Hardware That Is Not Replaced** -- The value of "hardware" that is not repaired or replaced will be based on the actual cash value at the time of loss (with a deduction for depreciation).
  - c. **Partial Loss** -- In no event will "we" pay more than the reasonable cost of restoring partially damaged "hardware" to its condition directly prior to the damage.
6. **Software** -- The following is the value of "software":
  - a. **Programs and Applications** -- The value of "programs and applications" will be based on the cost to reinstall the "programs or applications" from the licensed discs that were originally used to install the programs or applications.

If the original licensed discs are lost, damaged, or can no longer be obtained, the value of "programs and applications" will be based on the cost of the most current version of the "programs or applications".

- b. **Proprietary Programs** -- The value of "proprietary programs" will be based on the cost of reproduction from duplicate copies. The cost of reproduction includes, but is not limited to, the cost of labor to copy or transcribe from duplicate copies.
- If duplicate copies do not exist, the value of "proprietary programs" will be based on the cost of research or other expenses necessary to reproduce, replace, or restore lost "proprietary programs".
- c. **Data Records** -- The value of "data records" will be based on the cost of reproduction from duplicate copies. The cost of reproduction includes, but is not limited to, the cost of labor to copy or transcribe from duplicate copies.
- If duplicate copies do not exist, the value of "data records" will be based on the cost of research or other expenses necessary to reproduce, replace, or restore lost files, documents, and records.
- d. **Media** -- The value of "media" will be based on the cost to repair or replace the "media" with material of the same kind or quality.
7. **Merchandise Sold** -- The value of merchandise that "you" have sold but not delivered will be based on the selling price less all discounts and unincurred expenses.
8. **Manufactured Stock** -- The value of stock manufactured by "you" will be based on the price that such stock would have been sold for, less all discounts and unincurred expenses.
9. **Pair or Set** -- The value of a lost or damaged article which is part of a pair or set is based on a reasonable proportion of the value of the entire pair or set. The loss is not considered a total loss of the pair or set.
10. **Loss to Parts** -- The value of a lost or damaged part of an item that consists of several parts when it is complete is based on the value of only the lost or damaged part or the cost to repair or replace it.
11. **Tenant's Improvements** -- The value of lost or damaged tenant's improvements and the loss of undamaged tenant's improvements due to the cancellation of a lease will be based on the replacement cost if repaired or replaced at "your" expense within 24 months.
- The value of lost or damaged tenant's improvements and the loss of undamaged tenant's improvements due to the cancellation of a lease will be based on a portion of "your" original cost if not repaired or replaced within 24 months. This portion is determined as follows:
- divide the number of days from the date of the loss to the expiration date of the lease by the number of days from the date of installation to the expiration date of the lease; and
  - multiply the figure determined in 11.a. above by the original cost.
- If "your" lease contains a renewal option, the expiration of the lease in this procedure will be replaced by the expiration of the renewal option period.
- Lost or damaged tenant's improvements and the loss of undamaged tenant's improvements due to the cancellation of a lease are not covered if repaired or replaced at another's expense.
12. **Valuable Papers** -- The value of "valuable papers" will be based on their actual cash value at the time of loss.
13. **Accounts Receivable** -- The value of accounts receivable will be based on the total sum of accounts receivable due. From this total "we" will deduct:
- all amounts due from the records of accounts receivable that are not lost;

- b. all amounts due that can be established by other means;
- c. all amounts due that "you" have collected from the records that are lost;
- d. all unearned interest and service charges; and
- e. an amount to allow for bad debts.

If a loss occurs and "you" cannot establish the actual accounts receivable due, it will be determined as follows:

- a. "We" will determine the total of the average monthly accounts receivable amounts for the 12 month period that directly precedes the month in which the loss occurred.
- b. "We" will adjust the total for any normal variance in the accounts receivable amount for the month in which the loss occurred.

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## HOW MUCH WE PAY

- 1. **Insurable Interest** -- "We" do not cover more than "your" insurable interest in any property.
- 2. **Deductible** -- "We" pay only that part of "your" loss over the deductible amount stated on the "schedule of coverages" in any one occurrence. The deductible applies to the loss before application of any coinsurance or reporting provisions.
- 3. **Earthquake Period** -- All earthquakes or volcanic eruptions that occur within a 168-hour period will be considered a single event. This 168-hour period is not limited by the policy expiration.

- 4. **Loss Settlement Terms** -- Subject to paragraphs 1., 2., 3., 5., 6., and 7. under How Much We Pay and coinsurance provisions (if applicable), "we" pay the lesser of:
  - a. the amount determined under Valuation;
  - b. the cost to repair, replace, or rebuild the property with material of like kind and quality to the extent practicable; or
  - c. the "limit" that applies to covered property.

- 5. **Insurance Under More Than One Coverage** -- If more than one coverage of this policy insures the same loss, "we" pay no more than the actual claim, loss, or damage sustained.

- 6. **Insurance Under More Than One Policy** -- "You" may have another policy subject to the same plan, "terms", conditions, and provisions as this policy. If "you" do, "we" will pay "our" share of the covered loss. "Our" share is the proportion that the applicable "limit" under this policy bears to the "limit" of all policies covering on the same basis.

If there is another policy covering the same loss, other than that described above, "we" will pay only for the amount of covered loss in excess of the amount due from that other policy, whether "you" can collect on it or not. But "we" will not pay more than the applicable "limit".

- 7. **Automatic Increase** -- The "limit" on the "schedule of coverages" or the Scheduled Locations Endorsement is automatically increased annually by the annual percentage shown on the "schedule of coverages" or Scheduled Locations Endorsement for Automatic Increase.

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## LOSS PAYMENT

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1. **Our Options** -- In the event of loss covered by this coverage form, "we" have the following options:
  - a. pay the value of the lost or damaged property;
  - b. pay the cost of repairing or replacing the lost or damaged property;
  - c. rebuild, repair, or replace the property with other property of equivalent kind and quality, to the extent practicable, within a reasonable time; or
  - d. take all or any part of the property at the agreed or appraised value.

"We" must give "you" notice of "our" intent to rebuild, repair, or replace within 30 days after receipt of a duly executed proof of loss.

2. **Your Losses** -- "We" will adjust all losses with "you". Payment will be made to "you" unless another loss payee is named in the policy. An insured loss will be payable 30 days after a satisfactory proof of loss is received, and the amount of the loss has been established either by written agreement with "you" or the filing of an appraisal award with "us".
3. **Property of Others** -- Losses to property of others may be adjusted with and paid to:
  - a. "you" on behalf of the owner; or
  - b. the owner.

If "we" pay the owner, "we" do not have to pay "you". "We" may also choose to defend any suits arising from the owners at "our" expense.

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## OTHER CONDITIONS

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In addition to the "terms" which are contained in other sections of the Commercial Output Program coverages, the following conditions apply.

1. **Appraisal** -- If "you" and "we" do not agree on the amount of the loss or the value of covered property, either party may demand that these amounts be determined by appraisal.

If either makes a written demand for appraisal, each will select a competent, independent appraiser and notify the other of the appraiser's identity within 20 days of receipt of the written demand. The two appraisers will then select a competent, impartial umpire. If the two appraisers are unable to agree upon an umpire within 15 days, "you" or "we" can ask a judge of a court of record in the state where the property is located to select an umpire.

The appraisers will then determine and state separately the amount of each loss.

The appraisers will also determine the value of covered property items at the time of the loss, if requested.

If the appraisers submit a written report of any agreement to "us", the amount agreed upon will be the amount of the loss. If the appraisers fail to agree within a reasonable time, they will submit only their differences to the umpire. Written agreement so itemized and signed by any two of these three sets the amount of the loss.

Each appraiser will be paid by the party selecting that appraiser. Other expenses of the appraisal and the compensation of the umpire will be paid equally by "you" and "us".

2. **Benefit to Others** -- Insurance under the Commercial Output Program coverages will not directly or indirectly benefit anyone having custody of "your" property.
3. **Conformity With Statute** -- When a condition of this coverage is in conflict with an applicable law, that condition is amended to conform to that law.
4. **Control of Property** -- The Commercial Output Policy coverages are not affected by any act or neglect beyond "your" control.
5. **Death** -- If "you" die, "your" rights and duties will pass to "your" legal representative but only while acting within the scope of duties as "your" legal representative. Until "your" legal representative is appointed, anyone having proper temporary custody of "your" property will have "your" rights and duties but only with respect to that property.
6. **Liberalization** -- If a revision of a form or endorsement which broadens Commercial Output Program coverages without additional premium is adopted during the policy period, or within six months before this coverage is effective, the broadened coverage will apply.
7. **Misrepresentation, Concealment, or Fraud** -- These Commercial Output Program coverages are void as to "you" and any other insured if, before or after a loss:
  - a. "you" or any other insured have willfully concealed or misrepresented:
    - 1) a material fact or circumstance that relates to this insurance or the subject thereof; or
    - 2) "your" interest herein; or
  - b. there has been fraud or false swearing by "you" or any other insured with regard to a matter that relates to this insurance or the subject thereof.
8. **Policy Period** -- "We" pay for a covered loss that occurs during the policy period.
9. **Recoveries** -- If "we" pay "you" for the loss and lost or damaged property is recovered, or payment is made by those responsible for the loss, the following provisions apply:
  - a. "you" must notify "us" promptly if "you" recover property or receive payment;
  - b. "we" must notify "you" promptly if "we" recover property or receive payment;
  - c. any recovery expenses incurred by either are reimbursed first;
  - d. "you" may keep the recovered property, but "you" must refund to "us" the amount of the claim paid, or any lesser amount to which "we" agree; and
  - e. if the claim paid is less than the agreed loss due to a deductible or other limiting "terms" of this policy, any recovery will be prorated between "you" and "us" based on "our" respective interest in the loss.
10. **Restoration of Limits** -- Except as indicated under Supplemental Coverages - Pollutant Cleanup and Removal and Supplemental Marine Coverages - Virus and Hacking Coverage, any loss "we" pay under the Commercial Output Program coverages does not reduce the "limits" applying to a later loss.
11. **Subrogation** -- If "we" pay for a loss, "we" may require "you" to assign to "us" "your" right of recovery against others. "You" must do all that is necessary to secure "our" rights. "We" will not pay for a loss if "you" impair this right to recover.

"You" may waive "your" right to recover from others in writing before a loss occurs.
12. **Suit Against Us** -- No one may bring a legal action against "us" under this coverage unless:
  - a. all of the "terms" of the Commercial Output Program coverages have been complied with; and

- b. the suit has been brought within two years after "you" first have knowledge of the loss.

If any applicable law makes this limitation invalid, then suit must begin within the shortest period permitted by the law.

13. **Territorial Limits** -- "We" cover property while in the United States of America, its territories and possessions, Canada, and Puerto Rico.

However, "we" do cover foreign shipments as described under Overseas Transit.

14. **Mortgage Provisions** -- If a mortgagee (mortgage holder) is named in this policy, loss to building property will be paid to the mortgagee and "you" as their interest appears. If more than one mortgagee is named, they will be paid in order of precedence.

The insurance for the mortgagee continues in effect even when "your" insurance may be void because of "your" acts, neglect, or failure to comply with the coverage "terms". The insurance for the mortgagee does not continue in effect if the mortgagee is aware of changes in ownership or substantial increase in risk and does not notify "us".

If "we" cancel this policy, "we" will notify the mortgagee at least ten days before the effective date of cancellation if "we" cancel for "your" nonpayment of premium, or 30 days before the effective date of cancellation if "we" cancel for any other reason.

"We" may request payment of the premium from the mortgagee if "you" fail to pay the premium.

If "we" pay the mortgagee for a loss where "your" insurance may be void, the mortgagee's right to collect that portion of the mortgage debt from "you" then belongs to "us". This does not affect the mortgagee's right to collect the remainder of the mortgage debt from "you".

As an alternative, "we" may pay the mortgagee the remaining principal and accrued interest in return for a full assignment of the mortgagee's interest and any instruments given as security for the mortgage debt.

If "we" choose not to renew this policy, "we" will give written notice to the mortgagee at least ten days before the expiration date of this policy.

15. **Vacancy - Unoccupancy** -- "We" do not pay for loss caused by attempted "theft"; breakage of building glass; sprinkler leakage (unless "you" have protected the system against freezing); "theft"; vandalism; or water damage occurring while the building or structure has been:

- a. vacant for more than 60 consecutive days; or
- b. unoccupied for more than:
  - 1) 60 consecutive days; or
  - 2) the usual or incidental unoccupancy period for a "covered location"; whichever is longer.

The amount "we" will pay will be reduced by 15% for any loss by a covered peril, not otherwise excluded above, if the building or structure is vacant or unoccupied, as described above.

Unoccupied means that the customary activities or operations at a "covered location" are suspended, but business personal property has not been removed. The building or structure will be considered vacant and not unoccupied when the occupants have moved, leaving the building or structure empty or containing only limited business personal property. Buildings or structures under construction are not considered vacant or unoccupied.

## SCHEDULED LOCATIONS ENDORSEMENT

### PROPERTY COVERED

The following provision is added to Property Covered.

**Scheduled Locations** -- Coverage provided by the Commercial Output Program coverages applies only to the "covered locations" described on the Location Schedule.

### ADDITIONAL COVERAGES

The following Additional Coverages indicate an applicable "limit". This "limit" may also be shown on the "schedule of coverages". If a different "limit" is indicated on the "schedule of coverages", that "limit" will apply instead of the "limit" shown below.

However, if no "limit" is indicated for an Additional Coverage, coverage is provided up to the full "limit" for the applicable covered property unless a different "limit" is indicated on the "schedule of coverages".

Unless otherwise indicated, a "limit" for an Additional Coverage provided below is separate from, and not part of, the applicable "limit" for coverage described under Property Covered. The "limit" available for coverage described under an Additional Coverage:

- a. is the only "limit" available for the described coverage; and
- b. is not the sum of the "limit" indicated for an Additional Coverage and the "limit" for coverage described under Property Covered.

Unless otherwise stated, each additional coverage:

- a. applies to loss caused by a covered peril;

- b. is not subject to and not considered in applying coinsurance when coinsurance conditions are added to this coverage; and
- c. does not extend coverage to personal property at fairs or exhibitions.

1. **Newly Built or Acquired Buildings** -- "We" cover direct physical loss to "your" buildings or structures:

- a. being built at "covered locations" or while being built at other than "covered locations"; or
- b. that "you" acquire during the policy period.

This additional coverage applies for 120 days from the date "you" acquire or begin to construct the building or structure or until "you" report the property to "us", whichever occurs first. This coverage does not go beyond the end of the policy period.

"You" must pay any additional premium due from the date construction is started or from the date "you" acquire the property.

The most "we" pay in any one occurrence for each newly built or acquired building or structure is \$500,000.

2. **Business Personal Property - Acquired Locations** -- "We" cover direct physical loss to "your" business personal property at locations that "you" acquire during the policy period.

This coverage applies for 120 days from the date "you" acquire the location or until "you" report the acquired location to "us", whichever occurs first. This coverage does not go beyond the end of the policy period.

"You" must pay any additional premium due from the date "you" acquire the location.

The most "we" pay in any one occurrence for business personal property at each location "you" acquire is \$250,000.

3. **Locations "You" Elect Not To Describe --**

"We" cover direct physical loss to "your" building property and business personal property at locations that are not described on the Location Schedule.

The "limit" provided under this additional coverage cannot be combined or added to the "limits" for Newly Acquired Buildings and Personal Property - Acquired Locations.

The most "we" pay in any one occurrence for each unscheduled location is \$50,000.

4. **Newly Built or Acquired Locations - Income Coverage --** If the Commercial Output Program - Income Coverage Part is attached to this policy, "we" extend "your" coverage for earnings and extra expense to include direct physical loss to "your" covered property while at any location being built or at locations that "you" acquire during the policy period.

If a loss occurs at a location being built and the loss delays the start of "your" "business", the "restoration period" starts from the time "your" "business" would have begun had no loss occurred.

This coverage applies for 120 days from the date the location is acquired or construction begins or until "you" report the location to "us", whichever occurs first. This coverage does not go beyond the end of the policy period.

"You" must pay any additional premium due from the date construction is started or "you" acquire the location.

The most "we" pay in any one occurrence for loss of earnings and incurred extra expense at each newly acquired or built location is \$250,000.

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## HOW MUCH WE PAY

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The following provisions are added to How Much We Pay if a coinsurance percentage is indicated on the "schedule of coverages".

1. **Coinsurance, Property Coverage Part --**

"We" pay only a part of the loss if the "limit" is less than the value of the covered property at the time of the loss multiplied by the coinsurance percentage. "Our" part of the loss is determined using the following steps:

- a. multiply the value of the covered property at the time of the loss by the coinsurance percentage;
- b. divide the "limit" for covered property by the result determined in a. above;
- c. multiply the total amount of loss, after the application of any deductible, by the result determined in b. above.

"We" pay the amount determined in c. above or the "limit", whichever is less. "We" do not pay any remaining part of the loss.

If there is more than one "limit" indicated on the "schedule of coverage", this procedure applies separately to each covered property for which a "limit" is shown.

If there is only one "limit" indicated on the "schedule of coverage", this procedure applies to the total of all covered property to which the "limit" applies.

2. **Coinsurance, Income Coverage Part --** If the Commercial Output Program - Income Coverage Part is attached to this policy, "we" pay only a part of the loss if the "limit" is less than the coinsurance percentage multiplied by the sum of "your" net income (net profit or loss before income taxes) and continuing operating expenses projected for the 12 months following the inception of this policy or the last previous anniversary date of this policy (whichever is later), normally earned by "your" "business".

"Our" part of the loss is determined using the following steps:

- a. multiply the coinsurance percentage by the sum of "your" net income and continuing operating expenses projected for the 12 months following the inception of this policy or the last previous anniversary date of this policy;
- b. divide the "limit" by the figure determined in a. above;
- c. multiply the total amount of loss by the figure determined in b. above.

"We" pay the amount determined in c. above or the "limit", whichever is less. "We" do not pay any remaining part of the loss.

If there is more than one "limit" indicated on the "schedule of coverage" for the Income Coverage Part, this procedure applies separately to each "limit".

Coinsurance does not apply to coverage for extra expense.

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## COMMERCIAL OUTPUT PROGRAM INCOME COVERAGE PART

Coverage provided under this coverage part is also subject to the "terms" and conditions in the Commercial Output Program - Property Coverage Part under the sections titled Agreement, Definitions, Property Not Covered, Perils Covered, Perils Excluded, What Must Be Done In Case Of Loss, Loss Payment, and Other Conditions.

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### COVERAGE OPTIONS

One of the following described coverage options applies when that option is indicated on the "schedule of coverages":

1. Earnings, "rents", and extra expense.
2. Earnings and extra expense.
3. "Rents" and extra expense.
4. Extra expense only.

If option 1. above is selected, the term Earnings includes "rents". When Option 3. is indicated, the term Earnings means only "rents".

---

### COVERAGE

"We" provide the following coverage unless the coverage is excluded or subject to limitations.

"We" provide the coverages described below during the "restoration period" when "your" "business" is necessarily wholly or partially interrupted by direct physical loss of or damage to property at a "covered location" or in the open (or in vehicles) within 1,000 feet thereof as a result of a covered peril.

If "you" lease, rent, or do not own the building "you" occupy, for the purposes of determining an Income Coverage loss, "your" location is the space that "you" lease, rent, or occupy, including but not limited to:

1. all passageways to "your" location within the building; and
2. "your" business personal property in the open (or in a vehicle) within 1,000 feet.

### EARNINGS

"We" cover "your" actual loss of net income (net profit or loss before income taxes) that would have been earned or incurred and continuing operating expenses normally incurred by "your" "business", including but not limited to payroll expense.

The net sales value of goods that would have been produced is included in net income for manufacturing risks.

### EXTRA EXPENSE

"We" cover only the extra expenses that are necessary during the "restoration period" that "you" would not have incurred if there had been no direct physical loss or damage to property caused by or resulting from a covered peril.

"We" cover any extra expense to avoid or reduce the interruption of "business" and continue operating at a "covered location", replacement location, or a temporary location. This includes expenses to relocate and costs to outfit and operate a replacement or temporary location.

"We" will also cover any extra expense to reduce the interruption of "business" if it is not possible for "you" to continue operating during the "restoration period".

To the extent that they reduce a loss otherwise payable under this Coverage Part, "we" will cover any extra expenses to:

1. repair, replace, or restore any property; and
  2. research, replace, or restore information on damaged "valuable papers" or "data records".
- 

## EXCLUSIONS AND LIMITATIONS

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The following exclusions apply in addition to the exclusions and limitations in the Commercial Output Program - Property Coverage Part.

1. **Finished Stock** -- "We" do not cover loss caused by or resulting from loss or damage to stock manufactured by "you" which is ready to pack, ship, or sell. This includes loss caused by or resulting from the time required to reproduce such stock. This does not apply to stock manufactured and held for sale at retail outlets that "you" own and that are insured under this Coverage Part.
2. **Leases, Licenses, Contracts, or Orders** -- "We" do not cover any increase in loss due to the suspension, lapse, or cancellation of leases, licenses, contracts, or orders.

However, "we" do cover loss during the "restoration period" if the suspension, lapse, or cancellation results directly from the interruption of "your" "business".

"We" do not cover any extra expense caused by the suspension, lapse, or cancellation of leases, licenses, contracts, or orders beyond the "restoration period".

3. **Strikes, Protests, and Other Interference** -- "We" do not cover any increase in loss due to interference by strikers or other persons at a "covered location". This applies to interference with rebuilding, repairing, or replacing the property or with resuming "your" "business".

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## INCOME COVERAGE EXTENSIONS

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The following Income Coverage Extensions indicate an applicable "limit" or limitation. This "limit" or limitation may also be shown on the "schedule of coverages". If a different "limit" or limitation is indicated on the "schedule of coverages", that "limit" or limitation will apply instead of the "limit" or limitation shown below.

The following Income Coverage Extensions are part of and not in addition to the applicable Income Coverage "limit".

1. **Interruption by Civil Authority** -- "We" extend "your" coverage for earnings and extra expense to include loss sustained while access to "covered locations" or a "dependent location" is specifically denied by an order of civil authority. This order must be a result of direct physical loss of or damage to property, other than at a "covered location" and must be caused by a covered peril. Unless otherwise indicated on the "schedule of coverages", this Income Coverage Extension is limited to 30 consecutive days from the date of the order.
2. **Period of Loss Extension After Business Resumes** -- "We" extend "your" coverage for earnings to cover loss from the date the covered property that incurred the loss is rebuilt, repaired, or replaced and "business" is resumed or tenantability is restored until:
  - a. the end of 90 consecutive days (unless otherwise indicated on the "schedule of coverages"); or
  - b. the date "you" could reasonably resume "your" "business" to the conditions that would generate the earnings amount or "rents" that would have existed had no loss or damage occurred, whichever is earlier.

Loss of earnings or "rents" must be caused by direct physical loss of or damage to property at a "covered location" or in the open (or in vehicles) within 1,000 feet thereof as a result of a covered peril.

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## SUPPLEMENTAL INCOME COVERAGES

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Unless otherwise indicated, the following Supplemental Income Coverages apply separately to each "covered location".

The following Supplemental Income Coverages indicate an applicable "limit". This "limit" may also be shown on the "schedule of coverages". If a different "limit" is indicated on the "schedule of coverages", that "limit" will apply instead of the "limit" shown below.

Unless otherwise indicated, a "limit" for a Supplemental Income Coverage provided below is separate from, and not part of, the applicable Income Coverage "limit". The "limit" available for coverage described under a Supplemental Income Coverage:

- a. is the only "limit" available for the described coverage; and
- b. is not the sum of the "limit" indicated for a Supplemental Income Coverage and the Income Coverage "limit".

The "limit" provided under a Supplemental Income Coverage cannot be combined or added to the "limit" for any other Supplemental Income Coverage.

### 1. **Computer Virus and Hacking --**

- a. **Coverage** -- Coverage for earnings and/or extra expense is extended to loss of earnings or extra expenses caused by a "computer virus" or by "computer hacking" that results in:
  - 1) direct physical loss or damage to covered "computers", "your" computer network, or "your" Web site; or
  - 2) denial of access to or services from "your" "computer", "your" computer network, or "your" Web site.

- b. **Exclusions** -- "We" do not cover loss of earnings or extra expenses under this Supplemental Income Coverage that results from:
  - 1) loss of exclusive use of any "data records" or "proprietary programs" that have been copied, scanned, or altered;
  - 2) loss of or reduction in economic or market value of any "data records" or "proprietary programs" that have been copied, scanned, or altered; or
  - 3) theft from "your" "data records" or "proprietary programs" of confidential information through the observation of the "data records" or "proprietary programs" by accessing covered "computers", "your" computer network, or "your" Web site without any alteration or other physical loss or damage to the records or programs.

Confidential information includes, but is not limited to customer information, processing methods, or trade secrets.

- c. **Waiting Period** -- Unless otherwise indicated on the "schedule of coverages", "we" do not pay for "your" loss of earnings under this Supplemental Income Coverage until after the first 12 hours following the direct physical loss of or damage to "your" "computers", "your" computer network, or "your" Web site. This waiting period does not apply to extra expenses that "you" incur.
- d. **Applicable Limit** -- The most "we" pay in any one occurrence under this Supplemental Income Coverage is \$25,000.

