

NETWORKED INSURANCE AGENTS

988 MCCOURTNEY RD STE B  
GRASS VALLEY, CA 95949 7400

**ONCORE POLICY :** CPP 820-25-42 03  
**INSURED NAME :** CAMPOLINDO HOMEOWNERS ASSOC  
**POLICY OUTPUT OFFICE :** 007 INLAND MARINE WEST  
**BATCH CYCLE DATE:** 09/24/2010

**\* \* MANUAL PROCESSING \* \***

**1. PREPRINTED POLICY FORMS TO BE PULLED:**

CP7296

**2. FORMS THAT REQUIRE SPECIAL HANDLING :**

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**\* \* SYSTEM OUTPUT RECAP \* \***

**3. FORMS INCLUDED IN OUTPUT :**

CP0299	IL0017	IL0102	IL0104	IL0270	IL0985	IL0986	IL7001
IL7236	IL7268	IL7273	IL8801	SB8123	SB8601	SB8602	SB8690
SB8723	SB8753	SB8784	SB8801	SB8802	SDM700		

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INLAND MARINE POLICY





Administrative Offices  
580 Walnut Street  
Cincinnati, OH 45202  
513.369.5000 ph

## **WATER EXCLUSION ENDORSEMENT ADVISORY NOTICE TO POLICYHOLDERS**

This Notice does not form a part of your insurance contract. No coverage is provided by this Notice, nor can it be construed to replace any provisions of your policy (including its endorsements). If there is any conflict between this Notice and the policy (including its endorsements), **the provisions of the policy (including its endorsements) shall prevail.**

Carefully read your policy, including the endorsements attached to your policy.

This Notice provides information concerning the following new endorsement, which applies to your new or renewal policy being issued by us:

### **Water Exclusion Endorsement SB 81 23 08 08**

This endorsement replaces the current water exclusion in your policy with a revised exclusion. The revised exclusion contains language reinforcing the scope of the water exclusion, and explicitly states that such exclusion applies regardless of whether the water damage is caused by an act of nature or is otherwise caused. Specific mention is made of various boundary or containment systems such as dams and levees to further highlight this point. Further, express references to tsunami, storm surge and waterborne material are also added to the exclusion.

The exclusion in this endorsement applies to all coverages provided by your Commercial Property insurance, including (if any) property damage and business income coverages, unless stated otherwise in your policy.



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IL 70 01 (Ed. 10 07)

Policy No. CPP 820-25-42 - 03  
Renewal Of CPP 820-25-42 - 02

**BUSINESSPRO® POLICY COMMON DECLARATIONS**

**NAMED INSURED** CAMPOLINDO HOMEOWNERS ASSOC

**AND ADDRESS:** P.O. BOX 6281  
MORAGA, CA 94570

**IN RETURN FOR PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.**

**AGENT'S NAME AND ADDRESS:**  
NETWORKED INSURANCE AGENTS

988 MCCOURTNEY RD STE B  
GRASS VALLEY, CA 95949 7400

Insurance is afforded by the Company named below, a Capital Stock Corporation:  
GREAT AMERICAN INSURANCE COMPANY OF NEW YORK

**POLICY PERIOD:** From 09/30/2010 To 09/30/2011  
12:01 A.M. Standard Time at the address of the Named Insured

This policy consists of the following Coverage Parts for which a premium is indicated. This premium may be subject to adjustment.

	Premium
Commercial Property	\$3,420.00
Commercial General Liability	
Commercial Crime and Fidelity	
Commercial Inland Marine	
Commercial Equipment Breakdown	
Commercial Auto	
Commercial Umbrella	

**TOTAL** \$3,420.00

**FORMS AND ENDORSEMENTS** applicable to all Coverage Parts and made part of this Policy at time of issue are listed on the attached Forms and Endorsement Schedule, IL 88 01 (11/85).