The most "we" pay for all covered losses under this Supplemental Income Coverage during each 12-month period of this policy is \$75,000.

2. **Dependent Locations** -- Coverage for earnings and/or extra expense is extended to loss of earnings or extra expenses that "you" incur during the "restoration period" when "your" "business" is interrupted by direct physical loss of or damage, caused by a covered peril, to property at a "dependent location".

The most "we" pay in any one occurrence under this Supplemental Income Coverage is \$100,000.

3. **Off Premises Utility Service Interruption** --
- a. **Coverage** -- Coverage for earnings and/or extra expense is extended to loss of earnings or extra expenses that "you" incur during the "restoration period" when "your" "business" is interrupted due to the interruption of an off premises utility services when the interruption is a result of direct physical loss or damage by a covered peril to property that is not located at a "covered location" and that is owned by a utility, a landlord, or another supplier who provides "you" with:
- 1) power or gas;
  - 2) telecommunications, including but not limited to Internet access; or
  - 3) water, including but not limited to waste water treatment.
- b. **Overhead Transmission Lines** -- If the "schedule of coverages" indicates that overhead transmission lines are excluded, coverage under this Supplemental Income Coverage does not include loss to overhead transmission lines that deliver utility service to "you". Overhead transmission lines include, but are not limited to:
- 1) overhead transmission and distribution lines;
  - 2) overhead transformers and similar equipment; and
  - 3) supporting poles and towers.

- c. **Waiting Period** -- Unless otherwise indicated on the "schedule of coverages", "we" do not pay for "your" loss of earnings under this Supplemental Income Coverage until after the first 12 hours following the direct physical loss of or damage to the property owned by a utility, a landlord, or another supplier. This waiting period does not apply to extra expenses that "you" incur.

- d. **Applicable Limit** -- The most "we" pay in any one occurrence under this Supplemental Income Coverage is \$10,000.

4. **Pollutant Cleanup and Removal** -- When there is a loss to a "covered location" caused by a covered peril, coverage for earnings is extended to loss of earnings during the "restoration period" due to the increased time of interruption of "your" "business" caused by the enforcement of any ordinance, law, or decree that requires "you" to extract "pollutants" from land or water at the "covered location".

This Supplemental Income Coverage only applies if the discharge, dispersal, seepage, migration, release, or escape of the "pollutants" into the land or water at the "covered locations" is caused by a covered peril and occurs during the policy period.

Coverage for earnings is not extended to loss of earnings during the "restoration period" due to the increased time of interruption of "your" "business" caused by the enforcement of any ordinance, law, or decree that requires "you" to test, evaluate, observe, or record the existence, level, or effects of "pollutants". However, "we" cover the increased period of interruption when testing is necessary for the extraction of "pollutants" from land or water.

The ordinance, law, or decree must be in force at the time of loss.

The most "we" pay in any one occurrence or at any one location under this Supplemental Income Coverage is \$25,000.

5. **Contract Penalty** -- Coverage for earnings is extended to cover contract penalties that "you" are assessed or are required to pay because "you" are unable to complete a project or fill an order in accordance with contract terms or conditions.

"Your" inability to complete a project or fill an order on time must be a direct result of physical loss of or damage to covered property caused by a covered peril at a "covered location".

The most "we" pay in any one occurrence under this Supplemental Income Coverage is \$25,000.

The most "we" pay for all covered losses under this Supplemental Income Coverage during each 12-month period of this policy is \$100,000.

6. **Property In Transit, On Exhibition, or In The Custody Of Sales Representatives** -- Coverage for earnings is extended to loss of earnings during the "restoration period" when "your" "business" is interrupted as a result of a direct physical loss, caused by a covered peril, to property in transit, on exhibition, or in the custody of sales representatives as described under the Supplemental Marine Coverages in Commercial Output Program - Property Coverage Part.

The most "we" pay in any one occurrence under this Supplemental Income Coverage is \$10,000.

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## WHAT MUST BE DONE IN CASE OF LOSS

Other "terms" relating to What Must Be Done In Case Of Loss also apply. These "terms" are described in the Commercial Output Program - Property Coverage Part.

**Intent to Continue Business** -- If "you" intend to continue "your" "business", "you" must resume all or part of "your" "business" as soon as possible.

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## VALUATION

1. **Earnings** -- In determining an earnings loss "we" consider:
- the experience of "your" "business", before the loss and the probable experience during the time of interruption had no loss occurred;
  - "your" continuing operating expenses normally incurred by "your" "business", including but not limited to payroll expense necessary to resume "business" to a similar level of service that existed before the occurrence of direct physical loss or damage; and
  - pertinent sources of information and reports including:
    - "your" accounting procedures and financial records;
    - bills, invoices, and other vouchers;
    - contracts, deeds, and liens;
    - reports on feasibility and status; and
    - records documenting "your" budget and marketing objectives and results.

"We" do not pay for any increase in loss due to "your" failure to use reasonable efforts to resume all or part of "your" "business". This includes making use of other locations and property to reduce the loss.

If "your" "business" is not resumed as soon as possible, or if it is not resumed at all, the value of loss payment is based on the period of time it would have otherwise taken to resume "your" "business" as soon as possible.

Only as regards coverage described under Dependent Locations in the Income Coverage Extensions, "we" will reduce the amount of "your" loss of earnings to the extent "you" can resume "your" "business" by using other available sources of materials or outlets for "your" products.

2. **Extra Expense** -- In determining extra expenses that "you" have incurred, "we" consider the salvage value of any property bought for temporary use during the "restoration period" and it will be deducted from the amount of loss determined for extra expense.
- 

## HOW MUCH WE PAY

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Other "terms" relating to How Much We Pay also apply. These "terms" are described in the Commercial Output Program - Property Coverage Part.

"We" pay no more than the Income Coverage "limit" indicated on the "schedule of coverages" for any one loss. Payment for earnings, extra expense, and "rents" combined does not exceed the "limit".

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## LOSS PAYMENT

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See the Commercial Output Program - Property Coverage Part.

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## OTHER CONDITIONS

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The following condition applies as it relates to this Coverage Part, other "terms" also apply. These "terms" are described in the Commercial Output Program - Property Coverage Part.

**Appraisal** -- If "you" and "we" do not agree on the amount of net income (net profit or loss before income taxes), payroll expense, and operating expenses, or the amount of loss, either party may demand that these amounts be determined by appraisal in accordance with the provisions described in the Commercial Output Program - Property Coverage Part under Other Conditions, Appraisal.

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# EQUIPMENT BREAKDOWN COVERAGE PART (INCLUDING ELECTRONIC CIRCUITRY IMPAIRMENT) – COMMERCIAL OUTPUT POLICY

Coverage provided under this coverage part is also subject to the "terms" and conditions in the Commercial Output Program – Property Coverage Part under the sections titled Agreement, Definitions, Property Not Covered, What Must Be Done In Case Of Loss, Loss Payment, and Other Conditions.

## A. ADDITIONAL DEFINITIONS

Some of the following definitions may not appear elsewhere in this coverage part, but may appear in the "schedule".

1. The definition "accident" as described in the Commercial Output Program - Property Coverage Part is deleted and replaced by the following:

a. "Accident" means a fortuitous event that causes direct physical damage to "covered equipment". The event must be one of the following:

- (1) mechanical breakdown or rupturing or bursting of moving parts of machinery caused by centrifugal force;
- (2) loss caused by arcing or electrical currents other than lightning;
- (3) explosion of steam boilers, steam pipes, steam turbines, or steam engines that "you" own or lease or that are operated under "your" control;
- (4) loss to steam boilers, steam pipes, steam turbines, or steam engines caused by any condition or occurrence within such equipment; or
- (5) loss to hot water boilers or heaters caused by any condition or occurrence within such equipment.

b. None of the following is an "accident," however caused and without regard to whether such condition or event is normal and expected or unusual and unexpected. However, if an event as defined under 1.a. above results from any of the following, it will be considered an "accident".

- (1) depletion, deterioration, rust, corrosion, erosion, settling, wear and tear, marring or scratching;
- (2) any gradually developing condition;
- (3) any defect, programming error, programming limitation, computer virus, malicious code, loss of "data", loss of access, loss of use, loss of

functionality or other condition within or involving "data" or "media" of any kind;

- (4) contamination by a "hazardous substance";
- (5) any loss caused by animals, including birds, insects, or vermin; or
- (6) misalignment, miscalibration, tripping off-line, or any condition which can be corrected by resetting, tightening, adjusting or cleaning, or by the performance of maintenance.

2. "Boilers and vessels" means:

- a. boilers, including attached steam, condensate, and feedwater piping; and
- b. fired or unfired pressure vessels subject to vacuum or internal pressure other than the static pressure of its contents.

3. "Cloud computing services" means professional, on-demand, self-service data storage or data processing services provided through the Internet or over telecommunications lines. This includes services known as IaaS (infrastructure as a service), PaaS (platform as a service), SaaS (software as a service) and NaaS (network as a service). This includes business models known as public clouds, community clouds and hybrid clouds. "Cloud computing services" include private clouds if such services are owned and operated by a third party.

4. The definition "covered equipment" as described in the Commercial Output Program - Property Coverage Part is deleted and replaced by the following:

a. "Covered equipment", unless otherwise specified in the "schedule", means covered property:

- (1) that generates, transmits or utilizes energy; or
- (2) which, during normal usage, operates under vacuum or pressure, other than the weight of its contents.

"Covered equipment" may utilize conventional design and technology or new or newly commercialized design and technology.

b. "Covered equipment" does not mean:

- (1) structure, foundation, cabinet or compartment;
  - (2) insulating or refractory material;
  - (3) sewer piping, buried vessels or piping, or piping forming a part of a sprinkler or fire suppression system;
  - (4) water piping other than boiler feedwater piping, boiler condensate return piping or water piping forming a part of a refrigerating or air conditioning system;
  - (5) "vehicle" or any equipment mounted on a "vehicle";
  - (6) satellite, spacecraft or any equipment mounted on a satellite or spacecraft;
  - (7) dragline, excavation or construction equipment; or
  - (8) equipment manufactured by "you" for sale.
5. "Data" means information or instructions stored in digital code capable of being processed by machinery.
6. "Electrical Generating Equipment" means:
- a. "Electrical Generating Equipment" means equipment which converts any other form of energy into electricity. This includes, but is not limited to, the following:
    - (1) boilers used primarily to provide steam for one or more turbine-generator units;
    - (2) turbine-generators (including steam, gas, water or wind turbines);
    - (3) engine-generators;
    - (4) fuel cells or other alternative electrical generating equipment;
    - (5) electrical transformers, switchgear and power lines used to convey the generated electricity; and
    - (6) associated equipment necessary for the operation of any of the equipment listed in (1) through (5) above.
  - b. "Electrical Generating Equipment" does not mean:
    - (1) elevator or hoist motors that generate electricity when releasing cable; or
    - (2) equipment intended to generate electricity solely on an emergency, back-up basis.
7. "Electronic circuitry" means microelectronic components, including but not limited to circuit boards, integrated circuits, computer chips and disk drives.
8. "Electronic circuitry impairment" means a fortuitous event involving "electronic circuitry" within "covered equipment" that causes the "covered equipment" to suddenly lose its ability to function as it had been functioning immediately before such event. This definition is subject to the conditions specified in a., b. and c. below.
- a. "We" shall determine that the reasonable and appropriate remedy to restore such "covered equipment's" ability to function is the replacement of one or more "electronic circuitry" components of the "covered equipment".
  - b. The "covered equipment" must be owned or leased by "you", or operated under "your" control.
  - c. None of the following is "electronic circuitry impairment":
    - (1) any condition that can be reasonably remedied by:
      - (a) normal maintenance, including but not limited to replacing expendable parts, recharging batteries or cleaning;
      - (b) rebooting, reloading or updating software or firmware; or
      - (c) providing necessary power or supply.
    - (2) any condition caused by or related to:
      - (a) incompatibility of the "covered equipment" with any software or equipment installed, introduced or networked within the prior 30 days; or
      - (b) insufficient size, capability or capacity of the "covered equipment".
    - (3) exposure to adverse environmental conditions, including but not limited to change in temperature or humidity, unless such conditions result in an observable loss of functionality. Loss of warranty shall not be considered an observable loss of functionality.
9. "Fungus or related perils" means:
- a. a fungus, including but not limited to mildew and mold;
  - b. a protist, including but not limited to algae and slime mold;
  - c. wet rot;
  - d. dry rot;
  - e. a bacterium; or

- f. a chemical, matter, or compound produced or released by a fungus, a protist, wet rot, dry rot, or a bacterium, including but not limited to toxins, spores, fragments, and metabolites such as microbial volatile organic compounds.
- 10. "Hazardous substance" means any substance that is hazardous to health or has been declared to be hazardous to health by a governmental agency.
- 11. As respects this endorsement only, the definition in the Commercial Output Program – Property Coverage Part is deleted and replaced by the following:  
 "Media" means material on which "data" is recorded, such as solid state drives, hard disks, optical disks, flash drives, magnetic tapes or floppy disks.
- 12. As respects this endorsement only, the definition "one accident" in the Commercial Output Program – Property Coverage Part is deleted and replaced by the following:  
 "One equipment breakdown" means: If an initial "accident" or "electronic circuitry impairment" causes other "accidents" or "electronic circuitry impairments", all will be considered "one equipment breakdown". All "accidents" or "electronic circuitry impairments" that are the result of the same "accident" or "electronic circuitry impairment" will be considered "one equipment breakdown".
- 13. "Production machinery" means machines or apparatus that process or produce a product intended for eventual sale. This includes all component parts of such machine or apparatus and any other equipment used exclusively with such machine or apparatus.  
 However, "production machinery" does not mean any boiler, fired or unfired pressure vessel.
- 14. "Schedule" means the Equipment Breakdown Schedule.
- 15. "Suit" means a judicial proceeding that has been set up to determine liability and damages for loss to property of others consisting of covered property that is in "your" care, custody, or control. Judicial proceedings also includes arbitration proceedings that "you" may be required to submit to.
- 16. "Vehicle" means any machine or apparatus that is used for transportation or moves under its own power. "Vehicle" includes, but is not limited to: car, truck, bus, trailer, train, aircraft,

watercraft, forklift, bulldozer, tractor or harvester.

However, any property that is stationary, permanently installed at a "covered location" and that receives electrical power from an external power source will not be considered a "vehicle".

## B. COVERAGE

**Property Damage** – "We" cover direct physical loss to covered property caused by or resulting from an "accident" or "electronic circuitry impairment" to "covered equipment" at "covered locations". "We" will consider "electronic circuitry impairment" to be direct physical loss to "covered equipment".

The term covered property as used in this coverage part means the types of property described under the Property Covered section of the Commercial Output Program - Property Coverage Part as well as the covered property described in the Supplemental and Supplemental Marine Coverages.

## C. ADDITIONAL PROPERTY NOT COVERED

In addition to the property identified under the Property Not Covered in the Commercial Output Program - Property Coverage Part, the following additional property is not covered:

**Animals** – "We" do not cover animals, including but not limited to:

- a. birds and fish;
- b. animals owned by others and boarded by "you"; and
- c. animals "you" own and hold for sale.

## D. COVERAGE EXTENSIONS

If indicated on the "schedule", the following additional coverages also apply to loss caused by or resulting from an "accident" or "electronic circuitry impairment" to "covered equipment". However, with respect to coverage **9. Service Interruption** below and any Dependent Locations coverage provided by this coverage part, coverage will apply only to the direct result of an "accident" and will not apply to the direct result of an "electronic circuitry impairment". The most that "we" pay for loss arising from any "one equipment breakdown" is the amount indicated on the "schedule" for the applicable Coverage Extension.

If two or more "limits" apply to the same portion of a loss, "we" only pay the smaller "limit" for that portion of the loss.

Except as otherwise provided, the "limits" for the additional coverages are a part of, and not in addition to, the Property Damage Limit.

### 1. Data Restoration

- a. "We" pay for "your" reasonable and necessary cost to research, replace and restore lost "data".
- b. The most "we" pay for loss or expense under this coverage, including actual loss of Income Coverage "you" sustain and necessary Extra Expense "you" incur, if shown as covered, is \$100,000 unless otherwise shown in the "schedule".

## 2. Expediting Expenses

- a. With respect to "your" damaged covered property, "we" pay the reasonable extra cost to:
  - (1) make temporary repairs; and
  - (2) expedite permanent repairs or permanent replacement.
- b. The most "we" pay for loss or expense under this coverage is \$100,000 unless otherwise shown in the "schedule".

## 3. Limited Fungus and Related Perils Property Damage Coverage

- a. We will pay your additional cost to repair or replace covered property because of contamination by "fungus or related perils". This includes the additional costs to clean up or dispose of such property. This does not include "spoilage" of personal property that is "perishable stock" to the extent that such "spoilage" is covered under Spoilage coverage.
- b. As used in this coverage, additional costs mean those beyond what would have been payable under this Equipment Breakdown Coverage had no "fungus or related perils" been involved.
- c. We will also pay the cost of testing performed after repair or replacement of the damaged covered property is completed only to the extent that there is reason to believe there is the presence of "fungus or related perils".
- d. This coverage does not apply to lawns, trees, shrubs or plants which are part of a vegetated roof.
- e. The most we will pay in any "one equipment breakdown" for loss, damage or expense under this coverage, including actual loss of Business Income you sustain and necessary Extra Expense you incur, if shown as covered, is \$15,000 even if the "fungus or related perils" continues to be present or active or recurs in a later policy period.

## 4. Hazardous Substances

- a. "We" pay "your" additional cost to repair or replace covered property because of contamination by a "hazardous substance". This includes the additional expenses to clean up or dispose of such property.
- b. This does not include contamination of "perishable stock" by refrigerant, including but not limited to ammonia, which is addressed in **10.a.(2)** below. As used in this coverage, additional costs mean those beyond what would have been payable under this Equipment Breakdown Coverage had no "hazardous substance" been involved.
- c. The most "we" pay for loss, damage or expense under this coverage, including actual loss of Income Coverage "you" sustain and necessary Extra Expense "you" incur, if shown as covered, is \$100,000 unless otherwise shown in the "schedule".

## 5. Income Coverages

- a. **Coverage** – If a "limit" is indicated on the "schedule", "we" provide the coverages described below during the "restoration period" when "your" "business" is necessarily wholly or partially interrupted as a result of an "accident" or "electronic circuitry impairment" to "covered equipment".

This coverage applies only when the "accident" or "electronic circuitry impairment" to "covered equipment" occurs at "covered locations" or in the open (or in vehicles) within 1,000 feet thereof.

If "you" lease, rent, or do not own the building "you" occupy, for the purposes of determining an Income Coverage loss, "your" location is the space that "you" lease, rent, or occupy, including but not limited to:

- (1) all passageways to "your" location within the building; and
- (2) "your" business personal property in the open (or in a vehicle) within 1,000 feet.

- b. **Coverage Options** – Coverage options include:

- (1) earnings, "rents", and extra expense.
- (2) earnings and extra expense.
- (3) "rents" and extra expense.
- (4) extra expense only.

Earnings includes "rents" when option (1) is selected. Earnings means only "rents" when option (3) is selected.

- c. **Earnings** – "We" cover "your" actual loss of net income (net profit or loss before income taxes) that would have been earned or incurred and continuing operating expenses normally incurred by "your" "business", including but not limited to payroll expense.

The net sales value of goods that would have been produced is included in net income for manufacturing risks.

- d. **Extra Expense** – "We" cover only the extra expenses that are necessary during the "restoration period" that "you" would not have incurred if there had been no direct physical loss or damage to property caused by or resulting from an "accident" or "electronic circuitry impairment" to "covered equipment".

"We" cover any extra expense to avoid or reduce the interruption of "business" and continue operating at a "covered location", replacement location, or a temporary location. This includes expenses to relocate and costs to outfit and operate a replacement or temporary location.

"We" will also cover any extra expense to reduce the interruption of "business" if it is not possible for "you" to continue operating during the "restoration period".

To the extent that they reduce a loss otherwise payable under this Coverage Part, "we" will cover any extra expenses to:

- (1) repair, replace, or restore any property; and
- (2) research, replace, or restore information on damaged "valuable papers".

- e. **Period of Loss Extension After Business Resumes** – "We" extend "your" coverage for earnings to cover loss from the date the covered property that incurred the loss is rebuilt, repaired, or replaced until:

- (1) the end of 30 consecutive days (unless otherwise indicated on the "schedule"); or
- (2) the date "you" could reasonably resume "your" "business" to the conditions that would generate the earnings amount or "rents" that would

have existed had no loss or damage occurred,

whichever is earlier. This does not increase the "limit".

- f. **Dependent Locations** – Coverage for earnings and/or extra expense is extended to loss of earnings or extra expenses that "you" incur during the "restoration period" when "your" "business" is interrupted by direct physical loss of or damage, caused by a covered peril, to property at a "dependent location".

The most "we" pay in any "one equipment breakdown" under this Income Coverage is \$25,000, unless otherwise in the "schedule".

## 6. Off Premises Equipment Breakdown

- a. "We" pay for physical damage to transportable "covered equipment" that, at the time of the "accident" or "electronic circuitry impairment," is not at a "covered location". As respects this Off Premises Equipment Breakdown coverage only, the "accident" or "electronic circuitry impairment" may occur in any country except one in which the United States has imposed sanctions, embargoes or similar restrictions on the provision of insurance.
- b. "We" also pay for "your" reasonable and necessary cost to research, replace and restore lost "data" contained within "covered equipment" as described under a. above. This amount may not exceed the limit applicable to Data Restoration coverage.
- c. The most "we" pay for loss, damage or expense under this coverage, including actual loss of Income Coverage "you" sustain and necessary Extra Expense "you" incur, if shown as covered, and Data Restoration as described in b. above is \$10,000 unless otherwise shown in the "schedule".

## 7. Ordinance or Law

- a. **Undamaged Parts of a Building** – When an "accident" or "electronic circuitry impairment" to "covered equipment" at a "covered location" occurs, "we" pay for the value of undamaged parts of a covered building or structure that is required to be demolished as a result of the enforcement of any ordinance, law, or decree that:

- (1) requires the demolition of undamaged parts of a covered building or structure that is damaged or destroyed by an

"accident" or "electronic circuitry impairment" to "covered equipment";

- (2) regulates the construction or repair of a building or structure, or establishes building, zoning, or land use requirements at a "covered location"; and

- (3) is in force at the time of loss.

"We" do not cover the costs associated with the enforcement of any ordinance, law, or decree that requires "you" or anyone else to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize or in any way respond to or assess the effects of "pollutants".

**b. Increased Cost to Repair and Cost to Demolish and Clear Site**

- (1) **Increased Cost to Repair** – When an "accident" or "electronic circuitry impairment" occurs to "covered equipment" at a "covered location", "we" cover the:

- (a) increased cost to repair, rebuild, or reconstruct damaged portions of a covered building or structure; and
- (b) increased cost to repair, rebuild, or reconstruct undamaged portions of a covered building or structure whether or not those undamaged portions need to be demolished;

as a result of the enforcement of building, zoning, or land use ordinance, law, or decree and is in force at the time when the "accident" or "electronic circuitry impairment" to "covered equipment" occurs at a "covered location".

If a covered building or structure is repaired or rebuilt, it must be intended for similar occupancy as the current property, unless otherwise required by building, zoning, or land use ordinance, law, or decree.

"We" do not cover the increased cost of construction until the covered building or structure is actually repaired or replaced and unless the repairs or replacement are made as soon as reasonably possible after the loss, not to exceed two years.

- (2) **Cost to Demolish and Clear Site** – "We" cover the cost to demolish and clear the site of undamaged parts of

the covered building or structure that is damaged or destroyed by an "accident" or "electronic circuitry impairment" to "covered equipment". The demolition must be a result of the enforcement of a building, zoning, or land use ordinance, law, or decree that is in force at the time when the "accident" or "electronic circuitry impairment" occurs to "covered equipment".

- (3) **We Do Not Cover** – "We" do not cover the costs associated with the enforcement of any ordinance, law, or decree that:

- (a) requires "you" or anyone else to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize or in any way respond to or assess the effects of "pollutants"; or
- (b) "you" were required to comply with before the occurrence of an "accident" or "electronic circuitry impairment" to "covered equipment" at a "covered location", even if the building or structure was undamaged and "you" failed to comply with the ordinance, law, or decree whether or not "you" were aware of such non-compliance.

- (4) **What We Pay If The Building Is Repaired or Replaced** – If the covered building or structure is repaired or replaced, "we" pay the lesser of:

- (a) the amount "you" actually spend to demolish and clear the site, plus the actual increased cost to repair, rebuild, or construct the property but not for more than a building or structure of the same height, floor area, and style; or
- (b) the "limit" indicated on the "schedule".

- (5) **What We Pay If The Building Is Not Repaired or Replaced** – If the covered building or structure is not repaired or replaced, "we" pay the lesser of:

- (a) the amount "you" actually spend to demolish and clear the site, plus the cost "you" would have incurred to replace damaged or destroyed property with other

property of like kind, and quality; of the same height, floor area, and style; and used for the same purpose; or

(b) the "limit" indicated on the "schedule".