Countersigned \_\_\_\_\_ By \_\_\_\_\_  
Date \_\_\_\_\_ Authorized Representative \_\_\_\_\_



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IL 88 01 (Ed.11/85)

Policy: CPP 820-25-42 03

### BUSINESSPRO FORMS AND ENDORSEMENTS SCHEDULE

It is hereby understood and agreed the following forms and endorsements are attached to and are a part of this policy:

Form and Edition	Date Added*	Form Description
	or Date Deleted	
1. IL0017	11 /98	COMMON POLICY CONDITIONS
2. IL0102	05 /05	CA CHANGES - ACTUAL CASH VALUE
3. IL0104	09 /07	CA CHANGES
4. IL0270	09 /08	CA CHANGES-CANCELLATION/NONRENEWAL
5. IL0985	01 /08	TERRORISM DISCLOSURE
6. IL0986	03 /08	EXCL CERT ACTS TERROR-NUC,BIO,CHEM,
7. IL7001	10 /07	BUSINESSPRO POLICY COMMON DEC
8. IL7236	07 /05	NUCLEAR, BIOLOGICAL, CHEMICAL EXCLU
9. IL7268	09 /09	IN WITNESS CLAUSE
10. IL7273	08 /08	LOSS PREVENTION SERVICES
* IF NOT AT INCEPTION		

THIS ENDORSEMENT IS ATTACHED TO AND MADE PART OF YOUR POLICY IN RESPONSE TO THE DISCLOSURE REQUIREMENTS OF THE TERRORISM RISK INSURANCE ACT. THIS ENDORSEMENT DOES NOT GRANT ANY COVERAGE OR CHANGE THE TERMS AND CONDITIONS OF ANY COVERAGE UNDER THE POLICY.

## DISCLOSURE PURSUANT TO TERRORISM RISK INSURANCE ACT

### Schedule

Terrorism Premium (Certified Acts) \$ 34.00

This premium is the total Certified Acts premium attributable to the following Coverage Part(s), Coverage Form(s) and/or Policy(s): CPP 820-25-42 - 03

Additional information, if any, concerning the terrorism premium:

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

#### A. Disclosure of Premium

In accordance with the federal Terrorism Risk Insurance Act, we are required to provide you with a notice disclosing the portion of your premium, if any, attributable to coverage for terrorist acts certified under the Terrorism Risk Insurance Act. The portion of your premium attributable to such coverage is shown in the Schedule of this endorsement or in the policy Declarations.

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

The United States Government, Department of the Treasury, will pay a share of terrorism losses insured under the federal program. The federal share equals 85% of that portion of the amount of such insured losses that exceeds the applicable insurer retention. However, if aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a Program Year (January 1 through December 31), the Treasury shall not make any payment for any portion of the amount of such losses that exceeds \$100 billion.

**C. Cap on Insurer Participation in Payment of Terrorism Losses**

If aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a Program Year (January 1 through December 31) and we have met our insurer deductible under the Terrorism Risk Insurance Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and 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 ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

**CALIFORNIA CHANGES - ACTUAL CASH VALUE**

This endorsement modifies insurance provided under the following:

CAPITAL ASSETS PROGRAM (OUTPUT POLICY) COVERAGE PART  
COMMERCIAL INLAND MARINE COVERAGE PART  
COMMERCIAL PROPERTY COVERAGE PART  
FARM COVERAGE PART  
STANDARD PROPERTY POLICY

With respect to an "open policy," the following are added to any provision which uses the term actual cash value:

- A.** In the event of a total loss to a building or structure, actual cash value is calculated as the lesser of the following:
1. the Limit of Insurance applicable to that building or structure; or
  2. the fair market value of the building or structure.
- B.** In the event of a partial loss to a building or structure, actual cash value is calculated as the lesser of the following:
1. the amount it would cost to repair, rebuild or replace the property less a fair and reasonable deduction for physical depreciation of the components of the building or structure that are normally subject to repair or replacement during its useful life. Physical depreciation is based upon the condition of the property at the time of the loss; or
  2. the Limit of Insurance applicable to the property.
- C.** In the event of a partial or total loss to Covered Property other than a building or structure, actual cash value is calculated as the lesser of the following:
1. the amount it would cost to repair or replace the property less a fair and reasonable deduction for physical depreciation, based on the condition of the property at the time of loss; or
  2. the Limit of Insurance applicable to the property.
- D.** An "open policy" is a policy under which the value of Covered Property is not fixed at policy inception, but is determined at the time of loss in accordance with policy provisions on valuation. The term "open policy" does not apply to Covered Property that is subject to an Agreed Value clause or similar clause that establishes an agreed value prior to loss, unless such clause has expired.



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IL 72 68  
(Ed. 09 09)

**In Witness Clause**

In Witness Whereof, we have caused this Policy to be executed and attested, and, if required by state law, this Policy shall not be valid unless countersigned by our authorized representative.

A handwritten signature in black ink, appearing to read "Donald O. C.", followed by a horizontal line.

**President**

A handwritten signature in black ink, appearing to read "Kara Holley Howell".

**Secretary**



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IL 72 73  
(Ed. 08 08)

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **LOSS PREVENTION SERVICES**

This endorsement modifies insurance provided under the following:

### **COMMON POLICY CONDITIONS**

The following is added to the **Common Policy Conditions**

#### **G. Loss Prevention Services**

At our cost, we may provide or recommend a broad range of loss prevention services designed to improve the acceptability of an insured. These services may require your cooperation to make them effective.

We provide these services based on need as indicated by the size, hazard and experience of your operation. We may elect to provide these services through another entity.

In addition to inspections and surveys, referenced in **D. Inspections and Surveys**, these services may include, but are not limited

to, safety and prevention training, consultations, safety devices, health screenings and analyses of accident causes.

We are not obligated to provide any loss prevention services and any inspections, surveys, reports or recommendations and any such actions we do undertake relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. And we do not warrant that conditions:

- a. are safe or healthful; or
- b. comply with laws, regulations, codes or standards.

This endorsement does not change any other provision of the Policy.

## COMMON POLICY CONDITIONS

All Coverage Parts included in this Policy are subject to the following conditions.

### A. Cancellation

1. The first Named Insured shown in the Declarations may cancel this Policy by mailing or delivering to us advance written notice of cancellation.
2. We may cancel this Policy by mailing or delivering to the first Named Insured written notice of cancellation at least:
  - a. 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
  - b. 30 days before the effective date of cancellation if we cancel for any other reason.
3. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.
4. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
5. If this Policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata. The cancellation will be effective even if we have not made or offered a refund.
6. If notice is mailed, proof of mailing will be sufficient proof of notice.

### B. Changes

This Policy contains all the agreements between you and us concerning the insurance afforded. The first Named Insured shown in the Declarations is authorized to make changes in the terms of this Policy with our consent. This policy's terms can be amended or waived only by endorsement issued by us and made a part of this Policy.

### C. Examination of Your Books and Records

We may examine and audit your books and records as they relate to this Policy at any time during the policy period and up to three years afterward.

### D. Inspections and Surveys

1. We have the right to:
  - a. make inspections and surveys at any time;
  - b. give you reports on the conditions we find; and
  - c. recommend changes.
2. We are not obligated to make any inspections, surveys, reports or recommendations and any such actions we do undertake relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. And we do not warrant that conditions:
  - a. are safe or healthful; or
  - b. comply with laws, regulations, codes or standards.
3. Paragraphs 1. and 2. of this condition apply not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.
4. Paragraph 2. of this condition does not apply to any inspections, surveys, reports or recommendations we may make relative to certification, under state or municipal statutes, ordinances or regulations, of boilers, pressure vessels or elevators.

**E. Premiums**

The first Named Insured shown in the Declarations:

1. is responsible for the payment of all premiums; and
2. will be the payee for any return premiums we pay.

**F. Transfer of Your Rights and Duties Under this Policy**

Your rights and duties under this Policy may not be transferred without our written con-

sent except in the case of death of an individual named insured.

If you die, your rights and duties will be transferred 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.

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

### **CALIFORNIA CHANGES**

This endorsement modifies insurance provided under the following:

COMMERCIAL INLAND MARINE COVERAGE PART  
COMMERCIAL PROPERTY COVERAGE PART  
EQUIPMENT BREAKDOWN COVERAGE PART  
FARM COVERAGE PART – FARM PROPERTY – OTHER FARM PROVISIONS FORM – ADDITIONAL  
COVERAGES, CONDITIONS, DEFINITIONS  
FARM COVERAGE PART – LIVESTOCK COVERAGE FORM  
FARM COVERAGE PART – MOBILE AGRICULTURAL MACHINERY AND EQUIPMENT COVERAGE FORM  
STANDARD PROPERTY POLICY

- A. When this endorsement is attached to the Standard Property Policy **CP 00 99** the term Coverage Part in this endorsement is replaced by the term Policy.
- B. The **Concealment, Misrepresentation or Fraud** Condition is replaced by the following with respect to loss ("loss") or damage caused by fire:
1. this Coverage Part;
  2. the Covered Property;
  3. an insured's ("Insured's") interest in the Covered Property; or
  4. a claim under this Coverage Part or Coverage Form.