## 8. Public Relations

- a. This coverage only applies if "you" have sustained an actual loss of Income Coverage covered under this Coverage Part.
- b. "We" pay for your reasonable costs for professional services to create and disseminate communications, when the need for such communications arises directly from the interruption of "your" business. This communication must be directed to one or more of the following:
  - (1) the media;
  - (2) the public; or
  - (3) "your" customers, clients or members.
- c. Such costs must be incurred during the "restoration period" or up to 30 days after the "restoration period" has ended.
- d. The most "we" pay for loss or expense under this coverage is \$5,000.

## 9. Service Interruption

- a. Any insurance provided for Income Coverage, Extra Expense, Data Restoration or Spoilage is extended to apply to "your" loss, damage or expense caused by a failure or disruption of service. The failure or disruption of service must be caused by an "accident" to equipment, including overhead transmission lines, that is owned by a utility, landlord, a landlord's utility or other supplier who provides "you" with any of the following services: electrical power, waste disposal, air conditioning, refrigeration, heating, natural gas, compressed air, water, steam, Internet access, telecommunications services, "cloud computing services," wide area networks or data transmission. The equipment must meet the definition of "covered equipment" except that it is not covered property.
- b. "Cloud computing services" must be provided by a professional provider with whom "you" have a contract.
- c. With respect to the Data Restoration portion of this Service Interruption coverage, coverage will also apply to

"data" stored in the equipment of a provider of "cloud computing services".

- d. Unless otherwise shown in the "schedule", any insurance provided for Income Coverage or Data Restoration will not apply under this Service Interruption coverage unless the failure or disruption of service exceeds 24 hours immediately following the "accident". If the interruption exceeds 24 hours, coverage will begin at the time of the disruption, and the applicable deductible will apply.
- e. The most "we" pay in any "one equipment breakdown" for loss, damage or expense under this coverage is the applicable limit for Income Coverage, Extra Expense, Data Restoration or Spoilage, except that if a limit is shown in the "schedule" for Service Interruption, that limit will apply to Income Coverage and Extra Expense loss under this coverage.

## 10. Spoilage

- a. "We" pay for:
  - (1) physical damage to "perishable stock" due to "spoilage";
  - (2) physical damage to "perishable stock" due to contamination from the release of refrigerant, including but not limited to ammonia;
  - (3) any necessary expenses "you" incur to reduce the amount of loss under this coverage to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage.
- b. If "you" are unable to replace the "perishable stock" before its anticipated sale, the amount of "our" payment will be determined on the basis of the sales price of the "perishable stock" at the time of the "accident" or "electronic circuitry impairment", less discounts and expenses "you" otherwise would have had. Otherwise "our" payment will be determined in accordance with the Valuation condition as set forth in this Coverage Part.
- c. The most "we" pay for loss, damage or expense under this coverage is \$100,000 unless otherwise shown in the "schedule".

- 11. **Defense Costs** – "We" have the right and duty to defend any "suit" brought against "you" as a result of damage to property of others that is in "your" care, custody, or control and is caused by an "accident" or "electronic circuitry

impairment" to "covered equipment". "We" may investigate and settle a claim or "suit". "We" do not have to provide a defense after "we" have paid the "limit" as a result of a judgment or written settlement.

"You" must not admit liability for a loss, settle a claim, or incur expense without "our" written consent. "You" must not interfere with "our" negotiation for a settlement.

"We" pay the following additional expenses associated with any "suit" "we" defend:

- a. Expenses which "we" incur while investigating and defending the "suit".
- b. Actual loss of "your" salary, up to \$250 per day, for "your" time spent away from work at "our" request.
- c. Expenses "you" incur at "our" request.
- d. All costs "you" are required to pay as a result of any "suit" "we" defend.
- e. Interest that accrues after entry of a judgment, until "we" tender, deposit in court, or pay "our" part of the judgment.
- f. Interest that is awarded against "you" before the entry of a judgment. If "we" make an offer to settle the "suit", "we" do not pay any interest that accrues after the offer to settle.
- g. Cost of a bond for the release of attachments. "We" are not required to furnish a bond itself.

This Coverage Extension will not reduce the available Property Damage Limit and does not have to be indicated on the "schedule".

## E. PERILS COVERED

"We" cover risks of direct physical loss caused by or resulting from an "accident" or "electronic circuitry impairment" to "covered equipment" unless the loss is limited or caused by a peril that is excluded. "We" will consider "electronic circuitry impairment" to be direct physical loss to "covered equipment".

## F. PERILS EXCLUDED

"We" do not pay for any excluded loss, damage or expense, even though any other cause or event contributes concurrently or in any sequence to the loss, damage or expense.

1. "We" do not pay for loss, damage or expense caused directly or indirectly by one or more of the following excluded causes or events, whether or not caused by or resulting from a peril covered.
  - a. **Fire and Explosion** – "We" do not pay for loss caused by:

- (1) fire, including smoke from a fire.
- (2) combustion explosion. This includes, but is not limited to, a combustion explosion of any steam boiler or other fired vessel.
- (3) any other explosion, except as specifically provided in the definition of "accident".

b. **Ordinance or Law** – Except as provided under Coverage Extensions – Ordinance or Law, "we" do not pay for the enforcement of, or change in, any ordinance, law, regulation, rule or ruling regulating or restricting repair, replacement, alteration, use, operation, construction, installation or demolition of any building or structure including the cost of removing its debris.

c. **Earth Movement or Volcanic Action** – "We" do not pay for loss caused by any earth movement whether natural or human-made. Earth movement includes, but is not limited to earthquake; shock; tremor; landslide; rock fall; mudflow; mudslide; mine subsidence; sinking, rising, shifting of earth; "sinkhole collapse" or tsunami. "We" do not pay for loss caused by any volcanic action, including loss caused by eruption, explosion or effusion of a volcano.

d. **Civil Authority** – "We" do not pay for loss caused by order of any civil authority, including seizure, confiscation, destruction, or quarantine of property.

e. **Nuclear Hazard** – "We" do not pay for loss caused by or resulting from nuclear reaction, nuclear detonation, nuclear radiation, or radioactive contamination (whether controlled or uncontrolled by natural, accidental, or artificial means).

f. **War and Military Action** – "We" do not pay for loss caused by:

- (1) war, including undeclared or civil war;
- (2) warlike action by a military force, including action taken to prevent or defend against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
- (3) insurrection, rebellion, revolution, unlawful seizure of power including action taken by governmental authority to prevent or defend against any of these.

With regard to any action that comes within the "terms" of this exclusion and involves nuclear reaction, nuclear radiation, or radioactive contamination, this War and Military Exclusion will apply in place of the Nuclear Hazard Exclusion.

- g. Water** – "We" do not pay for loss caused by water. This means:

- (1) "flood";
- (2) water that backs up through sewer or drain; and
- (3) water below the surface of the ground. This includes water that exerts pressure on or flows, seeps, or leaks through or into a building or structure, sidewalk, driveway, foundation, swimming pool, or other structure.

However, if electrical "covered equipment" requires drying out as a result of the above described peril, "we" pay for the amount "you" actually expend to dry out such equipment, subject to the applicable Property Damage "limit" and Property Coverage Deductible. "We" do not pay more than the Actual Cash Value of the affected electrical "covered equipment". "We" do not pay to replace such equipment or for any other loss, damage or expense.

- h. Neglect** – "We" do not pay for loss caused by "your" neglect to use all reasonable means to save covered property at and after the time of the loss.
- i. Fines** – "We" do not pay for any fine, penalty or punitive damage.
- j. Fungus or Related Perils** – Except as specifically provided under **D.3. Limited Fungus and Related Perils Property Damage Coverage**, we will not pay for loss, damage or expense caused directly or indirectly by the following, whether or not caused by or resulting from an "accident" or "electronic circuitry impairment": Any "fungus or related perils", including any presence, growth, proliferation, spread or any activity of "fungus or related perils". This includes, but is not limited to, costs arising from clean up, removal, or abatement of such "fungus or related perils". However, this exclusion does not apply to "spoilage" of personal property that is "perishable stock", to the extent that such "spoilage" is covered under Spoilage coverage.
- k. Increased Hazard** – "We" do not pay for loss occurring while the hazard has been

materially increased by any means within "your" knowledge or "your" control.

- l. Data, Software Programs and operating systems** – "We" do not pay to reproduce:

- (1) software programs or operating systems that are not commercially available; or
- (2) "data" that is obsolete, unnecessary or useless to "you".

- m. Vandalism** – "We" do not pay for willful and malicious acts that cause damage or destruction.

- n. Loss of Use** – "We" do not pay for loss caused by loss of use, delay or loss of market.

- o. Pollutants** – "We" do not pay for loss caused by or resulting from release, discharge, seepage, migration, dispersal or escape of "pollutants" except as specifically provided under the Coverage Extension for "Hazardous Substances".

- p. Seepage** – "We" do not pay for loss caused by continuous or repeated seepage or leakage of water or steam that occurs over a period of 14 days or more.

- q. Smoke, Vapor, Gas or Smog** – "We" do not pay for loss caused by smoke, vapor or gas from agricultural smudging or industrial operations or for loss caused by smog.

- 2. "We" do not pay for an "accident" or "electronic circuitry impairment" that is caused by or results from one or more of the following causes or events:**

- a. Lightning**

- b. Windstorm and Hail** – "We" do not pay for loss caused by windstorm or hail. However, this exclusion does not apply when:

- (1) "covered equipment" located within a building or structure suffers an "accident" or "electronic circuitry impairment" that results from wind-blown rain, snow, sand or dust; and
- (2) the building or structure did not first sustain wind or hail damage to its roof or walls through which the rain, snow, sand or dust entered.

- c. Collision** – "We" do not pay for loss caused by collision or any physical contact caused by a "vehicle". This includes damage by objects falling from aircraft. However, this exclusion does not apply to any unlicensed "vehicles" which "you" own

or which are operated in the course of "your" business.

**d. Riot or Civil Commotion**

**e. Discharge of Water** – "We" do not pay for loss caused by the discharge of water or other extinguishing agent to fight a fire, including leakage or discharge of any substance from an automatic sprinkler system, or collapse of a tank that is part of the system.

**f. Testing** – "We" do not pay for loss or damage caused by a hydrostatic, pneumatic or gas pressure test of any boiler or pressure vessel, or an electrical insulation breakdown test of any type of electrical equipment.

**g. Elevator Collision.**

**h. Falling Objects;**

**i. Weight of Snow, Ice or Sleet;**

**j. Water Damage** – "We" do not pay for loss caused by discharge or leakage of water or steam as the direct result of the breaking apart or cracking of any part of a system or appliance containing water or steam;

**k. Collapse;**

**l. Breakage of Glass;**

**m. Weather Related Freezing;**

**n. Molten Material** – "We" do not pay for loss caused by discharge of molten material from equipment, including the heat from such discharged material.

**3. Exclusion 2.** does not apply if all of the following are true:

**a.** The excluded peril occurs away from any "covered location" and causes an electrical surge or other electrical disturbance;

**b.** Such surge or disturbance is transmitted through utility service transmission lines to a "covered location";

**c.** At the "covered location", the surge or disturbance results in an "accident" or "electronic circuitry impairment" to "covered equipment" that is owned or operated under the control of "you" or "your" landlord; and

**d.** The loss, damage or expense caused by such surge or disturbance is not a covered peril under another coverage part or policy of insurance "you" have, whether collectible or not, and without regard to whether or not the other coverage part or

policy of insurance provides the same coverage or scope of coverage as this policy.

**4. "We" do not pay for "your" loss of earnings or extra expenses that "you" incur if one or more of the following excluded causes or events apply.**

**a. Leases, Licenses, Contracts, or Orders**

– "We" do not pay for any increase in loss of earnings or extra expenses due to the suspension, lapse, or cancellation of leases, licenses, contracts, or orders. However, "we" do cover loss during the "restoration period" if the suspension, lapse, or cancellation results directly from the interruption of "your" "business".

"We" do not cover any loss of earnings or extra expense beyond the "restoration period" caused by the suspension, lapse, or cancellation of leases, licenses, contracts, or orders.

**b. Due Diligence to Resume Your Business** – "We" do not pay for any increase in loss of earnings or extra expenses due to "your" failure to use due diligence and dispatch and all reasonable means to resume "your" "business".

**c. Customer or Supplier Agreement** – We"

do not pay for any increase in loss resulting from an agreement between "you" and "your" customer or supplier. This includes, but is not limited to, contingent bonuses or penalties, late fees, demand charges, demurrage charges and liquidated charges.

"We" also do not pay for loss associated with "business" that would not or could not have been carried on if the "accident" or "electronic circuitry impairment" had not occurred.

**G. VALUATION**

**1. As respects this endorsement only, the Valuation Condition in the Commercial Output Program Property Coverage Part is deleted and replaced with the following:**

"We" will determine the value of covered property as follows:

**a.** Except as specified otherwise, "our" payment for damaged covered property will be the smallest of:

**(1)** the cost to repair the damaged property;

**(2)** the cost to replace the damaged property on the same site; or

- (3) the amount "you" actually spend that is necessary to repair or replace the damaged property.

b. Except as described in d. below, "you" must pay the extra cost of replacing damaged property with property of a better kind or quality or of a different size or capacity.

**c. Environmental, Safety and Efficiency Improvements**

If "covered equipment" requires replacement due to an "accident" or "electronic circuitry impairment," "we" pay "your" additional cost to replace with equipment that is better for the environment, safer for people or more energy or water efficient than the equipment being replaced.

However, "we" do not pay to increase the size or capacity of the equipment and "we" do not pay more than 150% of what the cost would have been to replace with like kind and quality. This provision does not apply to the replacement of component parts or to any property to which Actual Cash Value applies and does not increase any of the applicable limits.

d. The following property will be valued on an Actual Cash Value basis:

- (1) any property that does not currently serve a useful or necessary function for "you";
- (2) any covered property that "you" do not repair or replace within 24 months after the date of the "accident" or "electronic circuitry impairment"; and
- (3) any covered property for which Actual Cash Value coverage is specified in the "schedule".

Actual Cash Value includes deductions for depreciation.

e. If any one of the following conditions is met, property held for sale by "you" will be valued at the sales price as if no loss or damage had occurred, less any discounts and expenses that otherwise would have applied:

- (1) the property was manufactured by "you";
- (2) the sales price of the property is less than the replacement cost of the property; or
- (3) "you" are unable to replace the property before its anticipated sale.

f. Except as specifically provided for under Data Restoration coverage, "data" and "media" will be valued on the following basis:

- (1) for mass-produced and commercially available software, at the replacement cost.
- (2) for all other "data" and "media", at the cost of blank "media" for reproducing the records. "We" do not pay for "data" representing financial records based on the face value of such records.

**H. HOW MUCH WE PAY**

1. **Insurable Interest** – "We" do not cover more than "your" insurable interest in any property.

2. **Deductible** – If deductibles vary by type of "covered equipment" and more than one type of equipment is involved in any "one equipment breakdown", the highest deductible will apply. Unless the "schedule" indicates that a single deductible applies to all Equipment Breakdown coverages, multiple deductibles may apply to any "one equipment breakdown".

a. **Property and Income Coverages** – Unless otherwise indicated on the "schedule", the Property Coverage Deductible applies to all loss covered by this coverage part, with the exception of those coverages subject to the Income Coverage Deductible as described below.

Unless more specifically indicated on the "schedule", the Income Coverage Deductible applies to:

- (1) earnings, "rents", and extra expense; and
- (2) service interruption.

**b. Application of Deductibles**

(1) **Dollar Deductibles** – "We" do not pay for loss resulting from any "one equipment breakdown" until the amount of loss exceeds the applicable deductible indicated on the "schedule". "We" then pay the amount of loss in excess of the applicable deductible or deductibles, subject to the applicable "limit" indicated on the "schedule".

(2) **Multiple of Average Daily Value Deductibles** – If a deductible is expressed as a number times Average Daily Value (ADV), the deductible will be calculated as follows:

The ADV will be the operating expenses that would have been normally earned or incurred during the "restoration period" by "your" "business" had no "accident" or "electronic circuitry impairment" occurred divided by the number of working days in that period.

Operating expenses includes net income (net profit or loss before income taxes), payroll expense, interest, and other continuing operating expenses.

No reduction will be made:

- (a) for operating expenses not being earned;
- (b) in the number of working days because of the "accident" or "electronic circuitry impairment"; or
- (c) for any other scheduled or unscheduled shutdowns during the "restoration period".

The ADV applies to all "covered locations" included in the valuation of the loss. The number indicated on the "schedule" will be multiplied by the ADV as determined above. The result will be used as the applicable deductible.

- (3) Time Deductibles** – If a time deductible is indicated on the "schedule", "we" will not be liable for any loss occurring during the specified number of hours or days immediately following the "accident" or "electronic circuitry impairment". If a time deductible is expressed in days, each consecutive day will mean twenty-four consecutive hours.

- (4) Percentage of Loss Deductibles** – If a deductible is expressed as a percentage of loss, "we" will not be liable for the indicated percentage of the gross amount of loss, damage or expense (prior to any applicable deductible or coinsurance) insured under the applicable coverage. If the dollar amount of such percentage is less than the indicated minimum deductible, the minimum deductible will be the applicable deductible.

- 3. Loss Settlement Terms** – Subject to paragraphs 1., 2., 4., 5. and 6. under How Much We Pay, "we" pay the lesser of:

- a. the amount determined under Valuation;
- b. the cost to repair, replace or rebuild the property with material of like kind and quality to the extent practicable subject to the Valuations provisions under Environmental, Safety and Efficiency Improvements; or
- c. the "limit" that applies to the covered property.

The most "we" pay for loss, damage or expense arising from any "one equipment breakdown" is the amount shown as the Equipment Breakdown Limit in the "schedule".

- 4. Coinsurance** – If indicated on the Equipment Breakdown Schedule, specified coverages may be subject to coinsurance.

- a. Property Damage and Spoilage Coverage** – "We" do not pay for the full amount of "your" loss if the applicable "limit" is less than the product of the specified coinsurance percentage times the value of the property subject to the coverage at the time of the loss. Instead, "we" will determine what percentage this calculated product is compared to the applicable "limit" and apply that percentage to the loss after application of the Deductible. The resulting amount or the applicable "limit" is the most "we" pay. "We" do not pay for the remainder of the loss.

- b. Income Coverage** – "We" pay only a part of the loss if the "limit" is less than the coinsurance percentage multiplied by the sum of "your" net income (net profit or loss before income taxes), payroll expense, interest, and other continuing operating expenses projected for the 12 months following the inception, or last previous anniversary date of this policy (whichever is later), normally earned by "your" "business". "Our" part of the loss is determined using the following steps:

- (1) multiply the coinsurance percentage by the sum of "your" net income (net profit or loss before income taxes), payroll expense, interest, and other continuing operating expenses projected for the 12 months following the inception, or last previous anniversary date of this policy;
- (2) divide the "limit" by the figure determined in 1) above;
- (3) multiply the total amount of loss by the figure determined in (2) above.

"We" pay the amount determined in (3) above or the "limit", whichever is less. "We" do not pay any remaining part of the loss.

Coinurance does not apply to coverage for extra expense.

**5. Insurance Under More Than One Coverage**

– If more than one coverage of this policy insures the same loss, "we" pay no more than the actual claim, loss, or damage sustained.

**6. Insurance Under More Than One Policy –**

"You" may have another policy subject to the same plan, "terms", conditions, and provisions as this policy. If "you" do, "we" will pay "our" share of the covered loss. "Our" share is the proportion that the applicable "limit" under this policy bears to the "limit" of all policies covering on the same basis.

If there is another policy covering the same loss, other than that described above, "we" pay only for the amount of covered loss in excess of the amount due from that other policy, whether "you" can collect on it or not. But "we" do not pay more than the applicable "limit".

**I. ADDITIONAL CONDITIONS**

**1. Suspension** – When any "covered equipment" is discovered to be in, or exposed

to a dangerous situation or condition, any representative of "ours" may immediately suspend the insurance coverage against loss from an "accident" or "electronic circuitry impairment" to that equipment. The suspension will not apply to any other covered peril under any other coverage part.

"We" can do this by mailing or delivering a written notice of suspension to "your" address as shown in the declarations, or at the address where the "covered equipment" is located.

Once so suspended, "your" insurance can be reinstated only by written notice from "us". If "your" insurance is so suspended, "you" will get a pro rata premium refund. But the suspension is effective even if "we" have not yet offered or made a refund.

**2. Jurisdictional Inspections** – If any property that is "covered equipment" under this Equipment Breakdown Coverage requires inspection to comply with state or municipal boiler and pressure vessel regulations, "we" agree to perform such inspection on "your" behalf. "We" do not warrant that conditions are safe or healthful.

## **IMPORTANT NOTICE TO POLICYHOLDERS EQUIPMENT BREAKDOWN COVERAGE REVISION SUMMARY OF ENDORSEMENT CHANGES**

**THIS NOTICE CONTAINS IMPORTANT SUMMARY INFORMATION ABOUT A CHANGE IN COVERAGE. PLEASE READ IT CAREFULLY.**

**THIS NOTICE DOES NOT PROVIDE ANY COVERAGE AND DOES NOT REPLACE ANY PROVISIONS IN YOUR POLICY. READ YOUR POLICY AND REVIEW YOUR DECLARATIONS PAGE FOR COMPLETE INFORMATION ON THE COVERAGES YOU ARE PROVIDED. IF THERE IS ANY CONFLICT BETWEEN THE POLICY AND THIS NOTICE, THE PROVISIONS OF THE POLICY SHALL PREVAIL.**

**IF YOU HAVE ANY QUESTIONS REGARDING THIS NOTICE, PLEASE CONTACT YOUR INSURANCE AGENT.**

The Hanover Insurance Group, in an effort to further address the needs of our policyholders, has modified the **EQUIPMENT BREAKDOWN COVERAGE PART** endorsement. The new endorsement, **EQUIPMENT BREAKDOWN COVERAGE (INCLUDING ELECTRONIC CIRCUITRY IMPAIRMENT) – COMMERCIAL OUTPUT POLICY**, is designed to provide an enhanced and streamlined product.

Your expiring **EQUIPMENT BREAKDOWN COVERAGE PART** endorsement has been **replaced** in its entirety with the new **EQUIPMENT BREAKDOWN COVERAGE (INCLUDING ELECTRONIC CIRCUITRY IMPAIRMENT) – COMMERCIAL OUTPUT POLICY** endorsement.

The following is a summary of major changes which will apply to your policy at renewal. This notice does **not** reference every change made in your policy. If you have any questions or concerns about this notice, please contact your agent.

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### **411-0963 11 16 EQUIPMENT BREAKDOWN COVERAGE PART (INCLUDING ELECTRONIC CIRCUITRY IMPAIRMENT) – COMMERCIAL OUTPUT POLICY**

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#### **Changes That May Broaden Coverage:**

- In **B. COVERAGE**, “electronic circuitry impairment” is added.
- In **C. ADDITIONAL PROPERTY NOT COVERED**, “perishable stock” is deleted.
- In **D. COVERAGE EXTENSIONS**, “electronic circuitry impairment” is added in the preamble.
- The following are new Coverage Extensions: **Data Restoration**; **Off Premises Equipment Breakdown**; **Public Relations**; and **Spoilage**;
- In **E. PERILS COVERED**, “electronic circuitry impairment” is added.

#### **Other Changes:**

- In **A. ADDITIONAL DEFINITIONS**, the following definitions were previously in the COMMERCIAL OUTPUT PROGRAM PROPERTY COVERAGE PART and are now new to this endorsement: “accident”; “covered equipment”; “media”; “one equipment breakdown”;
- The following are new definitions: “cloud computing services”; “data”; “electrical generating equipment”; “electronic circuitry”; “electronic circuitry impairment”; “fungus or related perils”; “hazardous substance”; “schedule”; and “vehicle”.
- The Coverage Extension for **Hazardous Substances** replaces the Coverage Extension for **Pollutants**.

- The Coverage Extension for **Service Interruption** replaces the Coverage Extension for **Off Premises Utility Service Interruption**.
- In **F. PERILS EXCLUDED**, the following are added: **i. Fines**; **l. Data, Software Programs and operating systems**; **f. Testing**; **g. Elevator Collision**; paragraph **3.**; and paragraph **4.c.**
- In **G. VALUATION**, paragraph **1.d.** is added.
- In **H. HOW MUCH WE PAY**, paragraph **2.b.(4)** is added.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

## TEXAS CHANGES – COMMERCIAL OUTPUT POLICY

This endorsement modifies insurance provided under the following:

### EQUIPMENT BREAKDOWN COVERAGE PART – COMMERCIAL OUTPUT POLICY

As respects Equipment Breakdown Coverage Part only, the following are added to **I. ADDITIONAL CONDITIONS:**

**1. Bankruptcy**

The bankruptcy or insolvency of “you” or “your” estate will not relieve us of an obligation under this coverage section.

**2. Legal Action Against Us**

No one may bring a legal action against “us” under this Equipment Breakdown Coverage Part unless:

- a. There has been full compliance with all the terms of this Equipment Breakdown Coverage Part; and
- b. The action is brought within 2 years and 1 day from the date that cause of action first accrues.
- c. “We” agree in writing that “you” have an obligation to pay for damage to covered property of others or until the amount of that obligation has been determined by final judgment or arbitration award. No one has the right under this policy to bring “us” into an action to determine your liability.

ALL OTHER TERMS, CONDITIONS, AND EXCLUSIONS REMAIN UNCHANGED.

## WINDSTORM OR HAIL DEDUCTIBLE

The "terms" of this endorsement apply to property for which entries have been made on the Windstorm Or Hail Schedule or on the "schedule of coverages" to show a Windstorm Or Hail Deductible.

All other "terms" of this policy apply.

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### HOW MUCH WE PAY

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**Deductible** -- The deductible provision under How Much We Pay is replaced by the provisions for Flat Deductible or Percentage Deductible when loss to covered property identified on the Windstorm Or Hail Schedule is caused by or results from windstorm or hail.

1. **Applicable Deductible** -- The Windstorm Or Hail Deductible indicated on the Windstorm Or Hail Schedule is applicable to loss or damage to covered property caused directly or indirectly by the perils of windstorm or hail.
2. **Weather Condition Other Than Windstorm Or Hail** -- Loss or damage resulting from a covered weather condition, other than windstorm or hail, will be considered to be caused by windstorm or hail and will be considered part of the windstorm or hail occurrence if the loss or damage would not have occurred without the weather conditions of windstorm or hail.
3. **Flat Deductible** -- When a flat dollar deductible is indicated on the Windstorm Or Hail Schedule, "we" pay only that part of "your" loss over the deductible amount in any one occurrence.
4. **Percentage Deductible** --
  - a. **Percentage** -- When a 1%, 2%, or 5% deductible is indicated on the Windstorm Or Hail Schedule, "we" pay only that part of "your" loss over the deductible amount in any one occurrence. The deductible amount is determined by applying the percentage indicated on the schedule to the value of the covered property that is involved in the loss.
  - b. **Value Determined At Time Of Loss** -- Only as regards the determination of the Percentage Deductible, the value of covered property is determined at the time of loss or damage and in accordance with the provisions described under the Valuation section of the policy.
  - c. **Deductible Applies Separately** -- The windstorm or hail percentage deductible applies separately to:
    - 1) each building or structure, including business personal property within each building or structure;
    - 2) business personal property in each building or structure that is not covered by this policy; and
    - 3) business personal property in the open or in a vehicle.

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## LOSS PAYABLE OPTIONS

If indicated on the Loss Payable Schedule, the following conditions apply to the property described on the schedule. The following conditions apply in addition to the policy "terms" which are contained in other sections of the Commercial Output Program coverages.

### LOSS PAYABLE

Any loss will be adjusted with "you" and will be payable to "you" and the loss payee described on the schedule as "your" and their interests appear.

### LENDER'S LOSS PAYABLE

Any loss will be payable to "you" and the loss payee described on the schedule as interests appear. If more than one loss payee is named, they will be paid in order of precedence.

The insurance for the loss payee continues in effect even when "your" insurance may be void because of "your" acts, neglect, or failure to comply with the coverage "terms". The insurance for the loss payee does not continue in effect if the loss payee is aware of changes in ownership or substantial increase in risk and does not notify "us".

If "we" cancel this policy, "we" notify the loss payee at least ten days before the effective date of cancellation if "we" cancel for "your" nonpayment of premium, or 30 days before the effective date of cancellation if "we" cancel for any other reason.

"We" may request payment of the premium from the loss payee, if "you" fail to pay the premium.

If "we" pay the loss payee for a loss where "your" insurance may be void, the loss payee's right to collect that portion of the debt from "you" then belongs to "us". This does not affect the loss payee's right to collect the remainder of the debt from "you". As an alternative, "we" may pay the loss payee the remaining principal and accrued interest in return for a full assignment of the loss payee's interest and any instruments given as security for the debt.

If "we" choose not to renew this policy, "we" give written notice to the loss payee at least ten days before the expiration date of this policy.

### CONTRACT OF SALE

Any loss will be adjusted with "you" and will be payable to "you" and the loss payee described on the schedule as "your" and their interests appear.

The loss payee shown on the schedule is a person or organization "you" have entered into a contract with for the sale of covered property.

When covered property is the subject of a contract of sale, the word "you" also means the loss payee.

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## RESIDENTIAL BUILDERS' COVERAGE FORM

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### AGREEMENT

In return for "your" payment of the required premium, "we" provide the coverage described herein subject to all the "terms" of the Residential Builders' Coverage Form. This coverage is also subject to the "schedule of coverages" and additional policy conditions relating to assignment or transfer of rights or duties, cancellation, changes or modifications, inspections, and examination of books and records.

Endorsements and schedules may also apply. They are identified on the "schedule of coverages".

Refer to Definitions for words and phrases that have special meaning. These words and phrases are shown in quotation marks or bold type.

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### DEFINITIONS

1. The words "you" and "your" mean the persons or organizations named as the insured on the declarations.
2. The words "we", "us", and "our" mean the company providing this coverage.
3. "Delay" means a delay in the construction, erection, or fabrication of a building or structure.
4. "Earth movement" means any movement or vibration of the earth's surface (other than "sinkhole collapse") including but not limited to earthquake; landslide; mudflow; mudslide; mine subsidence; or sinking, rising, or shifting of earth.
5. "Flood" means flood, surface water, waves, tidal water, or the overflow of a body of water, all whether driven by wind or not. This includes spray that results from these whether driven by wind or not.

6. "Fungus" means:
  - a. a fungus, including but not limited to mildew and mold;
  - b. a protist, including but not limited to algae and slime mold;
  - c. wet rot and dry rot;
  - d. a bacterium; or
  - e. a chemical, matter, or compound produced or released by a fungus, a protist, wet rot, dry rot, or a bacterium, including but not limited to toxins, spores, fragments, and metabolites such as microbial volatile organic compounds.
7. "Jobsite" means any location or project, or work site where "you" are in the process of constructing, erecting, or fabricating a building or structure.
8. "Limit" means the amount of coverage that applies.
9. "Pollutant" means:
  - a. any solid, liquid, gaseous, thermal, or radioactive irritant or contaminant, including acids, alkalis, chemicals, fumes, smoke, soot, vapor, and waste. Waste includes materials to be recycled, reclaimed, or reconditioned, as well as disposed of; and
  - b. electrical or magnetic emissions, whether visible or invisible, and sound emissions.
10. "Schedule of coverages" means:
  - a. all pages labeled "schedule of coverages" or schedules that pertain to this coverage; and
  - b. declarations or supplemental declarations that pertain to this coverage.

11. "Sinkhole collapse" means the sudden settlement or collapse of earth supporting the covered property into subterranean voids created by the action of water on a limestone or similar rock formation. It does not include the value of the land or the cost of filling sinkholes.

12. "Specified perils" means aircraft; civil commotion; explosion; falling objects; fire; hail; leakage from fire extinguishing equipment; lightning; riot; "sinkhole collapse"; smoke; sonic boom; vandalism; vehicles; "volcanic action"; water damage; weight of ice, snow, or sleet; and windstorm.

Falling objects does not include loss to:

- a. personal property in the open; or
- b. the interior of buildings or structures or to personal property inside buildings or structures unless the exterior of the roofs or walls are first damaged by a falling object.

Water damage means the sudden or accidental discharge or leakage of water or steam as a direct result of breaking or cracking of a part of the system or appliance containing the water or steam.

13. "Terms" means all provisions, limitations, exclusions, conditions, and definitions that apply.

14. "Volcanic action" means airborne volcanic blast or airborne shock waves; ash, dust, or particulate matter; or lava flow.

Volcanic action does not include the cost to remove ash, dust, or particulate matter that does not cause direct physical loss to the covered property.

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## PROPERTY COVERED

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"We" cover the following property unless the property is excluded or subject to limitations.

### 1. Hard Cost Coverages --

#### a. Course Of Construction Coverage --

"We" cover direct physical loss caused by a covered peril to a building or structure while in the course of construction.

A building or structure in the course of construction means a building or structure and:

- 1) materials and supplies that will become a permanent part of the building or structure;
- 2) foundations, excavations, grading, filling, attachments, permanent fencing, and other permanent fixtures;
- 3) scaffolding, construction forms or temporary fencing at the described "jobsite";
- 4) walkways, roadways, and other paved surfaces that are adjacent to and part of a building or structure;
- 5) temporary structures at the described "jobsite"; and
- 6) model homes and their contents located at a scheduled jobsite.

#### b. Coverage Limitations --

- 1) "We" only cover buildings and structures in the course of construction that are at a "jobsite" described on the "schedule of coverages".
- 2) "We" only cover walkways, roadways, and other paved surfaces that are adjacent to a covered building or structure but only if their values are included in the total value of the building or structure.

## 2. Soft Cost And Rental Income Coverage --

### a. Soft Costs --

- 1) **Coverage** -- "We" pay for soft cost expenses that arise out of a "delay" resulting from direct physical loss or damage to a building or structure that is caused by a covered peril.
- 2) **Coverage Limitation** -- "We" only cover soft cost expenses:
  - a) if a Soft Cost And Rental Income Coverage Limit is shown on the "schedule of coverages"; and
  - b) that arise out of a "delay" to a building or structure that is described on the "schedule of coverages".
- 3) **Soft Cost Expenses Mean** -- Soft cost expenses mean the necessary expenses relating to the construction of a building or structure that are over and above those costs that would have been incurred had there been no "delay".

Soft cost expenses are limited to:

- a) **Advertising** -- Additional advertising, public relations, and promotional expenses.
- b) **Audit And Bookkeeping Fees** -- Additional fees for audit and bookkeeping services.
- c) **Design Fees** -- Additional fees for architects, interior designers, consultants and other technical advisors, and engineers.
- d) **Financing** -- Additional cost of financing means additional interest payments on money borrowed to finance construction.
- e) **Lease Administration** -- The cost of administrative expenses and commissions that result from the renegotiation of leases.

- f) **Realty Taxes** -- Additional realty taxes and other assessments that "you" incur for the period of time that construction has been extended beyond the projected completion date.
- g) **Lease Expenses** -- The additional cost to extend leases for construction equipment.
- h) **Permit Fees** -- Additional fees for renewing or replacing construction permits or other licenses and permits necessary to continue construction.
- i) **Insurance Premiums** -- Additional cost of insurance premiums necessary to renew or extend insurance coverage.

### b. Rental Income --

- 1) **Coverage** -- "We" pay for "your" actual loss of rental income that arises out of a "delay" resulting from direct physical loss or damage to a building or structure that is caused by a covered peril.
- 2) **Coverage Limitation** -- "We" only cover loss of rental income that arises out of a "delay" to a building or structure that is described on the "schedule of coverages".
- 3) **Deduction From Loss Of Rental Income** -- Expenses that do not necessarily continue because of a "delay" will be deducted from the loss of rental income.

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## PROPERTY NOT COVERED

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1. **Bridges, Tunnels, Piers, Wharves, And Dams** -- "We" do not cover bridges, tunnels, piers, wharves, and dams.
2. **Contraband** -- "We" do not cover contraband or property in the course of illegal transportation or trade.

3. **Land Or Water** -- "We" do not cover land or water including land on which covered property is located.
4. **Machinery, Tools, Or Equipment** -- "We" do not cover machinery, tools, or equipment not intended to become a permanent part of a building or structure.
5. **Property In Storage** -- "We" do not cover property in storage if the property has not been specifically allocated to or otherwise identified with a covered building or structure.
6. **Nonadjacent Roadways And Walkways** -- Except as provided under Supplemental Coverages - Nonadjacent Roadways And Walkways, "we" do not cover walkways, roadways, and other paved surfaces that are not adjacent to and not part of a covered building or structure.
7. **Standing Building Or Structure** -- "We" do not cover any:
  - a. standing building or structure;
  - b. part of a standing building or structure; or
  - c. standing building or structure to which additions, alterations, improvements, or repairs are being made.

A standing building or structure means any building or structure that has been wholly or partially constructed, erected, or fabricated.
8. **Trees, Shrubs, And Plants** -- Except as provided under Supplemental Coverages - Trees, Shrubs, And Plants, "we" do not cover trees, shrubs, plants, or lawns.
9. **Waterborne Property And Property While Underwater Or Underground** -- Except as provided under Coverages Extensions - Waterborne Property, "we" do not cover property while:
  - a. waterborne except while in transit; and

- b. property while underwater or underground except while in transit in a tunnel.

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## COVERAGE EXTENSIONS

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**Provisions That Apply To Coverage Extensions** -- The following Coverage Extensions indicate an applicable "limit". This "limit" may also be shown on the "schedule of coverages".

If a different "limit" is indicated on the "schedule of coverages", that "limit" will apply instead of the "limit" shown below.

However, if no "limit" is indicated for a Coverage Extension, coverage is provided up to the full "limit" for the applicable covered property unless a different "limit" is indicated on the "schedule of coverages".

Unless otherwise indicated, the coverages provided below are part of and not in addition to the applicable "limit" for coverage described under Property Covered.

The "limit" provided under a Coverage Extension cannot be combined or added to the "limit" for any other Coverage Extension or Supplemental Coverage including a Coverage Extension or Supplemental Coverage that is added to this policy by endorsement.

1. **Debris Removal** --
  - a. **Coverage** -- "We" pay the cost to remove the debris of covered property that is caused by a covered peril.
  - b. **We Do Not Cover** -- This coverage does not include costs to:
    - 1) extract "pollutants" from land or water; or
    - 2) remove, restore, or replace polluted land or water.

- c. **Limit** -- "We" do not pay any more under this coverage than 25% of the amount "we" pay for the direct physical loss. "We" will not pay more for loss to property and debris removal combined than the "limit" for the damaged property.
  - d. **Additional Limit** -- "We" pay up to an additional \$5,000 for debris removal expense when the debris removal expense exceeds 25% of the amount "we" pay for direct physical loss or when the loss to property and debris removal combined exceeds the "limit" for the damaged property.
  - e. **You Must Report Your Expenses** -- "We" do not pay any expenses unless they are reported to "us" in writing within 180 days from the date of direct physical loss to covered property.
2. **Emergency Removal** --
- a. **Coverage** -- "We" cover any direct physical loss to covered property while it is being moved or being stored to prevent a loss caused by a covered peril.
  - b. **Time Limitation** -- This coverage applies for up to ten days after the property is first moved. Also, this coverage does not extend past the date on which this policy expires.
3. **Emergency Removal Expenses** --
- a. **Coverage** -- "We" pay for "your" expenses to move or store covered property to prevent a loss caused by a covered peril.
  - b. **Time Limitation** -- This coverage applies for up to ten days after the property is first moved. Also, this coverage does not extend past the date on which this policy expires.
  - c. **Limit** -- The most "we" pay in any one occurrence for expenses to move or store covered property to prevent a loss is \$10,000.
- d. **This Is A Separate Limit** -- The "limit" for Emergency Removal Expenses is separate from, and not part of, the applicable "limit" for coverage described under Property Covered.
4. **Fraud And Deceit** --
- a. **Coverage** -- "We" cover theft of covered property when "you", "your" agents, customers, or consignees are fraudulently induced to part with the covered property:
    - 1) to persons who falsely represent themselves as the proper persons to receive the property;
    - 2) by the acceptance of fraudulent bills of lading or shipping receipts; or
    - 3) as a result of or directly related to the use of any electronic data processing hardware or software.
  - b. **Limit** -- The most "we" pay in any one occurrence for theft of covered property under this Coverage Extension is \$25,000.
5. **Limited Fungus Coverage** --
- a. **Coverage** -- "We" pay for direct physical loss to covered property caused by or relating to the existence of or any activity of "fungus".
  - b. **Coverage Limitation** -- "We" only cover loss caused by "fungus":
    - 1) when the "fungus" is the result of:
      - a) a "specified peril" other than fire or lightning; or
      - b) "flood" (if the Flood Coverage is provided under this policy); that occurs during the policy period; and
    - 2) if all reasonable steps were taken to protect the property from additional damage at and after the time of the occurrence.

- c. **Limit** -- The most "we" pay for all losses at all buildings or structures is \$15,000, unless another "limit" is indicated on the "schedule of coverages". The Limited Fungus Limit applies regardless of the number of claims made.

The Limited Fungus Limit applies regardless of the number of locations or buildings or structures insured under this policy.

The Limited Fungus Limit is the most that "we" pay for the total of all loss or damage arising out of all occurrences of "specified perils", other than fire or lightning, or "flood" (if applicable) during each separate 12-month period beginning with the inception date of this policy.

- d. **If The Policy Period Is Extended** -- If the policy period is extended for an additional period of less than 12 months, this additional period will be considered part of the preceding period for the purpose of determining the Limited Fungus Limit.
- e. **Recurrence And Continuation Of Fungus** -- Limited Fungus Limit is the most that "we" pay with respect to a specific occurrence of a loss which results in "fungus" even if such "fungus" recurs or continues to exist during this or any future policy period.
- f. **Limit Applies To Other Costs Or Expenses** -- Limited Fungus Limit also applies to any cost or expense to:
- 1) clean up, contain, treat, detoxify, or neutralize "fungus" on covered property or remove "fungus" from covered property;
  - 2) remove and replace those parts of covered property necessary to gain access to "fungus"; and

- 3) test for the existence or level of "fungus" following the repair, replacement, restoration, or removal of damaged property if it is reasonable to believe that "fungus" is present.

- g. **Loss Not Caused By Fungus** -- If there is a covered loss or damage to covered property not caused by "fungus", loss payment will not be limited by the "terms" of this coverage extension. However, to the extent that "fungus" causes an increase in the loss, that increase is subject to the "terms" of this coverage extension.

## 6. Waterborne Property --

- a. **Coverage** -- "We" cover direct physical loss caused by a covered peril to covered property while waterborne.
- b. **Limit** -- The most "we" pay in any one occurrence for loss to waterborne property is \$25,000.

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## SUPPLEMENTAL COVERAGES

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**Provisions That Apply To Supplemental Coverages** -- The following Supplemental Coverages indicate an applicable "limit". This "limit" may also be shown on the "schedule of coverages".

If a different "limit" is indicated on the "schedule of coverages", that "limit" will apply instead of the "limit" shown below.

However, if no "limit" is indicated for a Supplemental Coverage, coverage is provided up to the full "limit" for the applicable covered property unless a different "limit" is indicated on the "schedule of coverages".

Unless otherwise indicated, a "limit" for a Supplemental Coverage provided below is separate from, and not part of, the applicable "limit" for coverage described under Property Covered.

The "limit" available for coverage described under a Supplemental Coverage:

- a. is the only "limit" available for the described coverage; and
- b. is not the sum of the "limit" indicated for a Supplemental Coverage and the "limit" for coverage described under Property Covered.

The "limit" provided under a Supplemental Coverage cannot be combined or added to the "limit" for any other Supplemental Coverage or Coverage Extension including a Supplemental Coverage or Coverage Extension that is added to this policy by endorsement.

#### 1. **Contract Penalty --**

- a. **Coverage** -- "We" pay for the cost of contractual penalties for non-completion that "you" are assessed or are required to pay because "you" are unable to complete construction of a covered building or structure in accordance with the "terms" or conditions of the building contract.
- b. **Coverage Limitation** -- "Your" inability to complete construction on time must be as a direct result of a loss by a covered peril to a covered building or structure.
- c. **Limit** -- The most "we" pay in any one occurrence for all contractual penalties is \$10,000.

#### 2. **Expediting Expenses --**

- a. **Coverage** -- When a covered peril occurs to a covered building or structure, "we" pay for reasonable expediting expenses necessary to complete construction within the time frame specified in the construction contract.

Expediting expenses include, but are not limited to, additional:

- 1) labor or overtime;
- 2) transportation costs and storage expense;
- 3) expense to rent additional equipment; and
- 4) similar construction expenses.

- b. **Limit** -- The most "we" pay in any one occurrence for all expediting expenses is \$10,000.

#### 3. **Fire Department Service Charges --**

- a. **Coverage** -- "We" cover "your" liability, assumed by contract or agreement prior to the loss, for fire department service charges. No deductible applies to this Supplemental Coverage.

- b. **Coverage Limitations** -- "We" only pay for:

- 1) fire department service charges that relate to covered property; and
- 2) charges incurred when the fire department is called to save or protect covered property from a covered peril.

- c. **Limit** -- The most "we" pay in any one occurrence for "your" liability for fire department service charges is \$10,000.

#### 4. **Free Standing Appliances --**

- a. **Coverage** -- "We" cover direct physical loss caused by a covered peril to free standing household appliances. Free standing household appliances includes, but is not limited to, refrigerators, dishwashers, stoves, and ovens.

- b. **Coverage Limitations** -- "We" only cover free standing household appliances that are in a fully enclosed and locked covered building or structure and that have been installed or are awaiting installation.

- c. **Limit** -- The most "we" pay in any one occurrence for free standing household appliances is \$10,000.

#### 5. **Homes Pending Sale** --

- a. **Coverage** -- "We" continue to provide coverage for direct physical loss caused by a covered peril to covered buildings or structures after they have been completed.
- b. **Coverage Limitations** -- "We" only cover buildings or structures after they have been completed:
  - 1) while awaiting closing under contract of sale; and
  - 2) that "you" report to "us" in accordance with the "terms" of the reporting provisions attached to this policy.
- c. **Time Limitation** -- "We" will not provide coverage under this Supplemental Coverage 12 months after construction of a building or structure has begun.

#### 6. **Sales And Office Trailers** --

- a. **Coverage** -- "We" cover direct physical loss caused by a covered peril to office and tool trailers including contents in the trailers.
- b. **Coverage Limitation** -- "We" only cover office and tool trailers including contents that are at a "jobsite" described on the "schedule of coverages".
- c. **Limit** -- The most "we" pay in any one occurrence for office and tool trailers including contents is \$20,000.

#### 7. **Ordinance Or Law (Undamaged Parts Of A Building)** --

- a. **Coverage** -- When a covered peril occurs to a covered building or structure, "we" pay for the value of undamaged parts of a covered building or structure that is required to be demolished as a result of the enforcement of any ordinance, law, or decree that:
  - 1) requires the demolition of undamaged parts of a covered building or structure that is damaged or destroyed by a covered peril;
  - 2) regulates the construction or repair of a building or structure, or establishes building, zoning, or land use requirements at a covered location; and
  - 3) is in force at the time of loss.
- b. **We Do Not Cover** -- "We" do not cover:
  - 1) the costs associated with the enforcement of any ordinance, law, or decree that requires "you" or anyone else to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize or in any way respond to or assess the effects of "pollutants";
  - 2) loss or increased cost caused by the enforcement of any ordinance, law, or decree that requires the reconstruction, repair, replacement, remodeling, remediation or razing of property due to the existence of or any activity of "fungus"; or
  - 3) costs associated with the enforcement of any ordinance, law, or decree that requires "you" or anyone else to test for, monitor, clean up, remove, contain, treat, detoxify, neutralize, or in any way respond to or assess the effects of "fungus".

- c. **Coverage Limitation** -- This coverage is part of and not in addition to the applicable "limit" for coverage described under Property Covered.
8. **Ordinance Or Law (Increased Cost To Repair And Cost To Demolish/Clear Site) --**
- a. **Increased Cost To Repair --**
- 1) **Coverage** -- When a covered peril occurs to a covered building or structure, "we" cover the increased cost to repair, rebuild, or reconstruct:
- damaged portions of a covered building or structure; and
  - undamaged portions of a covered building or structure whether or not those undamaged portions need to be demolished;
- as a result of the enforcement of building, zoning, or land use ordinance, law, or decree and is in force at the time when a covered peril occurs to a covered building or structure.
- 2) **If The Building Is Repaired Or Rebuilt** -- If a covered building or structure is repaired or rebuilt, it must be intended for similar occupancy as the current property, unless otherwise required by building, zoning, or land use ordinance, law, or decree.
- 3) **Coverage Limitation** -- "We" do not cover the increased cost of construction until the covered building or structure is actually repaired or replaced, whether at the same or another location, and unless the repairs or replacement are made as soon as reasonably possible after the loss, not to exceed two years. The period for repair or replacement may be extended by "us" in writing during the two year period.
- b. **Cost To Demolish And Clear Site --** "We" cover the cost to demolish and clear the site of undamaged parts of the covered building or structure that is damaged or destroyed by a covered peril. The demolition must be a result of the enforcement of a building, zoning, or land use ordinance, law, or decree that is in force at the time when a covered peril occurs to a covered building or structure.
- c. **We Do Not Cover** -- "We" do not cover:
- the costs associated with the enforcement of any ordinance, law, or decree:
    - that requires "you" or anyone else to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize or in any way respond to or assess the effects of "pollutants";
    - that requires "you" or anyone else to test for, monitor, clean up, remove, contain, treat, detoxify, neutralize, or in any way respond to or assess the effects of "fungus"; or
    - "you" were required to comply with before the covered peril occurred to a covered building or structure, even if the building or structure was undamaged and "you" failed to comply with the ordinance, law, or decree; or
  - loss or increased cost caused by the enforcement of any ordinance, law, or decree that requires the reconstruction, repair, replacement, remodeling, remediation or razing of property due to the existence of or any activity of "fungus".

- d. **What We Pay If The Building Is Repaired Or Replaced At Same Site Or Opt To Build At Another Location** -- If the covered building or structure is repaired or replaced at the same location or "you" opt to build at another location, "we" pay the lesser of:

- 1) the amount "you" actually spend to demolish and clear the site of undamaged parts of the covered building or structure, plus the actual increased cost to repair, rebuild, or construct the property but not for more than a building or structure of the same height, floor area, and style at the same location; or
- 2) \$1,000,000.