We do not provide coverage to the Insured ("Insured") who, whether before or after a loss ("loss"), has committed fraud or intentionally concealed or misrepresented any material fact or circumstance concerning:

1. this Coverage Part;
  2. the Covered Property;
  3. that Insured's ("Insured's") interest in the Covered Property; or
  4. a claim under this Coverage Part or Coverage Form.
- C. The **Concealment, Misrepresentation or Fraud** Condition is replaced by the following with respect to loss ("loss") or damage caused by a Covered Cause of Loss other than fire:
- D. Except as provided in E., the **Appraisal** Condition is replaced by the following:

If we and you disagree on the value of the property or the amount of loss ("loss"), either may make written request for an appraisal of the loss ("loss"). If the request is accepted, each party will select a competent and impartial appraiser. Each party shall notify the other of the appraiser selected within 20 days of the request. The two appraisers will select an umpire. If they cannot agree within 15 days, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the property and amount of loss ("loss"). If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

This Coverage Part is void if any insured ("Insured"), whether before or after a loss ("loss"), has committed fraud or intentionally concealed or misrepresented any material fact or circumstance concerning:

1. pay its chosen appraiser; and
2. bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim.

**E. The Appraisal Condition in:**

- 1. Business Income (and Extra Expense) Coverage Form CP 00 30; and**
- 2. Business Income (Without Extra Expense) Coverage Form CP 00 32;**

is replaced by the following:

If we and you disagree on the amount of Net Income and operating expense or the amount of loss, either may make written request for an appraisal of the loss. If the request is accepted, each party will select a competent and impartial appraiser. Each party shall notify the

other of the appraiser selected within 20 days of the request. The two appraisers will select an umpire. If they cannot agree within 15 days either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the amount of Net Income and operating expense or amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- a. pay its chosen appraiser; and
- b. bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

### CALIFORNIA CHANGES - CANCELLATION AND NONRENEWAL

This endorsement modifies insurance provided under the following:

CAPITAL ASSETS PROGRAM (OUTPUT POLICY) COVERAGE PART  
COMMERCIAL AUTOMOBILE COVERAGE PART  
COMMERCIAL GENERAL LIABILITY COVERAGE PART  
COMMERCIAL INLAND MARINE COVERAGE PART  
COMMERCIAL PROPERTY COVERAGE PART  
CRIME AND FIDELITY COVERAGE PART  
EMPLOYMENT-RELATED PRACTICES LIABILITY COVERAGE PART  
EQUIPMENT BREAKDOWN COVERAGE PART  
FARM COVERAGE PART  
LIQUOR LIABILITY COVERAGE PART  
MEDICAL PROFESSIONAL LIABILITY COVERAGE PART  
POLLUTION LIABILITY COVERAGE PART  
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART

A. Paragraphs 2. and 3. of the **Cancellation** Common Policy Condition are replaced by the following:

**2. All Policies in Effect for 60 Days or Less**

If this Policy has been in effect for 60 days or less, and is not a renewal of a policy we have previously issued, we may cancel this Policy by mailing or delivering to the first Named Insured at the mailing address shown in the Policy and to the producer of record, advance written notice of cancellation, stating the reason for cancellation, at least:

a. 10 days before the effective date of cancellation if we cancel for:

(1) nonpayment of premium; or

(2) discovery of fraud by:

(a) any insured or his or her representative in obtaining this insurance; or

(b) you or your representative in pursuing a claim under this Policy.

b. 30 days before the effective date of cancellation if we cancel for any other reason.

**3. All Policies in Effect for More Than 60 Days**

a. If this Policy has been in effect for more than 60 days, or is a renewal of a policy we issued, we may cancel this Policy only upon the occurrence, after the effective date of the Policy, of one or more of the following:

(1) Nonpayment of premium, including payment due on a prior policy we issued and due during the current policy term covering the same risks.

(2) Discovery of fraud or material misrepresentation by:

(a) any insured or his or her representative in obtaining this insurance; or

(b) you or your representative in pursuing a claim under this Policy.