- e. **What We Pay If The Building Is Repaired Or Replaced And Required By Ordinance Or Law To Relocate** -- If the covered building or structure is rebuilt at a new location due to an ordinance or law requirement, "we" pay the lesser of:

- 1) the amount "you" actually spend to demolish and clear the site of undamaged parts of the covered building or structure, plus the actual increased cost to construct a building or structure of the same height, floor area, and style at a new location; or
- 2) \$1,000,000.

- f. **What We Pay If The Building Is Not Repaired Or Replaced** -- If the covered building or structure is not repaired or replaced, "we" pay the lesser of:

- 1) the amount "you" actually spend to demolish and clear the site of undamaged parts of the covered building or structure; or
- 2) \$1,000,000.

## 9. Pollutant Cleanup And Removal --

- a. **Coverage** -- "We" pay "your" expense to extract "pollutants" from land or water if the discharge, dispersal, seepage, migration, release, or escape of the "pollutants" is caused by a covered peril that occurs during the policy period.

- b. **Time Limitation** -- The expenses to extract "pollutants" are paid only if they are reported to "us" in writing within 180 days from the date the covered peril occurs.

- c. **We Do Not Cover** -- "We" do not pay the cost of testing, evaluating, observing, or recording the existence, level, or effects of "pollutants".

However, "we" pay the cost of testing which is necessary for the extraction of "pollutants" from land or water.

- d. **Limit** -- The most "we" pay for each location is \$10,000 for the sum of all such expenses arising out of a covered peril occurring during each separate 12-month period of this policy.

## 10. Personal Property --

- a. **Coverage** -- "We" cover direct physical loss caused by a covered peril to personal property that will not become a permanent part of a covered building or structure.

- b. **Coverage Limitation** -- "We" only cover personal property while being installed or stored in a covered building or structure.

- c. **Limit** -- The most "we" pay in any one occurrence for loss to personal property is \$5,000.

## 11. Property In Transit --

a. **Coverage --**

- 1) "We" cover direct physical loss caused by a covered peril to materials and supplies that will become a permanent part of a covered building or structure while they are in transit.
- 2) "We" also cover direct physical loss caused by a covered peril to:
  - a) free standing household appliances; and
  - b) outdoor trees, shrubs, plants, and lawns

while they are in transit.

- b. **Limit --** The most "we" pay in any one occurrence for property in transit is \$100,000.

12. **Re-Erect Scaffolding --**

- a. **Coverage --** "We" pay "your" expense to re-erect scaffolding after a covered loss to a covered building or structure.
- b. **Limit --** The most "we" pay for expense to re-erect scaffolding is \$10,000.

13. **Rewards --**

- a. **Coverage --** "We" pay a reward for information that leads to a conviction for:
  - 1) arson;
  - 2) theft; or
  - 3) vandalism.

The conviction must involve a covered loss caused by arson, theft, or vandalism.
- b. **Limit --** The most "we" pay in any one occurrence for a reward for information is \$25,000.

14. **Nonadjacent Roadways And Walkways --**

- a. **Coverage --** "We" cover direct physical loss caused by a covered peril to walkways, roadways, and other paved surfaces that are not adjacent to and not part of a covered building or structure.
- b. **Limit --** The most "we" pay for walkways, roadways or other paved surfaces that are not adjacent to and not part of a covered building or structure is \$10,000.

15. **Sewer Backup Coverage --**

- a. **Coverage --** "We" cover direct physical loss to a covered building or structure caused by:
  - 1) water that backs up through a sewer or drain; or
  - 2) water below the surface of the ground including water that exerts pressure on or flows, seeps, or leaks through or into a covered building or structure.
- b. **Limit --** The most "we" pay in any one occurrence for loss caused by sewer backup and water below the surface is \$10,000.

16. **Storage Locations --**

- a. **Coverage --**
  - 1) "We" cover direct physical loss caused by a covered peril to materials and supplies that will become a permanent part of a covered building or structure while they are temporarily in storage at a location that is not described on the "schedule of coverages".
  - 2) "We" also cover direct physical loss caused by a covered peril to:

- a) free standing household appliances; and
- b) outdoor trees, shrubs, plants, and lawns

while they are in storage at a location that is not described on the "schedule of coverages".

- b. **Coverage Limitation** -- "We" only cover property while temporarily in storage that have been specifically allocated to or otherwise identified with a covered building or structure.
- c. **Limit** -- The most "we" pay in any one occurrence for property while temporarily in storage is \$100,000.

#### 17. Trees, Shrubs, And Plants --

- a. **Coverage** -- "We" cover direct physical loss including debris removal expenses, to outdoor trees, shrubs, plants, and lawns.
- b. **Coverage Limitation** -- "We" only cover trees, shrubs, plants, and lawns that are:
  - 1) at a covered "jobsite"; and
  - 2) a part of "your" construction project.
- c. **Covered Perils** -- "We" only cover loss to trees, shrubs, plants, and lawns caused by the following perils:
  - 1) fire;
  - 2) lightning;
  - 3) explosion;
  - 4) riot or civil commotion; or
  - 5) aircraft.
- d. **Limit** -- The most "we" pay in any one occurrence for trees, shrubs, plants, and lawns is \$10,000.

#### 18. Valuable Papers --

- a. **Coverage** -- "We" pay for the cost of research or other expenses necessary to reproduce, replace, or restore lost information that results from a direct physical loss caused by a covered peril to "your" valuable papers.

Valuable papers" means documents, manuscripts, or records that are inscribed, printed, or written. This includes, but is not limited to, abstracts, books, deeds, drawings, films, maps, or mortgages.

- b. **Limit** -- The most "we" pay in any one occurrence for loss to "valuable papers" is \$10,000.

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### SOFT COST AND RENTAL INCOME COVERAGE EXTENSIONS

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The coverages provided below are part of and not in addition to the applicable "limit" for soft costs and rental income.

#### 1. Interruption By Civil Authority --

- a. **Coverage** -- "We" extend coverage for expenses or losses while access to a covered building or structure is specifically denied by an order of civil authority.
- b. **Coverage Limitations** -- The order of civil authority must be a result of direct physical loss of or damage to property other than at "your" "jobsite" and must be caused by a covered peril.

This coverage extension does not increase the applicable "limit".

- c. **Time Limitation** -- This extension is limited to two consecutive weeks from the date of the order.

## 2. Limited Fungus Coverage --

- a. **Coverage** -- "We" extend "your" coverage under this endorsement to include soft cost expenses and loss of rental income that arise out of a "delay" resulting from direct physical loss or damage to a building or structure caused by "fungus".
- b. **Coverage Limitations** -- "We" only cover soft cost expenses and loss of rental income resulting from "fungus":
  - 1) when the "fungus" is the result of:
    - a) a "specified peril" other than fire or lightning; or
    - b) "flood" (if Flood Coverage is provided);

that occurs during the policy period; and
  - 2) if all reasonable steps were taken to protect the covered property from additional damage at and after the time of the occurrence.
- c. **Limit** -- The most "we" pay for soft cost expenses and loss of rental income caused by "fungus" is \$15,000.

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## PERILS COVERED

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"We" cover risks of direct physical loss unless the loss is limited or caused by a peril that is excluded.

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## PERILS EXCLUDED

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1. "We" do not pay for loss or damage caused directly or indirectly by one or more of the following excluded causes or events. Such loss or damage is excluded regardless of other causes or events that contribute to or aggravate the loss, whether such causes or events act to produce the loss before, at the same time as, or after the excluded causes or events.
  - a. **Civil Authority** -- "We" do not pay for loss caused by order of any civil authority, including seizure, confiscation, destruction, or quarantine of property.
 

"We" do cover loss resulting from acts of destruction by the civil authority to prevent the spread of fire, unless the fire is caused by a peril excluded under this coverage.
  - b. **Earth Movement Or Volcanic Eruption** -- "We" do not pay for loss caused by any "earth movement" (other than "sinkhole collapse") or caused by eruption, explosion, or effusion of a volcano.
 

"We" do cover direct loss by fire, explosion, or "volcanic action" resulting from either "earth movement" or eruption, explosion, or effusion of a volcano.

This exclusion does not apply to covered property while in transit.
  - c. **Flood** -- "We" do not pay for loss caused by "flood".

"We" do cover direct loss by fire, explosion, or sprinkler leakage resulting from "flood".

This exclusion does not apply to covered property while in transit.

- d. **Fungus** -- Except as provided under Coverage Extensions - Limited Fungus Coverage, "we" do not pay for loss, cost, or expense caused by or relating to the existence of or any activity of "fungus".

But if "fungus" results in a "specified peril", "we" cover loss or damage caused by that "specified peril".

This exclusion does not apply to:

- 1) loss that results from fire or lightning; or
- 2) collapse caused by hidden decay.

- e. **Nuclear Hazard** -- "We" do not pay for loss caused by or resulting from a nuclear reaction, nuclear radiation, or radioactive contamination (whether controlled or uncontrolled; whether caused by natural, accidental, or artificial means). Loss caused by nuclear hazard is not considered loss caused by fire, explosion, or smoke. Direct loss by fire resulting from the nuclear hazard is covered.

- f. **Ordinance Or Law** -- Except as provided under Supplemental Coverages - Ordinance or Law, "we" do not pay for loss or increased cost caused by enforcement of any code, ordinance, or law regulating the use, construction, or repair of any building or structure; or requiring the demolition of any building or structure including the cost of removing its debris.

"We" do not pay for loss regardless if the loss is caused by or results from the:

- 1) enforcement of any code, ordinance, or law even if a building or structure has not been damaged; or
- 2) increased costs that "you" incur because of "your" compliance with a code, ordinance, or law during the construction, of a building or structure, including the removal of debris, following a direct physical loss to the property.

- g. **Penalties** -- Except as provided under Supplemental Coverages - Contract Penalty, "we" do not pay for loss caused by penalties for non-completion or non-compliance with any contract "terms" or conditions.

- h. **Sewer Backup And Water Below The Surface** -- Except as provided under Supplemental Coverages - Sewer Backup, "we" do not pay for loss caused by:

- 1) water that backs up through a sewer or drain; or
- 2) water below the surface of the ground, including but not limited to water that exerts pressure on or flows, seeps, or leaks through or into a covered building or structure.

"We" do cover direct loss by fire, explosion, or theft resulting from either water that backs up through a sewer or drain or water below the surface of the ground.

This exclusion does not apply to covered property while in transit.

- i. **War And Military Action** -- "We" do not pay for loss caused by:

- 1) war, including undeclared war or civil war; or
- 2) a warlike action by a military force, including action taken to prevent or defend against an actual or expected attack, by any government, sovereign, or other authority using military personnel or other agents; or
- 3) insurrection, rebellion, revolution, or unlawful seizure of power including action taken by governmental authority to prevent or defend against any of these.

With regard to any action that comes within the "terms" of this exclusion and involves nuclear reaction, nuclear radiation, or radioactive contamination, this War and Military Action Exclusion will apply in place of the Nuclear Hazard Exclusion.

2. "We" do not pay for loss or damage that is caused by or results from one or more of the following:

- a. **Collapse** -- "We" do not pay for loss caused by collapse, except as provided under the Other Coverages, Collapse.

But if collapse results in a covered peril, "we" cover the loss or damage caused by that covered peril.

- b. **Contamination Or Deterioration** -- "We" do not pay for loss caused by contamination or deterioration including corrosion, decay, rust, or any quality, fault, or weakness in covered property that causes it to damage or destroy itself.

But if contamination or deterioration results in a "specified peril" or building glass breakage, "we" do cover the loss or damage caused by that "specified peril" or building glass breakage.

- c. **Criminal, Fraudulent, Dishonest, Or Illegal Acts** -- "We" do not pay for loss caused by or resulting from criminal, fraudulent, dishonest, or illegal acts committed alone or in collusion with another by:
  - 1) "you";
  - 2) others who have an interest in the property;
  - 3) others to whom "you" entrust the property;
  - 4) "your" partners, officers, directors, trustees, joint venturers, or "your" members or managers if "you" are a limited liability company; or
  - 5) the employees or agents of 1), 2), 3), or 4) above, whether or not they are at work.

This exclusion does not apply to acts of destruction by "your" employees, but "we" do not pay for theft by employees.

This exclusion does not apply to covered property in the custody of a carrier for hire.

- d. **Defects, Errors, And Omissions** -- "We" do not pay for loss caused by an act, defect, error, or omission (negligent or not) relating to design, specifications, construction, materials, or workmanship.

But if an act, error, or omission as described above results in a covered peril, "we" do cover the loss or damage caused by that covered peril.

- e. **Freezing** -- "We" do not pay for loss caused by water; other liquids; powder; or molten material that leaks or flows from plumbing, heating, air-conditioning systems, or appliances other than fire protective systems caused by freezing.

This does not apply if "you" use reasonable care to maintain heat in the building or structure; or "you" drain the equipment and turn off the supply if the heat is not maintained.

- f. **Loss Of Use** -- "We" do not pay for loss caused by or resulting from loss of use, delay, or loss of market.

- g. **Mechanical Breakdown** -- "We" do not pay for loss caused by mechanical breakdown or rupturing or bursting of moving parts of machinery caused by centrifugal force.

But if a mechanical breakdown or rupturing or bursting of moving parts of machinery caused by centrifugal force results in a "specified peril" or building glass breakage, "we" do cover the loss or damage caused by that "specified peril" or building glass breakage.

- h. **Missing Property** -- "We" do not pay for missing property where the only proof of loss is unexplained or mysterious disappearance of covered property, or shortage of property discovered on taking inventory, or any other instance where there is no physical evidence to show what happened to the covered property.

This exclusion does not apply to covered property in the custody of a carrier for hire.

- i. **Pollutants** -- "We" do not pay for loss caused by or resulting from release, discharge, seepage, migration, dispersal, or escape of "pollutants":

- 1) unless the release, discharge, seepage, migration, dispersal, or escape is caused by a "specified peril"; or
- 2) except as specifically provided under the Supplemental Coverages - Pollutant Cleanup and Removal.

"We" do cover any resulting loss caused by a "specified peril".

- j. **Rain, Snow, Ice, Or Sleet** -- "We" do not pay for loss caused by or resulting from rain, snow, ice, or sleet to property in the open.

This exclusion does not apply to property in the custody of carriers for hire.

- k. **Settling, Cracking, Shrinking, Bulging, Or Expanding** -- "We" do not pay for loss caused by settling, cracking, shrinking, bulging, or expanding of pavements, foundations, walls, ceilings, glass, or roofs.

But if settling, cracking, shrinking, bulging, or expanding results in a "specified peril" or building glass breakage, "we" do cover the loss or damage caused by that "specified peril" or building glass breakage.

- l. **Temperature/Humidity** -- "We" do not pay for loss caused by dryness, dampness, humidity, or changes in or extremes of temperature.

But if dryness, dampness, humidity, or changes in or extremes of temperature results in a "specified peril" or building glass breakage, "we" do cover the loss or damage caused by that "specified peril" or building glass breakage.

- m. **Testing** -- "We" do not pay for loss caused by performance or hot testing of ovens, boilers, turbines, pumps, processing equipment, and similar equipment.

Performance or hot testing means the examination, experiment, or trial of machinery and equipment under load or operational conditions.

This exclusion does not apply to the testing of sprinkler systems, plumbing, piping systems, gas lines, HVAC lines, elevators, or escalators.

- n. **Wear And Tear** -- "We" do not pay for loss caused by wear and tear, marring, or scratching.

But if wear and tear, marring, or scratching results in a "specified peril" or building glass breakage, "we" do cover the loss or damage caused by that "specified peril" or building glass breakage.

- o. **Weather** -- "We" do not pay for loss caused by weather conditions if the weather conditions contribute in any way with a cause or event excluded in paragraph 1. above to produce the loss or damage.

But if weather conditions result in a covered peril, "we" cover the loss or damage caused by that covered peril.

- 3. "We" do not pay for soft cost and loss of rental income, as described under Soft Cost and Rental Income Coverage, caused by or resulting from one or more of the following:
  - a. **Additional Time** -- "We" do not pay for any increase in expense or loss resulting from additional time that would be required to replace or repair any part of a covered building or structure due to:
    - 1) adverse weather conditions;
    - 2) ordinances or laws requiring the use of construction materials or equipment that are different from the property that is destroyed;
    - 3) ordinances or laws requiring "you" to test, evaluate, observe, or record the existence, level, or effects of pollutants; or
    - 4) improvements necessary to correct deficiencies of original construction.
  - b. **Breach Of Contract** -- "We" do not cover any increase in expense or loss resulting from a breach of contract, late or non-completion of orders, or for any penalties.
  - c. **Consequential Loss** -- "We" do not pay for any increase in expense or loss resulting from any other consequential loss.

- d. **Leases, Licenses, Contracts, Or Orders** -- "We" do not cover any increase in expense or loss due to the suspension, lapse, or cancellation of leases, licenses, contracts, or orders.

However, "we" do cover loss if the suspension, lapse, or cancellation results directly from a covered "delay".

- e. **Strikes And Other Interference** -- "We" do not cover any increase in expense or loss due to interference by strikers or other persons. This applies to interference with repairing or replacing the covered property or with resuming construction of the covered property.
- f. **Unavailability Of Funds** -- "We" do not pay for any increase in expense or loss resulting from the unavailability of funds for repair or reconstruction.
- g. **Unavailability Of Subcontractors** -- "We" do not pay for any increase in expense or loss resulting from the unavailability of subcontractors.
- h. **Unnecessary Expenses** -- "We" do not cover any expenses that:
  - 1) are not necessary during construction of the covered building or structure; and
  - 2) exceed the amount by which a loss is reduced.

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## OTHER COVERAGES

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### Collapse --

- 1. **Coverage** -- "We" pay for loss caused by direct physical loss involving collapse of buildings or structures while in the course of construction including:
  - a. any part of buildings or structures; or

- b. personal property inside of buildings or structures.
2. **Covered Perils** -- "We" only cover collapse of buildings or structures if the collapse is caused by one or more of the following perils:
    - a. "specified perils" only as insured against in this Coverage Part;
    - b. hidden decay, unless "you" know of the presence of the decay prior to the collapse;
    - c. hidden insect or vermin damage, unless "you" know of the damage prior to the collapse;
    - d. weight of people or personal property;
    - e. weight of rain that collects on a roof; or
    - f. use of defective materials.
  3. **Collapse Means** -- Collapse means a sudden and unexpected falling in or caving in of buildings or structures, including any portion of buildings or structures.
  4. **Collapse Does Not Mean** -- The following are not considered to be in a state of collapse:
    - a. a building or structure that is standing or any portion of a building that is standing even if it displays evidence of bending, bulging, cracking, expansion, leaning, sagging, settling, or shrinkage;
    - b. a building or structure or any portion of a building structure in danger of falling in or caving; and
    - c. a portion of a building or structure that is standing even if it has separated from another portion of the building or structure.

5. **Limited Fungus Coverage Does Not Increase/Decrease Coverage** -- The "terms" under Coverage Extension - Limited Fungus Coverage do not increase or decrease the coverage for Collapse.

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## WHAT MUST BE DONE IN CASE OF LOSS

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1. **Notice** -- In case of a loss, "you" must:
  - a. give "us" or "our" agent prompt notice including a description of the property involved ("we" may request written notice); and
  - b. give notice to the police when the act that causes the loss is a crime.
2. **You Must Protect Property** -- "You" must take all reasonable steps to protect covered property at and after an insured loss to avoid further loss.
  - a. **Payment Of Reasonable Costs** -- "We" do pay the reasonable costs incurred by "you" for necessary repairs or emergency measures performed solely to protect covered property from further damage by a peril insured against if a peril insured against has already caused a loss to covered property. "You" must keep an accurate record of such costs. "Our" payment of reasonable costs does not increase the "limit".
  - b. **We Do Not Pay** -- "We" do not pay for such repairs or emergency measures performed on property that has not been damaged by a peril insured against.
3. **Proof Of Loss** -- "You" must send "us", within 60 days after "our" request, a signed, sworn proof of loss. This must include the following information:
  - a. the time, place, and circumstances of the loss;

- b. other policies of insurance that may cover the loss;
    - c. "your" interest and the interests of all others in the property involved, including all mortgages and liens;
    - d. changes in title of the covered property during the policy period; and
    - e. estimates, specifications, inventories, and other reasonable information that "we" may require to settle the loss.
  - 4. **Examination** -- "You" must submit to examination under oath in matters connected with the loss as often as "we" reasonably request and give "us" sworn statements of the answers. If more than one person is examined, "we" have the right to examine and receive statements separately and not in the presence of others.
  - 5. **Records** -- "You" must produce records, including tax returns and bank microfilms of all canceled checks relating to value, loss, and expense and permit copies and extracts to be made of them as often as "we" reasonably request.
  - 6. **Damaged Property** -- "You" must exhibit the damaged and undamaged property as often as "we" reasonably request and allow "us" to inspect or take samples of the property.
  - 7. **Volunteer Payments** -- "You" must not, except at "your" own expense, voluntarily make any payments, assume any obligations, pay or offer any rewards, or incur any other expenses except as respects protecting property from further damage.
  - 8. **Abandonment** -- "You" may not abandon the property to "us" without "our" written consent.
  - 9. **Cooperation** -- "You" must cooperate with "us" in performing all acts required by this policy.
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- a. **Replacement Cost Limitations** --
      - 1) Replacement cost is limited to the cost of repair or replacement with similar materials on the same site and used for the same purpose.
      - 2) Overhead and profit are included in the valuation only if they are included in the building "limit".
    - b. **Payment Limitation** -- The payment will not exceed the amount "you" spend to repair or replace the damaged or destroyed property.
  - 2. **All Other Property** -- Except for buildings in the course of construction, all other covered property will be based on the actual cash value at the time of the loss (with a deduction for depreciation).
  - 3. **Pair Or Set** -- The value of a lost or damaged article that is part of a pair or set is based on a reasonable proportion of the value of the entire pair or set. The loss is not considered a total loss of the pair or set.
  - 4. **Loss To Parts** -- The value of a lost or damaged part of an item that consists of several parts when it is complete is based on the value of only the lost or damaged part or the cost to repair or replace it.
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## HOW MUCH WE PAY

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- 1. **Insurable Interest** -- "We" do not cover more than "your" insurable interest in any property.
- 2. **Deductible** -- "We" pay only that part of "your" loss over the deductible amount indicated on the "schedule of coverages" in any one occurrence.
- 3. **Waiting Period** -- "We" do not pay for "your" soft cost expenses or loss of rental income until after the number of Waiting Period days indicated on the "schedule of coverages" have passed.

## VALUATION

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- 1. **Replacement Cost** -- The value of covered property will be based on the replacement cost without any deduction for depreciation. Replacement cost includes labor, reasonable overhead and profit, and delivery charges.

4. **Loss Settlement Terms** -- Subject to paragraphs 1., 2., 3., 5., 6., and 7. under How Much We Pay, "we" pay the lesser of:
    - a. the amount determined under Valuation;
    - b. the cost to repair, replace, or rebuild the property with material of like kind and quality to the extent practicable; or
    - c. the "limit" that applies to the covered property.
  5. **Soft Costs And Rental Income** --
    - a. **When We Pay** -- "We" pay for the soft costs and loss of rental income after the loss to a covered building and structure.
    - b. **Limit** -- The most "we" pay in any 12 month period for all soft costs and loss of rental income is the Limit indicated on the "schedule of coverages".
  6. **Insurance Under More Than One Coverage** -- If more than one coverage of this policy insures the same loss, "we" pay no more than the actual claim, loss, or damage sustained.
  7. **Insurance Under More Than One Policy** --
    - a. **Proportional Share** -- "You" may have another policy subject to the same "terms" as this policy. If "you" do, "we" will pay "our" share of the covered loss. "Our" share is the proportion that the applicable "limit" under this policy bears to the "limit" of all policies covering on the same basis.
    - b. **Excess Amount** -- If there is another policy covering the same loss, other than that described above, "we" pay only for the amount of covered loss in excess of the amount due from that other policy, whether "you" can collect on it or not. But "we" do not pay more than the applicable "limit".
  - a. **Our Options** -- In the event of loss covered by this coverage form, "we" have the following options:
    - 1) pay the value of the lost or damaged property;
    - 2) pay the cost of repairing or replacing the lost or damaged property;
    - 3) rebuild, repair, or replace the property with other property of equivalent kind and quality, to the extent practicable, within a reasonable time; or
    - 4) take all or any part of the property at the agreed or appraised value.
  - b. **Notice Of Our Intent To Rebuild, Repair, Or Replace** -- "We" must give "you" notice of "our" intent to rebuild, repair, or replace within 30 days after receipt of a duly executed proof of loss.
2. **Your Losses** --
    - a. **Adjustment And Payment Of Loss** -- "We" adjust all losses with "you". Payment will be made to "you" unless another loss payee is named in the policy.
    - b. **Conditions For Payment Of Loss** -- An insured loss will be payable 30 days after:
      - 1) a satisfactory proof of loss is received; and
      - 2) the amount of the loss has been established either by written agreement with "you" or the filing of an appraisal award with "us".
  3. **Property Of Others** --
    - a. **Adjustment And Payment Of Loss To Property Of Others** -- Losses to property of others may be adjusted with and paid to:
      - 1) "you" on behalf of the owner; or
      - 2) the owner.

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## LOSS PAYMENT

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### 1. Loss Payment Options --

- b. **We Do Not Have To Pay You If We Pay The Owner** -- If "we" pay the owner, "we" do not have to pay "you". "We" may also choose to defend any suits brought by the owners at "our" expense.

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## OTHER CONDITIONS

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1. **Appraisal** -- If "you" and "we" do not agree on the amount of the loss or the value of covered property, either party may demand that these amounts be determined by appraisal.

If either makes a written demand for appraisal, each will select a competent, independent appraiser and notify the other of the appraiser's identity within 20 days of receipt of the written demand. The two appraisers will then select a competent, impartial umpire. If the two appraisers are unable to agree upon an umpire within 15 days, "you" or "we" can ask a judge of a court of record in the state where the property is located to select an umpire.

The appraisers will then determine and state separately the amount of each loss.

The appraisers will also determine the value of covered property items at the time of the loss, if requested.

If the appraisers submit a written report of any agreement to "us", the amount agreed upon will be the amount of the loss. If the appraisers fail to agree within a reasonable time, they will submit only their differences to the umpire. Written agreement so itemized and signed by any two of these three, sets the amount of the loss.

Each appraiser will be paid by the party selecting that appraiser. Other expenses of the appraisal and the compensation of the umpire will be paid equally by "you" and "us".

2. **Benefit To Others** -- Insurance under this coverage will not directly or indirectly benefit anyone having custody of "your" property.
3. **Conformity With Statute** -- When a condition of this coverage is in conflict with an applicable law, that condition is amended to conform to that law.
4. **Estates** -- This provision applies only if the insured is an individual.
- a. **Your Death** -- On "your" death, "we" cover the following as an insured:
- 1) the person who has custody of "your" property until a legal representative is qualified and appointed; or
  - 2) "your" legal representative.
- This person or organization is an insured only with respect to property covered by this coverage.
- b. **Policy Period Is Not Extended** -- This coverage does not extend past the policy period indicated on the declarations.
5. **Misrepresentation, Concealment, Or Fraud** -- This coverage is void as to "you" and any other insured if, before or after a loss:
- a. "You" or any other insured have willfully concealed or misrepresented:
- 1) a material fact or circumstance that relates to this insurance or the subject thereof; or
  - 2) "your" interest herein.
- b. There has been fraud or false swearing by "you" or any other insured with regard to a matter that relates to this insurance or the subject thereof.
6. **Policy Period** -- "We" pay for a covered loss that occurs during the policy period.
7. **Recoveries** -- If "we" pay "you" for the loss and lost or damaged property is recovered, or payment is made by those responsible for the loss, the following provisions apply:

- a. "you" must notify "us" promptly if "you" recover property or receive payment;
  - b. "we" must notify "you" promptly if "we" recover property or receive payment;
  - c. any recovery expenses incurred by either are reimbursed first;
  - d. "you" may keep the recovered property but "you" must refund to "us" the amount of the claim paid or any lesser amount to which "we" agree; and
  - e. if the claim paid is less than the agreed loss due to a deductible or other limiting "terms" of this policy, any recovery will be prorated between "you" and "us" based on "our" respective interest in the loss.
8. **Restoration Of Limits** -- Except as indicated under Limited Fungus Coverage, a loss "we" pay under this coverage does not reduce the applicable "limits".
9. **Subrogation** -- If "we" pay for a loss, "we" may require "you" to assign to "us" "your" right of recovery against others. "You" must do all that is necessary to secure "our" rights. "We" do not pay for a loss if "you" impair this right to recover.
- "You" may waive "your" right to recover from others in writing before a loss occurs.
10. **Suit Against Us** -- No one may bring a legal action against "us" under this coverage unless:
- a. all of the "terms" of this coverage have been complied with; and
  - b. the suit has been brought within two years after "you" first have knowledge of the loss.

If any applicable law makes this limitation invalid, then suit must begin within the shortest period permitted by law.

11. **Territorial Limits** -- "We" cover property while in the United States of America, its territories and possessions, Canada, and Puerto Rico.
12. **Carriers For Hire** -- "You" may accept bills of lading or shipping receipts issued by carriers for hire that limit their liability to less than the replacement cost or actual cash value of the covered property.
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## ADDITIONAL COVERAGE LIMITATIONS

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1. **Coverage Not Provided During Occupancy And Use** -- "We" do not provide coverage under this policy if, without "our" prior written consent, a covered building or structure is occupied in whole or in part for more than 90 days while awaiting closing.
2. **When Coverage Ceases** -- Coverage will end when one of the following first occurs:
  - a. this policy expires or is canceled;
  - b. a covered building or structure is accepted by the purchaser;
  - c. "your" insurable interest in the covered property ceases;
  - d. "you" abandon construction with no intent to complete it; or
  - e. except as provided under Supplemental Coverages - Home Pending Sale a covered building or structure has been completed for more than 30 days.
3. **Mortgagees And Loss Payees** -- Holders of certificates of insurance issued against this policy that are shown as loss payees or mortgagees of property covered under this policy are added to this policy as their interest may appear.

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IM 5050 05 05

## COMPLETED VALUE REPORTING CONDITIONS RESIDENTIAL BUILDERS' COVERAGE

### ADDITIONAL CONDITIONS

**Reporting Conditions** -- The following reporting conditions apply:

1. **Reports** --

- a. **You Will Report To Us** -- Within 30 days after the end of each reporting period indicated on the Reporting Conditions Schedule, "you" will report to "us" the:
- 1) completed value of all construction in progress; completed value means replacement cost of the covered property on the date that it will be completed including profit, if the "limit" includes profit;
  - 2) value of all completed homes pending sale;
  - 3) if coverage is provided, value of all model homes (including contents) and sales offices (including contents); and
  - 4) if coverage is provided, value of all trade-in homes and unsold properties.
- b. **Your Report Will Contain** -- "Your" report will contain:
- 1) for construction in progress, the address/lot number, date construction started, closing date, and completed value;
  - 2) for completed homes pending sale, the address/lot number, pending sale date, contract price, and insured value;
  - 3) for model homes and sales offices, the address/lot number, replacement cost of building and contents; and

- 4) for trade-in homes and unsold properties, the address, purchase price, and actual cash value.

- c. **Cancellation** -- If "your" coverage is canceled, "you" will provide "us" with the required reports up to and including the date of cancellation and pay any additional premium due.

2. **Premium Computation** -- For all covered property "you" will pay premiums on all property covered on or after the effective date of this coverage. The premium will be based on the value of each reported property times the rate shown on the "schedule of coverages" (per \$100 of value) for property.

3. **Provisions That Affect How Much We Pay** -- The following provisions apply to reports that are submitted and may affect How Much We Pay:

- a. **Failure To Submit Reports** -- If at the time of a loss "you" have:
- 1) failed to file reports of value with "us" as required, "we" will not pay more than the value stated in the last report filed before the loss; or
  - 2) not filed any reports, "we" will not pay more than the actual cash value of the property that was at risk as of the inception date of this coverage.
- b. **We Will Not Pay More Than The Limit** -- "We" will not pay more than the applicable "limit" regardless of any reported value used in computing the premium.

4. **Coinsurance** -- The following provision is added under How Much We Pay:

If your Report of Value does not include the total of all values at risk, you will incur a penalty.

- a. **Construction In Progress** -- The penalty for construction in progress is that "we" will pay only the proportion of any loss that the completed value of the property that should have been reported bears to the last completed value that was reported before the loss.
- b. **All Other Property** -- The penalty for all other property is that "we" will only pay the proportion of any loss that the value of the property that should have been reported bears to the value last reported for the property before the loss.

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IM 5061 05 05

## EARTHQUAKE COVERAGE ENDORSEMENT WITH EXCLUDED STATES

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### SUPPLEMENTAL COVERAGES

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#### Earthquake --

1. **Coverage** -- "We" cover direct physical loss to covered property caused by earthquake and volcanic eruption.
2. **Coverage Limitations** -- "We" only cover loss caused by earthquake and volcanic eruption when Earthquake "limits" are indicated on the "schedule of coverages" or the Schedule of Additional Projects.
3. **Excluded Locations** -- "We" do not provide coverage under this endorsement for buildings and structures located within:
  - a. California;
  - b. Oregon;
  - c. Utah;
  - d. Washington;
  - e. Alaska;
  - f. Hawaii;
  - g. Puerto Rico; and
  - h. within a 200 mile radius of New Madrid, Missouri.
4. **Limit** -- The most "we" pay for loss caused by earthquake and volcanic eruption is the applicable Earthquake "limit" indicated on the "schedule of coverages" or the Schedule of Additional Projects.

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### PERILS EXCLUDED

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The exclusion for Earth Movement Or Volcanic Eruption still applies except to the extent that coverage is provided under this endorsement.

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### HOW MUCH WE PAY

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The following are added to How Much We Pay:

1. **Deductible** -- "We" pay only that part of "your" loss over the earthquake deductible amount indicated on the "schedule of coverages" in any one occurrence.
2. **Earthquake Period** -- All earthquakes or volcanic eruptions that occur within a 168-hour period will be considered a single loss. This 168-hour period is not limited by the policy expiration.
3. **Excess Insurance** -- "You" may purchase insurance in excess of the applicable "limit". Such excess insurance will not be considered in applying Insurance Under More Than One Policy nor will it be considered in the application of any pro rata or apportionment provision.

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IM 5062 05 05

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## FLOOD COVERAGE ENDORSEMENT EXCLUDING SPECIAL FLOOD HAZARD AREAS

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### SUPPLEMENTAL COVERAGES

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#### Flood --

1. **Coverage** -- "We" cover direct physical loss to covered property caused by "flood".
2. **Coverage Limitations** -- "We" only cover loss caused by "flood" when Flood "limits" are indicated on the "schedule of coverages" or the Schedule of Additional Projects.
3. **Excluded Locations** -- "We" do not provide coverage under this endorsement for buildings and structures located within Special Flood Hazard Areas (previously known as 100 year floodplain) as defined and designated by the Federal Emergency Management Agency.  
  
Special Flood Hazard Areas are defined by the Federal Emergency Management Agency as an area having special flood, mudflow, or flood-related erosion hazards, and shown on a Flood Hazard Boundary Map or a Flood Insurance Rate Map as Zone A, AO, A1-A30, AE, A99, AH, AR, AR/A, AR/AE, AR/AH, AR/AO, AR/A1-A30, V1-V30, VE, or V.
4. **Limit** -- The most "we" pay for loss caused by "flood" is the applicable Flood "limit" indicated on the "schedule of coverages" or the Schedule of Additional Projects.

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### PERILS EXCLUDED

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The exclusion for Flood still applies except to the extent that coverage is provided under this endorsement.

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### HOW MUCH WE PAY

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The following are added to How Much We Pay:

1. **Deductible** -- "We" pay only that part of "your" loss over the deductible amount indicated on the "schedule of coverages" in any one occurrence.
2. **Excess Insurance** -- "You" may purchase insurance in excess of the applicable "limit". Such excess insurance will not be considered in applying Insurance Under More Than One Policy nor will it be considered in the application of any pro rata or apportionment provision.

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IM 5063 05 05

## MODEL HOMES AND SALES OFFICES

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### SUPPLEMENTAL COVERAGES

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#### 1. Model Homes And Sales Offices --

- a. **Coverage** -- "We" cover direct physical loss caused by a covered peril to "your" model homes and sales offices. "We" also cover direct physical loss caused by a covered peril to contents in "your" model homes and sales offices.
- b. **Coverage Limitation** -- "We" only cover "your" model homes, sales offices and contents:
  - 1) that are described on a schedule that "you" submit to "us" and that "we" keep on file; and
  - 2) that are owned by "you" or in which "you" have an insurable interest but only to the extent of that insurable interest.

#### 2. Newly Acquired Model Homes And Sales Offices --

- a. **Coverage** -- "We" cover direct physical loss caused by a covered peril to newly acquired model homes and sales offices. "We" also cover direct physical loss caused by a covered peril to contents in newly acquired model homes and sales offices.
- b. **Coverage Limitation** -- "We" only cover newly acquired model homes, sales offices, and contents that "you" purchase, lease, rent, or borrow after the effective date of this policy.
- c. **Time Limitation** -- This coverage applies for up to 60 days from the date "you" acquire the new model homes, sales offices, and contents or until "you" report the acquired property to "us", whichever occurs first.

However, this coverage does not go beyond the end of the policy period.

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### HOW MUCH WE PAY

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**Deductible** -- As regards coverage provided under this endorsement, "we" pay only that part of "your" loss over the deductible amount indicated on the Model Homes And Sales Offices Schedule.

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### VALUATION

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1. **Model Homes And Sales Offices** -- Except as described under item 2., the value of model homes, sales offices, and contents will be based on the replacement cost without any deduction for depreciation.
  - a. **Replacement Cost Limitations** -- Replacement cost is limited to the cost of repair or replacement with similar materials on the same site and used for the same purpose.
  - b. **Payment Limitation** -- The payment will not exceed the amount "you" spend to repair or replace the damaged or destroyed property.
2. **Fine Arts** -- The value of fine arts will be based on the fair market value at the time of loss. Fine arts means bona fide works of art of rarity, historical value, or artistic merit, including but not limited to paintings, etchings, pictures, tapestries, and art glass windows.

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IM 5054 05 05

## ELECTRONIC DATA PROCESSING EQUIPMENT COVERAGE PART SCHEDULED LIMITS

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### AGREEMENT

In return for "your" payment of the required premium, "we" provide the coverage described herein subject to all the "terms" of the Electronic Data Processing - Equipment Coverage Part. This coverage is also subject to the "schedule of coverages" and additional policy conditions relating to assignment or transfer of rights or duties, cancellation, changes or modifications, inspections, and examination of books and records.

Endorsements and schedules may also apply. They are identified on the "schedule of coverages".

Refer to Definitions for words and phrases that have special meaning. These words and phrases are shown in quotation marks or bold type.

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### DEFINITIONS

1. The words "you" and "your" mean the persons or organizations named as the insured on the "schedule of coverages".
2. The words "we", "us", and "our" mean the company providing this coverage.
3. "Computer hacking" means an unauthorized intrusion:
  - a. by an individual or group of individuals, whether employed by "you" or not, into "hardware", "software", Web site, or a computer network; and
  - b. that results in but is not limited to:

- 1) deletion, destruction, generation, or modification of "software";
  - 2) alteration, contamination, corruption, degradation, or destruction of the integrity, quality, or performance of "software";
  - 3) observation, scanning, or copying of "data records", "programs and applications", and "proprietary programs";
  - 4) damage, destruction, inadequacy, malfunction, degradation, or corruption of any "hardware", "Web site server", or "media" used with "hardware" or "Web site server"; or
  - 5) denial of access to or denial of services from "your" "hardware", "Web site server", or "your" computer network.
4. "Computer virus" means the introduction of any malicious, self-replicating electronic data processing code or other code:
- a. into "hardware", "software", or "Web site server"; and
  - b. that is intended to result in, but is not limited to:
    - 1) deletion, destruction, generation, or modification of "software";
    - 2) alteration, contamination, corruption, degradation, or destruction of the integrity, quality, or performance of "software";
    - 3) damage, destruction, inadequacy, malfunction, degradation, or corruption of any "hardware", "Web site server", or "media" used with "hardware" or "Web site server"; or
    - 4) denial of access to or denial of services from "your" "hardware", "Web site server", or "your" computer network.

5. "Data records" means files, documents, and information in an electronic format and that are stored on "media".
6. "Electrical disturbance" means electrical or magnetic damage, disturbance of electronic recordings, or erasure of electronic recordings.
7. "Flood" means flood, surface water, waves, tidal water, or the overflow of a body of water, all whether driven by wind or not. This includes spray that results from these whether driven by wind or not.
8. "Hardware" means a network of electronic machine components (microprocessors) capable of accepting instructions and information, processing the information according to the instructions, and producing desired results.
  - a. **Hardware Includes** -- "Hardware" includes but is not limited to:
    - 1) mainframe and mid-range computers and network servers;
    - 2) personal computers and workstations;
    - 3) laptops, palmtops, notebook PCs, other portable computer devices and accessories including, but not limited to, multimedia projectors; and
    - 4) peripheral data processing equipment, including but not limited to, printers, keyboards, monitors, and modems.
  - b. **Hardware Does Not Include** -- "Hardware" does not include:
    - 1) "software";
    - 2) "telecommunications equipment";
    - 3) "reproduction equipment";
    - 4) "protection and control systems"; and
    - 5) "off-site server" and "on-site server".
9. "Limit" means the amount of coverage that applies.
10. "Mechanical breakdown" means the malfunction or failure of moving or electronic parts, component failure, faulty installation, or blowout.
11. "Media" means processing, recording, or storage media used with "hardware". This includes but is not limited to films, tapes, cards, discs, drums, cartridges, or cells.
12. "Off-site server" means a server for "your" Web site:
  - a. that is not at a premises described on the "schedule of coverages"; and is being maintained and/or operated by an independent contractor acting as "your" Web host or "your" Internet service provider that is acting as "your" Web host.
13. "On-site server" means a server for "your" Web site:
  - a. that is at a premises occupied by "you" and that is described on the "schedule of coverages"; and
  - b. that is being maintained and/or operated by "you" or an independent contractor acting as "your" Web site consultant.
14. "Pollutant" means:
  - a. any solid, liquid, gaseous, thermal, or radioactive irritant or contaminant, including but not limited to acids, alkalis, chemicals, fumes, smoke, soot, vapor, and waste. Waste includes materials to be recycled, reclaimed, or reconditioned, as well as disposed of; and
  - b. electrical or magnetic emissions, whether visible or invisible, and sound emissions.
15. "Power supply disturbance" means interruption of power supply, power surge, blackout, or brownout.

16. "Programs and applications" means operating programs and applications that "you" purchase and that are:
  - a. stored on "media"; or
  - b. pre-installed and stored in "hardware".
17. "Proprietary programs" means proprietary applications or programs that are developed in-house or that "you" had developed specifically for "you" and that are:
  - a. stored on "media"; or
  - b. installed and stored in "hardware".
18. "Protection and control systems" means:
  - a. air conditioning equipment used exclusively in the operation of the "hardware";
  - b. fire protection equipment used for the protection of the "hardware", including automatic and manual fire suppression equipment, and smoke and heat detectors; and
  - c. uninterruptible power supply system, line conditioner, and voltage regulator.
19. "Reproduction equipment" means a network of equipment and software designed for the scanning, copying, storage, and retrieval of paper documents.
20. "Schedule of coverages" means:
  - a. all pages labeled schedule of coverages or schedules which pertain to this coverage; and
  - b. declarations or supplemental declarations which pertain to this coverage.
21. "Sinkhole collapse" means the sudden settlement or collapse of earth supporting the covered property into subterranean voids created by the action of water on a limestone or similar rock formation.

Sinkhole collapse does not include the value of the land or the cost of filling sinkholes.

22. "Software" means "media", "data records", "programs and applications", and "proprietary programs".

Software does not mean "Web site software".

23. "Specified perils" means aircraft; civil commotion; explosion; falling objects; fire; hail; leakage from fire extinguishing equipment; lightning; riot; "sinkhole collapse"; smoke; sonic boom; vandalism; vehicles; "volcanic action"; water damage; weight of ice, snow, or sleet; and windstorm.

Falling objects does not include loss to:

- a. personal property in the open; or
- b. to the interior of buildings or structures or to personal property inside buildings or structures unless the exterior of the roofs or walls are first damaged by a falling object.

Water damage means the sudden or accidental discharge or leakage of water or steam as a direct result of breaking or cracking of a part of the system or appliance containing the water or steam.

24. "Telecommunications equipment" means telephone components and equipment used for the transmission of communications.

Telecommunications equipment includes but is not limited to:

- a. telephone switchgear (including PBX systems);
- b. telephone operating programs and related software;
- c. facsimile transmission equipment;
- d. video conferencing equipment; and
- e. other related telephone hardware (including computers dedicated to voice mail).

25. "Terms" means all provisions, limitations, exclusions, conditions, and definitions that apply.
26. "Volcanic action" means airborne volcanic blast or airborne shock waves; ash, dust, or particulate matter; or lava flow.
- Volcanic action does not include the cost to remove ash, dust, or particulate matter that does not cause direct physical loss to the covered property.
27. "Web site server" means "on-site server" and "off-site server".
28. "Web site software" means the following software that are used in "your" "Web site server":
- "media";
  - "data records";
  - programs and applications which means operating programs and applications that "you" purchase and that are stored on "media" or pre-installed and stored in "Web site servers"; and
  - proprietary programs which means proprietary applications or programs that are developed in-house or that "you" had developed specifically for "you" and that are stored on "media" or installed and stored in "Web site servers".
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## PROPERTY COVERED

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"We" cover the following property unless the property is excluded or subject to limitations.

### 1. Hardware --

- Coverage** -- "We" cover direct physical loss caused by a covered peril to "hardware" and similar property of others that is in "your" care, custody, or control.

- Coverage Limitations** -- "We" only cover "hardware" and similar property of others:
  - when a "limit" for "hardware" is indicated on the "schedule of coverages"; and
  - while at a premises described on the "schedule of coverages".

### 2. Software --

#### a. Media, Programs, and Applications --

- Coverage** -- "We" cover direct physical loss caused by a covered peril to "media", "programs and applications", and similar property of others that is in "your" care, custody, or control.
- Coverage Limitations** -- "We" only cover "media", "programs and applications", and similar property of others:
  - when a "limit" for "media" and "programs and applications" is indicated on the "schedule of coverages"; and
  - while at a premises described on the "schedule of coverages".

#### b. Data Records and Proprietary Programs --

- Coverage** -- "We" cover the cost of research or other expenses necessary to reproduce, replace, or restore lost files or codes on lost or damaged "data records", "proprietary programs", and similar property of others that is in "your" care, custody, or control.
- Coverage Limitations** -- "We" only cover "data records", "proprietary programs", and similar property of others:
  - when a "limit" for "data records" and "proprietary programs" is indicated on the "schedule of coverages";

- b) while at a premises described on the "schedule of coverages"; and
  - c) if the cost of research or other expenses necessary to reproduce, replace, or restore lost files or codes are incurred due to a direct physical loss caused by a covered peril to "data records" and "proprietary programs".
- 3. **Web Site Server --**
  - a. **On-Site Server --**
    - 1) **Server Coverage --** "We" cover direct physical loss caused by a covered peril to an "on-site server".
    - 2) **Software Coverage --** "We" also cover direct physical loss caused by a covered peril to the "Web site software" housed on an "on-site server".
    - 3) **Coverage Limitations --** "We" only cover "on-site server" and "Web site software":
      - a) when a "limit" for "on-site server" and "Web site software" is indicated on the "schedule of coverages"; and
      - b) while at a premises described on the "schedule of coverages".
  - b. **On-Site Server Coverage Under Hardware and Software --**
    - 1) **Coverage --** If indicated on the "schedule of coverages", coverage for:
      - a) an "on-site server" is provided as part of the coverage described under 1. Hardware; and
      - b) the "Web site software" housed on an "on-site server" is provided as part of the coverage described under 2. Software.
- 2) **Coverage Limitations --**
  - a) The "limits" applicable to Hardware and Software are not increased when coverage for "on-site server" and "Web site software" are included under the Hardware and Software coverage sections; and
  - b) "we" only cover "on-site server" and "Web site software" while at a premises described on the "schedule of coverages".
- c. **Off-Site Server --**
  - 1) **Server Coverage --** "We" cover direct physical loss caused by a covered peril to an "off-site server" that "you":
    - a) own; or
    - b) lease and are contractually obligated to insure for loss or damage.
  - 2) **Software Coverage --** "We" also cover direct physical loss caused by a covered peril to the "Web site software" housed on an "off-site server".
  - 3) **Coverage Limitation --** "We" only cover "off-site server" and "Web site software" when a "limit" for "off-site server" and "Web site software" is indicated on the "schedule of coverages".
- d. **Software Coverage Condition --** "We" only cover "Web site software" if a duplicate or back-up of the "Web site software" is stored at a building that is at least 100 feet away from the premises where the "on-site server" or "off-site server" is being hosted.

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## PROPERTY NOT COVERED

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1. **Accounts, Bills, or Documents** -- "We" do not cover accounts, bills, evidences of debt, records, abstracts, deeds, manuscripts, program documentation, or other documents except those that are in "software" form and then only in that form.
  2. **Checked Luggage** -- "We" do not cover loss resulting from theft or disappearance of a laptop, palmtop, notebook PC, or any portable computer while in transit as checked luggage.
  3. **Contraband** -- "We" do not cover contraband or property in the course of illegal transportation or trade.
  4. **Loaned, Leased, or Rented To Others** -- "We" do not cover property that "you" loan, lease, or rent to others.
  5. **Money and Securities** -- "We" do not cover currency, food stamps, lottery tickets not held for sale, money, notes, or securities.
  6. **Stock in Trade** -- "We" do not cover "your" stock in trade.
  7. **Loss of Internet Service Provider or Web Host** -- "We" do not cover loss to "your" "Web site server" or "Web site software" that results from the bankruptcy, liquidation, or otherwise going out of business by "your" Internet service provider or Web host.
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## COVERAGE EXTENSIONS

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### Provisions That Apply To Coverage

**Extensions** -- The following Coverage Extensions indicate an applicable "limit". This "limit" may also be shown on the "schedule of coverages".

If a different "limit" is indicated on the "schedule of coverages", that "limit" will apply instead of the "limit" shown below.

However, if no "limit" is indicated for a Coverage Extension, coverage is provided up to the full "limit" for the applicable covered property unless a different "limit" is indicated on the "schedule of coverages".