- (3) A judgment by a court or an administrative tribunal that you have violated a California or Federal law, having as one of its necessary elements an act which materially increases any of the risks insured against.
  - (4) Discovery of willful or grossly negligent acts or omissions, or of any violations of state laws or regulations establishing safety standards, by you or your representative, which materially increase any of the risks insured against.
  - (5) Failure by you or your representative to implement reasonable loss control requirements, agreed to by you as a condition of policy issuance, or which were conditions precedent to our use of a particular rate or rating plan, if that failure materially increases any of the risks insured against.
  - (6) A determination by the Commissioner of Insurance that the:
    - (a) loss of, or changes in, our reinsurance covering all or part of the risk would threaten our financial integrity or solvency; or
    - (b) continuation of the Policy coverage would:
      - (i) place us in violation of California law or the laws of the state where we are domiciled; or
      - (ii) threaten our solvency.
  - (7) A change by you or your representative in the activities or property of the commercial or industrial enterprise, which results in a materially added, increased or changed risk, unless the added, increased or changed risk is included in the Policy.
- b. We will mail or deliver advance written notice of cancellation, stating the reason for cancellation, to the first Named Insured, at the mailing address shown in the Policy, and to the producer of record, at least:
    - (1) 10 days before the effective date of cancellation if we cancel for nonpayment of premium or discovery of fraud; or
    - (2) 30 days before the effective date of cancellation if we cancel for any other reason listed in paragraph 3.a.
- B. The following provision is added to the Cancellation Common Policy Condition:**
- 7. Residential Property**
- This provision applies to coverage on real property which is used predominantly for residential purposes and consisting of not more than four dwelling units, and to coverage on tenants' household personal property in a residential unit, if such coverage is written under one of the following:
- Commercial Property Coverage Part**
- Farm Coverage Part - Farm Property - Farm Dwellings, Appurtenant Structures and Household Personal Property Coverage Form**
- a. If such coverage has been in effect for 60 days or less, and is not a renewal of coverage we previously issued, we may cancel this coverage for any reason, except as provided in **b.** and **c.** below.
  - b. We may not cancel this Policy solely because the first Named Insured has:
    - (1) accepted an offer of earthquake coverage; or
    - (2) cancelled or did not renew a policy issued by the California Earthquake Authority (CEA) that included an earthquake policy premium surcharge.

However, we shall cancel this Policy if the first Named Insured has accepted a new or renewal policy issued by the CEA that includes an earthquake policy premium surcharge but fails to pay the earthquake policy premium surcharge authorized by the CEA.

- c. We may not cancel such coverage solely because corrosive soil conditions exist on the premises. This restriction (c.) applies only if coverage is subject to one of the following, which exclude loss or damage caused by or resulting from corrosive soil conditions:

- (1) **Capital Assets Program Coverage Form (Output Policy);**
- (2) **Commercial Property Coverage Part - Causes of Loss - Special Form; or**
- (3) **Farm Coverage Part - Causes of Loss Form - Farm Property, paragraph D. Covered Causes of Loss - Special.**

- C. The following is added and supersedes any provisions to the contrary:

#### **Nonrenewal**

1. Subject to the provisions of paragraphs C.2. and C.3. below, if we elect not to renew this Policy, we will mail or deliver written notice stating the reason for nonrenewal to the first Named Insured shown in the Declarations and to the producer of record, at least 60 days, but not more than 120 days, before the expiration or anniversary date.

We will mail or deliver our notice to the first Named Insured, and to the producer of record, at the mailing address shown in the Policy.

#### **2. Residential Property**

This provision applies to coverage on real property used predominantly for residential purposes and consisting of not more than four dwelling units, and to coverage

on tenants' household property contained in a residential unit, if such coverage is written under one of the following:

#### **Capital Assets Program (Output Policy) Coverage Part**

#### **Commercial Property Coverage Part**

#### **Farm Coverage Part - Farm Property - Farm Dwellings, Appurtenant Structures and Household Personal Property Coverage Form**

- a. We may elect not to renew such coverage for any reason, except as provided in b., c. and d. below:
- b. We will not refuse to renew such coverage solely because the first Named Insured has accepted an offer of earthquake coverage.

However, the following applies only to insurers who are associate participating insurers as established by Cal. Ins. Code Section 10089.16. We may elect not to renew such coverage after the first Named Insured has accepted an offer of earthquake coverage, if one or more of the following reasons applies:

- (1) the nonrenewal is based on sound underwriting principles that relate to the coverages provided by this Policy and that are consistent with the approved rating plan and related documents filed with the Department of Insurance as required by existing law;
- (2) the Commissioner of Insurance finds that the exposure to potential losses will threaten our solvency or place us in a hazardous condition. A hazardous condition includes, but is not limited to, a condition in which we make claims payments for losses resulting from an earthquake that occurred within the preceding two years and that required a reduction in policyholder surplus of at least 25% for payment of those claims; or

(3) we have:

- (a) lost or experienced a substantial reduction in the availability or scope of reinsurance coverage; or
- (b) experienced a substantial increase in the premium charged for reinsurance coverage of our residential property insurance policies; and

the Commissioner has approved a plan for the nonrenewals that is fair and equitable, and that is responsive to the changes in our reinsurance position.