Unless otherwise indicated, the coverages provided below are part of and not in addition to the applicable "limit" for coverage described under Property Covered.

The "limit" provided under a Coverage Extension cannot be combined or added to the "limit" for any other Coverage Extension or Supplemental Coverage including a Coverage Extension or Supplemental Coverage that is added to this policy by endorsement.

The following coverage extensions are not subject to and not considered in applying coinsurance conditions.

1. **Debris Removal** --
  - a. **Coverage** -- "We" pay the cost to remove the debris of covered property that is caused by a covered peril.
  - b. **We Do Not Cover** -- This coverage does not include costs to:
    - 1) extract "pollutants" from land or water; or
    - 2) remove, restore, or replace polluted land or water.
  - c. **Limit** -- "We" do not pay any more under this coverage than 25% of the amount "we" pay for the direct physical loss. "We" will not pay more for loss to property and debris removal combined than the "limit" for the damaged property.

- d. **Additional Limit** -- "We" pay up to an additional \$10,000 for debris removal expense when the debris removal expense exceeds 25% of the amount "we" pay for direct physical loss or when the loss to property and debris removal combined exceeds the "limit" for the damaged property.
  - e. **You Must Report Your Expenses** -- "We" do not pay any expenses unless they are reported to "us" in writing within 180 days from the date of direct physical loss to covered property.
2. **Electrical and Power Supply Disturbance** -  
- "We" cover direct physical loss to covered property caused by:
- a. "electrical disturbance"; or
  - b. "power supply disturbance".
3. **Emergency Removal** --
- a. **Coverage** -- "We" pay for any direct physical loss to covered property while it is being moved or being stored to prevent a loss caused by a covered peril.
  - b. **Time Limitation** -- This coverage applies for up to 365 days after the property is first moved. Also, this coverage does not extend past the date on which this policy expires.
4. **Emergency Removal Expenses** --
- a. **Coverage** -- "We" pay for "your" expenses to move or store covered property to prevent a loss caused by a covered peril.
  - b. **Time Limitation** -- This coverage applies for up to 365 days after the property is first moved. Also, this coverage does not extend past the date on which this policy expires.
- c. **Limit** -- The most "we" pay in any one occurrence for expenses to move or store covered property to prevent a loss is \$2,500.
  - d. **This Is A Separate Limit** -- The "limit" for Emergency Removal Expenses is separate from, and not part of, the applicable "limit" for coverage described under Property Covered.
5. **Fraud and Deceit** --
- a. **Coverage** -- "We" cover theft of covered property when "you", "your" agents, customers, or consignees are fraudulently induced to part with the covered property:
    - 1) to persons who falsely represent themselves as the proper persons to receive the property; or
    - 2) by the acceptance of fraudulent bills of lading or shipping receipts.
  - b. **Limit** -- The most "we" pay in any one occurrence for theft of covered property under this Coverage Extension is \$2,500.
6. **Mechanical Breakdown Coverage** -- "We" pay for loss to covered property caused by "mechanical breakdown".
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## SUPPLEMENTAL COVERAGES

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**Provisions That Apply To Supplemental Coverages** -- The following Supplemental Coverages indicate an applicable "limit". This "limit" may also be shown on the "schedule of coverages".

If a different "limit" is indicated on the "schedule of coverages", that "limit" will apply instead of the "limit" shown below.

However, if no "limit" is indicated for a Supplemental Coverage, coverage is provided up to the full "limit" for the applicable covered property unless a different "limit" is indicated on the "schedule of coverages".

Unless otherwise indicated, a "limit" for a Supplemental Coverage provided below is separate from, and not part of, the applicable "limit" for coverage described under Property Covered.

The "limit" available for coverage described under a Supplemental Coverage:

- a. is the only "limit" available for the described coverage; and
- b. is not the sum of the "limit" indicated for a Supplemental Coverage and the "limit" for coverage described under Property Covered.

The "limit" provided under a Supplemental Coverage cannot be combined or added to the "limit" for any other Supplemental Coverage or Coverage Extension including a Supplemental Coverage or Coverage Extension that is added to this policy by endorsement.

The following coverage extensions are not subject to and not considered in applying coinsurance conditions.

1. **Acquired Locations --**
  - a. **Coverage --** "We" cover direct physical loss caused by a covered peril to covered property at locations that "you" acquire during the policy period.
  - b. **Limit --** "We" pay up to \$500,000 for covered property at locations that "you" acquire.
  - c. **Time Limitation --** This coverage applies for up to 60 days from the date "you" acquire the location or until "you" report the acquired location to "us", whichever occurs first.

However, this coverage does not go beyond the end of the policy period.

- d. **Additional Premium --** "You" must pay any additional premium due from the date "you" acquire the location.
2. **Earthquake Coverage --** If coverage is indicated on the "schedule of coverages", "we" cover direct physical loss caused by earthquake and volcanic eruption to covered property while at a premises described on the "schedule of coverages".
3. **Flood Coverage --** If coverage is indicated on the "schedule of coverages", "we" cover direct physical loss caused by "flood" to covered property while at a premises described on the "schedule of coverages".
4. **Newly Purchased or Leased Hardware --**
  - a. **Coverage --** "We" cover direct physical loss caused by a covered peril to additional "hardware" including pre-installed "programs and applications" that "you" purchase or lease during the policy period.
  - b. **Limit --** The most that "we" pay for any loss under this additional coverage is the least of:
    - 1) the actual cash value of the covered property; or
    - 2) \$500,000.
  - c. **Time Limitation --** "We" extend coverage to the additional "hardware" that "you" purchase or lease for up to 60 days.

This supplemental coverage will end when any of the following first occur:

- 1) this policy expires;
- 2) 60 days after "you" obtain the additional "hardware"; or
- 3) "you" report the additional "hardware" to "us".

- d. **Additional Premium** -- "You" must pay any additional premium due from the date "you" purchase or lease the additional "hardware".

5. **Off-Site Computers** --

- a. **Coverage** -- "We" cover direct physical loss caused by a covered peril to covered property in the custody of "you", "your" officers, "your" partners, or "your" employees, while:
  - 1) at "your" residence or the residence of "your" officers, partners, or employees;
  - 2) temporarily at a premises that is not described on the "schedule of coverages"; or
  - 3) in transit between a:
    - a) residence or temporary premises; and
    - b) premises described on the "schedule of coverages".
- b. **Limit** -- The most "we" pay in any one occurrence for loss to off-site covered property is \$5,000.

6. **Pollutant Cleanup and Removal** --

- a. **Coverage** -- "We" pay "your" expense to extract "pollutants" from land or water if the discharge, dispersal, seepage, migration, release, or escape of the "pollutants" is caused by a covered peril that occurs during the policy period.
- b. **Time Limitation** -- The expenses to extract "pollutants" are paid only if they are reported to "us" in writing within 180 days from the date the covered peril occurs.
- c. **We Do Not Cover** -- "We" do not pay the cost of testing, evaluating, observing, or recording the existence, level, or effects of "pollutants".

However, "we" pay the cost of testing which is necessary for the extraction of "pollutants" from land or water.

- d. **Limit** -- The most "we" pay for each location is \$10,000 for the sum of all such expenses arising out of a covered peril occurring during each separate 12-month period of this policy.

7. **Property In Transit** --

- a. **Coverage** -- "We" cover direct physical loss to covered property caused by a covered peril while in transit.
- b. **Limit** -- The most "we" pay in any one occurrence for loss to covered property in transit is \$10,000.

8. **Protection and Control Systems** --

- a. **Coverage** -- "We" cover direct physical loss caused by a covered peril to "protection and control systems" while at a premises described on the "schedule of coverages".
- b. **Limit** -- The most "we" pay in any one occurrence for loss to "protection and control systems" is \$10,000.

9. **Recharge of Fire Extinguishing Equipment** --

- a. **Coverage** -- "We" pay the expenses "you" incur to recharge "your" automatic fire extinguishing equipment or hand held fire extinguishing equipment when the equipment is discharged:
  - 1) to fight a fire;
  - 2) as a result of a covered peril; or
  - 3) as a result of an accidental discharge.
- b. **We Do Not Cover** -- "We" do not pay for "your" expenses to recharge equipment as a result of a discharge during testing or installation.

- c. **Limit** -- The most "we" pay in any one occurrence for "your" expenses to recharge "your" fire extinguishing equipment is \$15,000.
  - d. **Conditions For Replacing Rather Than Recharging** -- If it is less expensive to do so, "we" will pay "your" costs to replace "your" automatic fire extinguishing equipment or hand held fire extinguishing equipment rather than recharge the equipment.
10. **Reproduction Equipment** --
- a. **Coverage** -- "We" cover direct physical loss caused by a covered peril to "reproduction equipment" while at a premises described on the "schedule of coverages".
  - b. **Limit** -- The most "we" pay in any one occurrence for loss to "reproduction equipment" is \$10,000.
11. **Rewards** --
- . **Coverage** -- "We" pay for reward information that leads to a conviction for:
    - 1) arson,
    - 2) theft, or
    - 3) vandalism including, but not limited to, "computer hacking" and "computer virus".
- The conviction must involve a covered loss caused by arson, theft, or vandalism.
- b. **Limit** -- The most "we" pay in any one occurrence for reward information is \$2,500.
  - c. **Limit Is Not Increased By The Number of Persons Providing Information** -- The amount "we" pay is not increased by the number of persons involved in providing the information.
12. **Sewer Backup and Water Below the Surface** -- If coverage is indicated on the "schedule of coverages", "we" cover direct physical loss caused by:
- a. water that backs up through a sewer or drain; or
  - b. water below the surface of the ground, including but not limited to water that exerts pressure on or flows, seeps, or leaks through or into a described premises.
13. **Software Storage** --
- a. **Coverage** -- "We" cover direct physical loss caused by a covered peril to duplicate and back-up "software" stored at a "software" storage location.
  - b. **Coverage Condition** -- Each "software" storage location must be in a separate building which is at least 100 feet away from a premises described on the "schedule of coverages".
  - c. **Limit** -- The most "we" pay in any one occurrence for loss to duplicate and back-up "software" is \$50,000.
14. **Telecommunications Equipment** --
- a. **Coverage** -- "We" cover direct physical loss caused by a covered peril to "telecommunications equipment" while at a premises described on the "schedule of coverages".
  - b. **Limit** -- The most "we" pay in any one occurrence for loss to "telecommunications equipment" is \$10,000.
15. **Virus and Hacking Coverage** --
- a. **Coverage** -- "We" cover direct physical loss to covered "hardware", "software", "Web site server", and "Web site software" caused by a "computer virus" or by "computer hacking".

b. **We Do Not Cover** -- "We" do not cover:

- 1) loss of exclusive use of any "data records" or "proprietary programs" that have been copied, scanned, or altered;
- 2) loss of or reduction in economic or market value of any "data records" or "proprietary programs" that have been copied, scanned, or altered;
- 3) theft from "your" "data records" or "proprietary programs" of confidential information through the observation of the "data records" or "proprietary programs" by accessing covered "hardware", or "your" computer network without any alteration or other physical loss or damage to the records or programs. Confidential information includes, but is not limited to, customer information, processing methods, or trade secrets; and
- 4) except as provided under the Supplemental Income Coverages section of the Electronic Data Processing - Income Coverage Part (if attached to this policy), denial of access to or services from "your" "hardware", "your" computer network, or "your" Web site.

c. **Limits** -- The most "we" pay in any one occurrence under this Supplemental Coverage is \$25,000.

The most "we" pay for all covered losses under this Supplemental Coverage during each separate 12-month period of this policy is \$75,000.

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## PERILS COVERED

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"We" cover risks of direct physical loss unless the loss is limited or caused by a peril that is excluded.

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## PERILS EXCLUDED

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1. "We" do not pay for loss or damage caused directly or indirectly by one or more of the following excluded causes or events. Such loss or damage is excluded regardless of other causes or events that contribute to or aggravate the loss, whether such causes or events act to produce the loss before, at the same time as, or after the excluded causes or events.

a. **Civil Authority** -- "We" do not pay for loss caused by order of any civil authority, including seizure, confiscation, destruction, or quarantine of property.

"We" do pay for loss resulting from acts of destruction by the civil authority to prevent the spread of fire, unless the fire is caused by a peril excluded under this coverage.

b. **Earth Movement** -- Except as provided under Supplemental Coverages - Earthquake Coverage, "we" do not pay for loss caused by any earth movement (other than "sinkhole collapse") or caused by eruption, explosion, or effusion of a volcano. Earth movement includes, but is not limited to: earthquake; landslide; mudflow; mudslide; mine subsidence; or sinking, rising, or shifting of earth.

"We" do cover direct loss by fire, explosion, or "volcanic action" resulting from either earth movement or eruption, explosion, or effusion of a volcano.

c. **Flood** -- Except as provided under Supplemental Coverages - Flood Coverage, "we" do not pay for loss caused by "flood". However, "we" do cover the resulting loss if fire, explosion, or sprinkler leakage results.

- d. **Nuclear Hazard** -- "We" do not pay for loss caused by or resulting from a nuclear reaction, nuclear radiation, or radioactive contamination (whether controlled or uncontrolled; whether caused by natural, accidental, or artificial means). Loss caused by nuclear hazard is not considered loss caused by fire, explosion, or smoke. Direct loss by fire resulting from the nuclear hazard is covered.
- e. **Sewer Backup and Water Below the Surface** -- Except as provided under Supplemental Coverages - Sewer Backup and Water Below the Surface, "we" do not pay for loss caused by or resulting from:
- 1) water that backs up through a sewer or drain; or
  - 2) water below the surface of the ground, including but not limited to water that exerts pressure on or flows, seeps, or leaks through or into a building or structure.

But if sewer backup and water below the surface results in fire, explosion, or sprinkler leakage, "we" cover the loss or damage caused by that fire, explosion, or sprinkler leakage.

- f. **War and Military Action** -- "We" do not pay for loss caused by:
- 1) war, including undeclared war or civil war; or
  - 2) a warlike action by a military force, including action taken to prevent or defend against an actual or expected attack, by any government, sovereign, or other authority using military personnel or other agents; or
  - 3) insurrection, rebellion, revolution, or unlawful seizure of power including action taken by governmental authority to prevent or defend against any of these.

With regard to any action that comes within the "terms" of this exclusion and involves nuclear reaction, nuclear radiation, or radioactive contamination, this War and Military Action Exclusion will apply in place of the Nuclear Hazard Exclusion.

2. "We" do not pay for loss or damage that is caused by or results from one or more of the following:
- a. **Computer Virus or Computer Hacking** -- Except as provided under Supplemental Coverages - Virus and Hacking Coverage, "we" do not pay for:
- 1) any direct or indirect loss or damage; or
  - 2) loss of access, loss of use, or loss of functionality caused by a "computer virus" or by "computer hacking".
- b. **Criminal, Fraudulent, or Dishonest Acts** -- "We" do not pay for loss caused by or resulting from criminal, fraudulent, dishonest, or illegal acts alone or in collusion with another by:
- 1) "you";
  - 2) others who have an interest in the property;
  - 3) others to whom "you" entrust the property;
  - 4) "your" partners, officers, directors, trustees, or joint adventurers; or
  - 5) the employees or agents of 1), 2), 3), or 4) above, whether or not they are at work.

This exclusion does not apply to acts of destruction by "your" employees, but "we" do not pay for theft by employees.

This exclusion does not apply to covered property in the custody of a carrier for hire.

- c. **Loss of Use** -- "We" do not pay for loss caused by or resulting from loss of use, business interruption, delay, or loss of market.
- d. **Pollutants** -- "We" do not pay for loss caused by or resulting from release, discharge, seepage, migration, dispersal, or escape of "pollutants" unless the release, discharge, seepage, migration, dispersal, or escape is caused by a "specified peril".

"We" do pay for any resulting loss caused by a "specified peril".

- e. **Temperature/Humidity** -- "We" do not pay for loss to covered property caused by:
  - 1) dryness, dampness, humidity; or
  - 2) changes in or extremes of temperature.

However, "we" do pay for loss to covered property that results from a direct physical loss, caused by a covered peril, to the air conditioning system that services covered "hardware".

- f. **Voluntary Parting** -- Except as provided under Coverage Extensions - Fraud and Deceit, "we" do not pay for loss caused by or resulting from voluntary parting with title to or possession of any property because of any fraudulent scheme, trick, or false pretense.
3. "We" do not pay for loss or damage if one or more of the following exclusions apply to the loss. But if loss by a covered peril results, "we" will pay for the resulting loss.
- a. **Contamination, Deterioration, Rust, or Corrosion** -- "We" do not pay for loss caused by contamination or deterioration including corrosion, decay, fungus, mildew, mold, rot, rust, or any quality, fault, or weakness in covered property that causes it to damage or destroy itself.

This exclusion does not apply to loss caused by "mechanical breakdown".

- b. **Wear and Tear or Obsolescence** -- "We" do not pay for loss caused by wear and tear, depreciation, or obsolescence.
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## WHAT MUST BE DONE IN CASE OF LOSS

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1. **Notice** -- In case of a loss, "you" must:
  - a. give "us" or "our" agent prompt notice, including a description of the property involved ("we" may request written notice); and
  - b. give notice to the police when the act that causes the loss is a crime.
2. **You Must Protect Property** -- "You" must take all reasonable steps to protect covered property at and after an insured loss to avoid further loss.
  - a. **Payment of Reasonable Costs** -- "We" do pay the reasonable costs incurred by "you" for necessary repairs or emergency measures performed solely to protect covered property from further damage by a peril insured against if a peril insured against has already caused a loss to covered property. "You" must keep an accurate record of such costs.
  - b. **We Do Not Pay** -- "We" do not pay for such repairs or emergency measures performed on property which has not been damaged by a peril insured against. This does not increase "our" "limit".
3. **Proof of Loss** -- "You" must send "us", within 60 days after "our" request, a signed, sworn proof of loss. This must include the following information:
  - a. the time, place, and circumstances of the loss;

- b. other policies of insurance that may cover the loss;
  - c. "your" interest and the interests of all others in the property involved, including all mortgages and liens;
  - d. changes in title of the covered property during the policy period; and
  - e. estimates, specifications, inventories, and other reasonable information that "we" may require to settle the loss.
4. **Examination** -- "You" must submit to examination under oath in matters connected with the loss as often as "we" reasonably request and give "us" sworn statements of the answers. If more than one person is examined, "we" have the right to examine and receive statements separately and not in the presence of others.
5. **Records** -- "You" must produce records, including tax returns and bank microfilms of all canceled checks relating to value, loss, and expense and permit copies and extracts to be made of them as often as "we" reasonably request.
6. **Damaged Property** -- "You" must exhibit the damaged and undamaged property as often as "we" reasonably request and allow "us" to inspect or take samples of the property.
7. **Volunteer Payments** -- "You" must not, except at "your" own expense, voluntarily make any payments, assume any obligations, pay or offer any rewards, or incur any other expenses except as respects protecting property from further damage.
8. **Abandonment** -- "You" may not abandon the property to "us" without "our" written consent.
9. **Cooperation** -- "You" must cooperate with "us" in performing all acts required by this policy.

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## VALUATION

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1. **Hardware and Web Site Servers** -- The following is the value of "hardware" and "Web site servers":
- a. **Hardware and Servers That Are Replaced** -- The value of "hardware" and "Web site servers" that are replaced will be based on the cost of replacing the "hardware" and "Web site servers" with new equipment that is functionally comparable to the "hardware" and "Web site servers" that are being replaced.
  - b. **Hardware and Servers That Are Not Replaced** -- The value of "hardware" and "Web site servers" that are not repaired or replaced will be based on the actual cash value at the time of loss (with a deduction for depreciation).
  - c. **Partial Loss** -- In no event will "we" pay more than the reasonable cost of restoring partially damaged "hardware" and "Web site servers" to their condition directly prior to the damage.
2. **Software** -- The following is the value of "software" and, for the purposes of determining valuation only, includes "Web site software":
- a. **Programs and Applications** --
    - 1) **Cost To Reinstall** -- The value of "programs and applications" will be based on the cost to reinstall the "programs or applications" from the licensed discs that were originally used to install the programs or applications.
    - 2) **If The Original Discs Are Lost** -- If the original licensed discs are lost, damaged, or can no longer be obtained, the value of "programs and applications" will be based on the cost of the most current version of the "programs or applications".

- b. **Proprietary Programs --**
    - 1) **Cost of Reproduction --** The value of "proprietary programs" will be based on the cost of reproduction from duplicate copies. The cost of reproduction includes, but is not limited to, the cost of labor to copy or transcribe from duplicate copies.
    - 2) **If Duplicate Copies Do Not Exist --** If duplicate copies do not exist, the value of "proprietary programs" will be based on the cost of research or other expenses necessary to reproduce, replace, or restore lost "proprietary programs".
  - c. **Data Records --**
    - 1) **Cost of Reproduction --** The value of "data records" will be based on the cost of reproduction from duplicate copies. The cost of reproduction includes, but is not limited to, the cost of labor to copy or transcribe from duplicate copies.
    - 2) **If Duplicate Copies Do Not Exist --** If duplicate copies do not exist, the value of "data records" will be based on the cost of research or other expenses necessary to reproduce, replace, or restore lost files, documents, and records.
  - d. **Media --** The value of "media" will be based on the cost to repair or replace the "media" with material of the same kind or quality.
3. **Other Equipment --**
- a. **Replacement Cost --** The value of "telecommunications equipment", "reproduction equipment", and "protection and control systems" will be based on the replacement cost without any deduction for depreciation.
- b. **Replacement Cost Limitation --** The replacement cost is limited to the cost of repair or replacement with similar materials on the same site and used for the same purpose. The payment will not exceed the amount "you" spend to repair or replace the damaged or destroyed property.
  - c. **Replacement Cost Does Not Apply Until Repair or Replacement --** Replacement cost valuation does not apply until the damaged or destroyed property is repaired or replaced.
  - d. **Time Limitation --** "You" may make a claim for actual cash value before repair or replacement takes place, and later for the replacement cost if "you" notify "us" of "your" intent within 180 days after the loss.
4. **Pair or Set --**
- a. **Reasonable Proportion of Value --** The value of a lost or damaged article which is part of a pair or set is based on a reasonable proportion of the value of the entire pair or set. The loss is not considered a total loss of the pair or set.
  - b. **Provision Does Not Apply To Software --** The Pair or Set provision does not apply to "software" that comes in sets. If part of a "software" set cannot be replaced, the loss is considered a total loss of the set.
5. **Loss To Parts --** The value of a lost or damaged part of an item that consists of several parts when it is complete is based on the value of only the lost or damaged part or the cost to repair or replace it.

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## HOW MUCH WE PAY

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1. **Insurable Interest** -- "We" do not cover more than "your" insurable interest in any property.
2. **Earthquake Period** -- All earthquakes or volcanic eruptions that occur within a 168-hour period will be considered a single event. This 168-hour period is not limited by the policy expiration.
3. **Deductible** -- "We" pay only that part of "your" loss over the deductible amount indicated on the "schedule of coverages" in any one occurrence.

The deductible may be shown as either an amount or a percentage. When shown as a percentage, the deductible is that percentage of the value of the covered property at the time of the loss.

4. **Loss Settlement Terms** -- Subject to paragraphs 1., 2., 3., 5., 6., and 7. under How Much We Pay, "we" pay the lesser of:
  - a. the amount determined under Valuation;
  - b. the cost to repair, replace, or rebuild the property with material of like kind and quality to the extent practicable; or
  - c. the "limit" that applies to the covered property.
5. **Coinsurance** --
  - a. **When Coinsurance Applies** -- "We" only pay a part of the loss if the "limit" is less than the percentage of the value of the covered property that is indicated on the "schedule of coverages".

- b. **How We Determine Our Part of The Loss** -- "Our" part of the loss is determined using the following steps:
  - 1) multiply the percent indicated on the "schedule of coverages" by the value of the covered property at the time of loss;
  - 2) divide the "limit" for covered property by the result determined in 5.a. above;
  - 3) multiply the total amount of loss, after the application of any deductible, by the result determined in 5.b. above.

The most "we" pay is the amount determined in 5.c. above or the "limit", whichever is less. "We" do not pay any remaining part of the loss.

- c. **If There Is More Than One Limit** -- If there is more than one "limit" indicated on the "schedule of coverages" for this coverage part, this procedure applies separately to each "limit".
  - d. **If There Is Only One Limit** -- If there is only one "limit" indicated on the "schedule of coverages" for this coverage, this procedure applies to the total of all covered property to which the "limit" applies.
  - e. **When Coinsurance Does Not Apply** -- Conditions for coinsurance do not apply unless a coinsurance percentage is indicated on the "schedule of coverages".
6. **Insurance Under More Than One Coverage** -- If more than one coverage of this policy insures the same loss, "we" pay no more than the actual claim, loss, or damage sustained.

7. **Insurance Under More Than One Policy --**
- a. **Proportional Share --** "You" may have another policy subject to the same "terms" as this policy. If "you" do, "we" will pay "our" share of the covered loss. "Our" share is the proportion that the applicable "limit" under this policy bears to the "limit" of all policies covering on the same basis.
  - b. **Excess Amount --** If there is another policy covering the same loss, other than that described above, "we" pay only for the amount of covered loss in excess of the amount due from that other policy, whether "you" can collect on it or not. But "we" do not pay more than the applicable "limit".
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## LOSS PAYMENT

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1. **Loss Payment Options --**
- a. **Our Options --** In the event of loss covered by this coverage form, "we" have the following options:
    - 1) pay the value of the lost or damaged property;
    - 2) pay the cost of repairing or replacing the lost or damaged property;
    - 3) rebuild, repair, or replace the property with other property of equivalent kind and quality, to the extent practicable, within a reasonable time; or
    - 4) take all or any part of the property at the agreed or appraised value.
  - b. **Notice of Our Intent To Rebuild, Repair, or Replace --** "We" must give "you" notice of "our" intent to rebuild, repair, or replace within 30 days after receipt of a duly executed proof of loss.

2. **Your Losses --**
- a. **Adjustment and Payment of Loss --** "We" adjust all losses with "you". Payment will be made to "you" unless another loss payee is named in the policy.
  - b. **Conditions For Payment of Loss --** An insured loss will be payable 30 days after:
    - 1) a satisfactory proof of loss is received, and
    - 2) the amount of the loss has been established either by written agreement with "you" or the filing of an appraisal award with "us".
3. **Property of Others --**
- a. **Adjustment And Payment of Loss To Property of Others --** Losses to property of others may be adjusted with and paid to:
    - 1) "you" on behalf of the owner; or
    - 2) the owner.
  - b. **We Do Not Have To Pay You If We Pay The Owner --** If "we" pay the owner, "we" do not have to pay "you". "We" may also choose to defend any suits arising from the owners at "our" expense.
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## OTHER CONDITIONS

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1. **Appraisal --** If "you" and "we" do not agree on the amount of the loss or the actual cash value of covered property, either party may demand that these amounts be determined by appraisal.

If either makes a written demand for appraisal, each will select a competent, independent appraiser and notify the other of the appraiser's identity within 20 days of receipt of the written demand. The two appraisers will then select a competent, impartial umpire. If the two appraisers are unable to agree upon an umpire within 15 days, "you" or "we" can ask a judge of a court of record in the state where the property is located to select an umpire.

The appraisers will then determine and state separately the amount of each loss.

The appraisers will also determine the value of covered property items at the time of the loss, if requested.

If the appraisers submit a written report of any agreement to "us", the amount agreed upon will be the amount of the loss. If the appraisers fail to agree within a reasonable time, they will submit only their differences to the umpire. Written agreement so itemized and signed by any two of these three sets the amount of the loss.

Each appraiser will be paid by the party selecting that appraiser. Other expenses of the appraisal and the compensation of the umpire will be paid equally by "you" and "us".

2. **Benefit To Others** -- Insurance under this coverage will not directly or indirectly benefit anyone having custody of "your" property.
3. **Conformity With Statute** -- When a condition of this coverage is in conflict with an applicable law, that condition is amended to conform to that law.
4. **Estates** -- This provision applies only if the insured is an individual.
  - a. **Your Death** -- On "your" death, "we" cover the following as an insured:
    - 1) the person who has custody of "your" property until a legal representative is qualified and appointed; or

- 2) "your" legal representative.

This person or organization is an insured only with respect to property covered by this coverage.

- b. Policy Period Is Not Extended -- This coverage does not extend past the policy period indicated on the declarations.
5. **Misrepresentation, Concealment, or Fraud** -- This coverage is void as to "you" and any other insured if, before or after a loss:
    - a. "you" or any other insured have willfully concealed or misrepresented:
      - 1) a material fact or circumstance that relates to this insurance or the subject thereof; or
      - 2) "your" interest herein.
    - b. there has been fraud or false swearing by "you" or any other insured with regard to a matter that relates to this insurance or the subject thereof.
  6. **Policy Period** -- "We" pay for a covered loss that occurs during the policy period.
  7. **Recoveries** -- If "we" pay "you" for the loss and lost or damaged property is recovered, or payment is made by those responsible for the loss, the following provisions apply:
    - a. "you" must notify "us" promptly if "you" recover property or receive payment;
    - b. "we" must notify "you" promptly if "we" recover property or receive payment;
    - c. any recovery expenses incurred by either are reimbursed first;
    - d. "you" may keep the recovered property but "you" must refund to "us" the amount of the claim paid, or any lesser amount to which "we" agree; and

- e. if the claim paid is less than the agreed loss due to a deductible or other limiting "terms" of this policy, any recovery will be pro rated between "you" and "us" based on "our" respective interest in the loss.
8. **Restoration of Limits** -- Except as indicated under Virus and Hacking Coverage, a loss "we" pay under this coverage does not reduce the applicable "limits".
9. **Subrogation** -- If "we" pay for a loss, "we" may require "you" to assign to "us" "your" right of recovery against others. "You" must do all that is necessary to secure "our" rights. "We" do not pay for a loss if "you" impair this right to recover.

"You" may waive "your" right to recover from others in writing before a loss occurs.

10. **Suit Against Us** -- No one may bring a legal action against "us" under this coverage unless:
- a. all of the "terms" of this coverage have been complied with; and
  - b. the suit has been brought within two years after "you" first have knowledge of the loss.
- If any applicable law makes this limitation invalid, then suit must begin within the shortest period permitted by law.
11. **Territorial Limits** -- "We" cover property while it is in the United States of America, its territories and possessions, Canada, and Puerto Rico.

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## ELECTRONIC DATA PROCESSING INCOME COVERAGE PART

Coverage provided under this coverage part is also subject to the "terms" and conditions in the Electronic Data Processing - Equipment Coverage Part under the sections titled Agreement, Definitions, Property Not Covered, What Must Be Done In Case Of Loss, Loss Payment, and Other Conditions.

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### ADDITIONAL DEFINITIONS

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1. "Business" means the usual business operations occurring at a premises described on the "schedule of coverages".
2. "Restoration period" means:
  - a. The time it should reasonably take to resume "your" "business" to a similar level of service starting from the date of a physical loss of or damage to covered property at a premises described on the "schedule of coverages" that is caused by a covered peril and ending on the date:
    - 1) the property should be rebuilt, repaired, or replaced; or
    - 2) business is resumed at a new permanent location.

This is not limited by the expiration date of the policy.

- b. The "restoration period" also means the increased time required to comply with the enforcement of any ordinance, law, or decree that:
  - 1) regulates the construction, use, or repair of any property; or

- 2) requires the demolition of any property, in part or in whole, not damaged by a covered peril.

The ordinance, law, or decree must be in force at the time of loss.

"Restoration period" does not mean the increased time required to comply with the enforcement of any ordinance, law, or decree that requires "you" or anyone else to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize or in any way respond to or assess the effects of "pollutants".

- c. Only as regards coverage described under Off Premises Utility Service Interruption; Interruption of Web Site (if added to this coverage part by endorsement); and Property In Transit in the Supplemental Income Coverages, "restoration period" also means the time it should reasonably take to resume "your" "business" starting from the date of direct physical loss of or damage caused by a covered peril to:
  - 1) property not located at a premises described on the "schedule of coverages" and that is owned by a utility, a landlord, or another utility supplier;
  - 2) "your" Web Site operation that is being maintained or operated by and that is located at the premises of an independent contractor or Internet service provider; and
  - 3) property in transit; and ending on the date the property should be rebuilt, repaired, or replaced. This is not limited by the expiration date of the policy.

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## COVERAGE OPTIONS

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One of the following described coverage options applies when that option is indicated on the "schedule of coverages":

1. Earnings and Extra Expense; or
  2. Extra Expense only.
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## COVERAGES

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"We" provide the following coverage unless the coverage is excluded or subject to limitations.

1. **Coverages --**

- a. **Covered Property** -- "We" provide the coverages described below during the "restoration period" when "your" "business" is necessarily wholly or partially interrupted by direct physical loss of or damage to covered property at a premises described on the "schedule of coverages" as a result of a covered peril.
- b. **Described Premises And Air Conditioning System** -- "We" provide the coverages described below during the "restoration period" when "your" "business" is necessarily wholly or partially interrupted as a result of direct physical loss of or damage to:
  - 1) a premises described on the "schedule of coverages" that prevents "you" from using covered property; or
  - 2) the air conditioning or electrical systems which are necessary for the operation of covered property and results in a reduction or suspension of "your" "business".

- c. **If You Lease Your Premises** -- If "you" lease, rent, or do not own the premises "you" occupy, for the purposes of determining an Income Coverage loss, "your" location is the space that "you" lease, rent, or occupy including, but not limited to, all passageways to "your" location within the building.

2. **Earnings** -- "We" cover "your" actual loss of net income (net profit or loss before income taxes) that would have been earned or incurred and continuing operating expenses normally incurred by "your" "business", including but not limited to payroll expense.

3. **Extra Expense** -- "We" cover only the extra expenses that are necessary during the "restoration period" that "you" would not have incurred if there had been no direct physical loss or damage to property caused by or resulting from a covered peril.

- a. **Expenses To Reduce Interruption** -- "We" cover any extra expense to avoid or reduce the interruption of "your" data processing operations and continue operating at a premises described on the "schedule of coverages", replacement location, or a temporary location. This includes expenses to relocate and costs to outfit and operate a replacement or temporary location.

"We" will also cover any extra expense to reduce the interruption of "business" if it is not possible for "you" to continue operating during the "restoration period".

- b. **Expenses To Repair/Restore Property And Information** -- To the extent that they reduce a loss otherwise payable under this Coverage Part, "we" will cover any extra expenses to:

- 1) repair, replace, or restore any property; and
- 2) research, replace, or restore information on damaged documents, manuscripts, or records that:

- a) are inscribed, printed, or written; or
- b) exist on electronic or magnetic media.

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## EXCLUSIONS AND LIMITATIONS

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The following exclusions apply in addition to the exclusions and limitations in the Electronic Data Processing - Equipment Coverage Part.

1. **Error or Omission In Programming** -- "We" do not pay for extra expense caused by an error or omission in programming or incorrect instructions to "hardware".
2. **Leases, Licenses, Contracts, or Orders** -- "We" do not cover any increase in loss due to the suspension, lapse, or cancellation of leases, licenses, contracts, or orders.

However, "we" do cover loss during the "restoration period" if the suspension, lapse, or cancellation results directly from the interruption of "your" "business".

"We" do not cover any extra expense caused by the suspension, lapse, or cancellation of leases, licenses, contracts, or orders beyond the "restoration period".

3. **Strikes, Protests, and Other Interference** -- "We" do not cover any increase in loss due to interference by strikers or other persons at a premises described on the "schedule of coverages". This applies to interference with rebuilding, repairing, or replacing the property or with resuming "your" "business".
4. **Utility Failure** -- Except as provided under Supplemental Income Coverages, "we" do not pay for loss caused by or resulting from the failure of a utility to supply electrical power or other utility service to a described premises, if the failure takes place away from the described premises.

"We" do not pay for loss caused by or resulting from the failure of a utility to supply service regardless of the cause of failure.

5. **Interruption of Web Site** -- "We" do not pay for loss caused by or resulting from the interruption of "your" Web site. "We" do not pay for loss caused by or resulting from the interruption of "your" Web site regardless of the cause of the interruption.

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## INCOME COVERAGE EXTENSIONS

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**Provisions That Apply To Income Coverage Extensions** -- The following Income Coverage Extensions indicate an applicable "limit" or limitation. This "limit" or limitation may also be shown on the "schedule of coverages". If a different "limit" or limitation is indicated on the "schedule of coverages", that "limit" or limitation will apply instead of the "limit" or limitation shown below.

The following Income Coverage Extensions are part of and not in addition to the applicable Income Coverage "limit".

1. **Interruption by Civil Authority** --
  - a. **Coverage** -- "We" extend "your" coverage for earnings and extra expense to include loss sustained while access to premises described on the "schedule of coverages" is specifically denied by an order of civil authority.
  - b. **Coverage Limitation** -- The order of civil authority must be a result of direct physical loss of or damage to property, other than at a premises described on the "schedule of coverages" and must be caused by a covered peril.
  - c. **Time Limitation** -- Unless otherwise indicated on the "schedule of coverages", this coverage extension is limited to 30 consecutive days from the date of the order.

2. **Period of Loss Extension After Business Resumes --**

- a. **Coverage** -- "We" extend "your" coverage for earnings to cover loss from the date the covered property that incurred the loss is rebuilt, repaired, or replaced and "your" data processing operations are resumed until:
- 1) the end of 30 consecutive days (unless otherwise indicated on the "schedule of coverages"); or
  - 2) the date "you" could reasonably resume "your" "business" to the conditions that would generate the earnings amount that would have existed had no loss or damage occurred,
- whichever is earlier.
- b. **Coverage Limitation** -- Loss of earnings must be caused by direct physical loss of or damage to property at a premises described on the "schedule of coverages" as a result of a covered peril.

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## SUPPLEMENTAL INCOME COVERAGES

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**Provisions That Apply To Supplemental Income Coverages** -- Unless otherwise indicated, the following Supplemental Income Coverages apply separately to each premises described on the "schedule of coverages".

The following Supplemental Income Coverages indicate an applicable "limit". This "limit" may also be shown on the "schedule of coverages". If a different "limit" is indicated on the "schedule of coverages", that "limit" will apply instead of the "limit" shown below.

Unless otherwise indicated, a "limit" for a Supplemental Income Coverage provided below is separate from, and not part of, the applicable Income Coverage "limit". The "limit" available for coverage described under a Supplemental Income Coverage:

- a. is the only "limit" available for the described coverage; and
- b. is not the sum of the "limit" indicated for a Supplemental Income Coverage and the Income Coverage "limit".

The "limit" provided under a Supplemental Income Coverage cannot be combined or added to the "limit" for any other Supplemental Income Coverage or Income Coverage Extension.

1. **Acquired Locations --**

- a. **Coverage** -- "We" extend "your" coverage for earnings and extra expense to include direct physical loss to covered property while at locations that "you" acquire during the policy period.
- b. **Time Limitation** -- This coverage applies for up to 60 days from the date "you" acquire the location or until "you" report the acquired location to "us", whichever occurs first.

However, this coverage does not go beyond the end of the policy period.

- c. **Additional Premium** -- "You" must pay any additional premium due from the date "you" acquire the location.
- d. **Limit** -- The most "we" pay in any one occurrence for loss of earnings and incurred extra expense at each newly acquired location is \$50,000.
2. **Earthquake Coverage** -- If coverage is indicated on the "schedule of coverages", "we" extend "your" coverage for earnings and extra expense to include direct physical loss to covered property caused by earthquake and volcanic eruption.

3. **Flood Coverage** -- If coverage is indicated on the "schedule of coverages", "we" extend "your" coverage for earnings and extra expense to include direct physical loss to covered property caused by "flood".
4. **Off Premises Utility Service Interruption** --
  - a. **Coverage** -- Coverage for earnings and/or extra expense is extended to loss of earnings or extra expenses that "you" incur during the "restoration period" when "your" data processing operations are interrupted due to the interruption of an off premises utility services when the interruption is a result of direct physical loss or damage by a covered peril to property that is not located at a premises described on the "schedule of coverages" and that is owned by a utility, a landlord, or another supplier who provides "you" with:
    - 1) power or gas;
    - 2) telecommunications including, but not limited to, Internet access; or
    - 3) water.
  - b. **Overhead Transmission Lines Exclusion** -- If the "schedule of coverages" indicates that overhead transmission lines are excluded, coverage under this extension does not include loss to overhead transmission lines that deliver utility service to "you". Overhead transmission lines include, but are not limited to:
    - 1) overhead transmission and distribution lines;
    - 2) overhead transformers and similar equipment; and
    - 3) supporting poles and towers.
- c. **Waiting Period Limitation** -- Unless otherwise indicated on the "schedule of coverages", "we" do not pay for "your" loss of earnings under this Supplemental Income Coverage until after the first 24 hours following the direct physical loss of or damage to the property owned by a utility, a landlord, or another supplier. This waiting period does not apply to extra expenses that "you" incur.
- d. **Limit** -- The most "we" pay in any one occurrence under this Supplemental Coverage is \$25,000.
5. **Property In Transit** --
  - a. **Coverage** -- Coverage for earnings is extended to loss of earnings during the "restoration period" when "your" "business" is interrupted as a result of a direct physical loss, caused by a covered peril, to covered property in transit.
  - b. **Limit** -- The most "we" pay in any one occurrence under this Supplemental Income Coverage is \$10,000.
6. **Sewer Backup and Water Below the Surface** -- If coverage is indicated on the "schedule of coverages", "we" extend "your" coverage for earnings and extra expense to include direct physical loss to covered property caused by:
  - a. water that backs up through a sewer or drain; or
  - b. water below the surface of the ground, including but not limited to water that exerts pressure on or flows, seeps, or leaks through or into a described premises.

7. **Virus and Hacking Coverage --**

- a. **Coverage** -- Coverage for earnings and/or extra expense is extended to loss of earnings or extra expenses caused by a "computer virus" or by "computer hacking" that results in:
- 1) direct physical loss or damage to covered "software" and "hardware"; or
  - 2) denial of access to or services from "your" "hardware" or "your" computer network.
- b. **We Do Not Cover** -- "We" do not cover loss of earnings or extra expenses under this Supplemental Income Coverage that results from:
- 1) loss of exclusive use of any "data records" or "proprietary programs" that have been copied, scanned, or altered;
  - 2) loss of or reduction in economic or market value of any "data records" or "proprietary programs" that have been copied, scanned, or altered; and
  - 3) theft from "your" "data records" or "proprietary programs" of confidential information through the observation of the "data records" or "proprietary programs" by accessing covered "hardware" or "your" computer network without any alteration or other physical loss or damage to the records or programs.

Confidential information includes, but is not limited to, customer information, processing methods, or trade secrets.

- c. **Waiting Period Limitation** -- Unless otherwise indicated on the "schedule of coverages", "we" do not pay for "your" loss of earnings under this Supplemental Income Coverage until after the first 24 hours following the direct physical loss of or damage to "your" data processing operations. This waiting period does not apply to extra expenses that "you" incur.

- d. **Limit** -- The most "we" pay in any one occurrence under this Supplemental Income Coverage is \$25,000.

The most "we" pay for all covered losses under this Supplemental Income Coverage during each 12-month period of this policy is \$75,000.

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## WHAT MUST BE DONE IN CASE OF LOSS

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Other "terms" relating to What Must Be Done In Case Of Loss also apply. These "terms" are described in the Electronic Data Processing - Equipment Coverage Part.

1. **Notice** -- In case of a loss, "you" must:
  - a. give "us" or "our" agent prompt notice including a description of the property involved ("we" may request written notice); and
  - b. give notice to the police when the act that causes the loss is a crime.
2. **Intent To Continue Business** -- If "you" intend to continue "your" "business", "you" must resume all or part of "your" "business" as soon as possible.

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## VALUATION

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1. **Earnings** --
  - a. **Determining An Earnings Loss** -- In determining an earnings loss, "we" consider:
    - 1) the experience of "your" "business" before the loss and the probable experience during the time of interruption had no loss occurred;

- 2) "your" continuing operating expenses normally incurred by "your" "business", including, but not limited to, payroll expense necessary to resume "business" to a similar level of service that existed before the occurrence of direct physical loss or damage; and
- 3) pertinent sources of information and reports including:
  - a) "your" accounting procedures and financial records;
  - b) bills, invoices, and other vouchers;
  - c) contracts, deeds, and liens;
  - d) reports on feasibility and status; and
  - e) records documenting "your" budget and marketing objectives and results.
- b. **Conditions For Non-Payment of Increased Loss** -- "We" do not pay for any increase in loss due to "your" failure to use reasonable efforts to resume all or part of "your" "business". This includes making use of other locations and property to reduce the loss.
- c. **Loss Payment If You Do Not Resume Your Business** -- If "your" "business" is not resumed as soon as possible, or if it is not resumed at all, the value of loss payment is based on the period of time it would have otherwise taken to resume "your" "business" as soon as possible.
2. **Extra Expense** -- In determining extra expenses that "you" have incurred, "we" consider the salvage value of any property bought for temporary use during the "restoration period" and it will be deducted from the amount of loss determined for extra expense.

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## HOW MUCH WE PAY

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Other "terms" relating to How Much We Pay also apply. These "terms" are described in the Electronic Data Processing - Equipment Coverage Part.

1. **Income Coverage Limit** -- "We" pay no more than the Income Coverage "limit" indicated on the "schedule of coverages" for any one loss. Payment for earnings and extra expense combined does not exceed the "limit".
2. **Waiting Period** --
  - a. **Waiting Period Limitation** -- If an Income Coverage waiting period is indicated on the "schedule of coverages", "we" do not pay for "your" loss of earnings until after the first 24-hours (unless otherwise indicated on the "schedule of coverages") following the direct physical loss of or damage to covered property caused by a covered peril.

This waiting period does not apply to extra expenses that "you" incur.
  - b. **Waiting Period Limitation For Civil Authority** -- As regards coverage under Interruption by Civil Authority, coverage under this extension begins:
    - 1) for earnings, 24 hours (unless otherwise indicated on the "schedule of coverages") after the time the order is issued and ends 30 consecutive days and 24 hours from the date of the order; and
    - 2) for extra expense, immediately after the time the order is issued, and ends 30 consecutive days and 24 hours from the date of the order.

- c. **Other Waiting Period Limitations --**  
The waiting period described under Off Premises Utility Service Interruption, Interruption of Web Site (if added to this coverage part by endorsement), and Virus and Hacking Coverage is not deleted nor replaced by the terms of this provision.
- 3. **Coinsurance --**
  - a. **When Coinsurance Applies --** "We" pay only a part of the loss if the "limit" is less than the coinsurance percentage multiplied by the sum of:
    - 1) "your" net income (net profit or loss before income taxes); and
    - 2) continuing operating expenses projected for the 12 months following the inception of this policy or the last previous anniversary date of this policy (whichever is later), normally earned by "your" "business".
  - b. **How We Determine Our Part of The Loss --** "Our" part of the loss is determined using the following steps:
    - 1) multiply the coinsurance percentage by the sum of "your" net income and continuing operating expenses projected for the 12 months following the inception of this policy or the last previous anniversary date of this policy;
    - 2) divide the "limit" by the figure determined in 1) above; and
    - 3) multiply the total amount of loss by the figure determined in 2) above.

"We" pay the amount determined in 3) above or the "limit", whichever is less. "We" do not pay any remaining part of the loss.

- c. **When Coinsurance Does Not Apply --**  
Conditions for coinsurance do not apply:
  - 1) unless a coinsurance percentage is indicated on the "schedule of coverages"; and
  - 2) to coverage for extra expense.

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## LOSS PAYMENT

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See the Electronic Data Processing - Equipment Coverage Part.

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## OTHER CONDITIONS

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The following condition applies as it relates to this Coverage Part, other "terms" also apply. These "terms" are described in the Electronic Data Processing - Equipment Coverage Part.

**Appraisal --** If "you" and "we" do not agree on the amount of net income (net profit or loss before income taxes), payroll expense, and operating expenses, these amounts may be determined by appraisal in accordance with the provisions described in the Electronic Data Processing - Equipment Coverage Part under Other Conditions, Appraisal.

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## LOSS PAYABLE OPTIONS

If indicated on the Loss Payable Schedule, the following conditions apply to the property described on the schedule. The following conditions apply in addition to the policy "terms" which are contained in the Inland Marine Coverage(s).

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### LOSS PAYABLE

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Any loss will be adjusted with "you" and will be payable to "you" and the loss payee described on the schedule as "your" and their interests appear.

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### LENDER'S LOSS PAYABLE

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Any loss will be payable to "you" and the loss payee described on the schedule as interests appear. If more than one loss payee is named, they will be paid in order of precedence.

The insurance for the loss payee continues in effect even when "your" insurance may be void because of "your" acts, neglect, or failure to comply with the coverage "terms". The insurance for the loss payee does not continue in effect if the loss payee is aware of changes in ownership or substantial increase in risk and does not notify "us".

If "we" cancel this policy, "we" notify the loss payee at least ten days before the effective date of cancellation if "we" cancel for "your" nonpayment of premium, or 30 days before the effective date of cancellation if "we" cancel for any other reason.

"We" may request payment of the premium from the loss payee, if "you" fail to pay the premium.

If "we" pay the loss payee for a loss where "your" insurance may be void, the loss payee's right to collect that portion of the debt from "you" then belongs to "us". This does not affect the loss payee's right to collect the remainder of the debt from "you". As an alternative, "we" may pay the loss payee the remaining principal and accrued interest in return for a full assignment of the loss payee's interest and any instruments given as security for the debt.

If "we" choose not to renew this policy, "we" give written notice to the loss payee at least ten days before the expiration date of this policy.

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### CONTRACT OF SALE

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Any loss will be adjusted with "you" and will be payable to "you" and the loss payee described on the schedule as "your" and their interests appear.

The loss payee shown on the schedule is a person or organization "you" have entered into a contract with for the sale of covered property.

When covered property is the subject of a contract of sale, the word "you" also means the loss payee.

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THE ONLY SIGNATURES APPLICABLE TO THIS POLICY ARE THOSE REPRESENTING THE COMPANY NAMED ON THE FIRST PAGE OF THE DECLARATIONS.

**In Witness Whereof**, this company has caused this policy to be signed by its President and Secretary and countersigned on the declarations page, where required, by a duly authorized agent of the company.

A handwritten signature in black ink, appearing to read 'Joe Zubretsky', with a stylized flourish at the end.

Joseph M. Zubretsky  
President

A handwritten signature in black ink, appearing to read 'Charles F. Cronin', with a stylized flourish at the end.

Charles Frederick Cronin  
Secretary