- c. We will not refuse to renew such coverage solely because the first Named Insured has cancelled or did not renew a policy, issued by the California Earthquake Authority that included an earthquake policy premium surcharge.
- d. We will not refuse to renew such coverage solely because corrosive soil conditions exist on the premises. This restriction (d.) applies only if coverage is subject to one of the following, which exclude loss or damage caused by or resulting from corrosive soil conditions:

**(1) Capital Assets Program Coverage Form (Output Policy);**

**(2) Commercial Property Coverage Part - Causes of Loss - Special Form; or**

**(3) Farm Coverage Part - Causes of Loss Form - Farm Property, paragraph D. Covered Causes of Loss - Special.**

3. We are not required to send notice of nonrenewal in the following situations:

- a. If the transfer or renewal of a policy, without any changes in terms, conditions, or rates, is between us and a member of our insurance group.
- b. If the Policy has been extended for 90 days or less, provided that notice has been given in accordance with paragraph C.1.
- c. If you have obtained replacement coverage, or if the first Named Insured has agreed, in writing, within 60 days of the termination of the Policy, to obtain that coverage.
- d. If the Policy is for a period of no more than 60 days and you are notified at the time of issuance that it will not be renewed.
- e. If the first Named Insured requests a change in the terms or conditions or risks covered by the Policy within 60 days of the end of the policy period.
- f. If we have made a written offer to the first Named Insured, in accordance with the timeframes shown in paragraph C.1., to renew the Policy under changed terms or conditions or at an increased premium rate, when the increase exceeds 25%.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**EXCLUSION OF CERTIFIED ACTS OF TERRORISM  
 INVOLVING NUCLEAR, BIOLOGICAL, CHEMICAL OR RADIOLOGICAL TERRORISM;  
 CAP ON COVERED CERTIFIED ACTS LOSSES**

This endorsement modifies insurance provided under the following:

- BOILER AND MACHINERY COVERAGE PART
- COMMERCIAL INLAND MARINE COVERAGE PART
- COMMERCIAL PROPERTY COVERAGE PART
- CRIME AND FIDELITY COVERAGE PART
- EQUIPMENT BREAKDOWN COVERAGE PART
- FARM COVERAGE PART
- STANDARD PROPERTY POLICY

**Schedule**

The **Exception Covering Certain Fire Losses** (paragraph C.) applies to property located in the following state(s), if covered under the indicated Coverage Form, Coverage Part or Policy:

State(s)	Coverage Form, Coverage Part or Policy
CA, ME, MO, OR, WI	COMMERCIAL INLAND MARINE, COMMERCIAL PROPERTY COVERAGE PART and SELECT BUSINESS POLICY
CT, GA, HI, IA, IL, MA, NC, NJ, NY, RI, VA, WA, WV	COMMERCIAL PROPERTY COVERAGE PART and SELECT BUSINESS POLICY
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

A. The following definition is added with respect to the provisions of this endorsement:

**"Certified act of terrorism"** means an act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act. The criteria contained in the Terrorism Risk Insurance Act for a "certified act of terrorism" include the following:

1. the act resulted in insured losses in excess of \$5 million in the aggregate, attributable to all types of insurance subject to the Terrorism Risk Insurance Act; and
2. the act is a violent act or an act that is dangerous to human life, property or infrastructure and is 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.

B. The following exclusion is added:

**Limited Exclusion of Certified Acts of Terrorism**

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. But this exclusion applies only when one or more of the following are attributed to such act:

1. the terrorism is carried out by means of the dispersal or application of radioactive material, or through the use of a nuclear weapon or device that involves or produces a nuclear reaction, nuclear radiation or radioactive contamination; or
2. radioactive material is released, and it appears that one purpose of the terrorism was to release such material; or
3. the terrorism is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical material; or
4. pathogenic or poisonous biological or chemical material is released, and it appears that one purpose of the terrorism was to release such material.

When this terrorism exclusion applies in accordance with the terms of paragraph B.1. or B.2., the terrorism exclusion applies without regard to the Nuclear Hazard Exclusion in this Coverage Part or Policy.

**C. Exception Covering Certain Fire Losses**

The following exception to the exclusion in paragraph B. applies only if indicated and as indicated in the Schedule of this endorsement.

If a "certified act of terrorism" excluded under paragraph B. results in fire, we will pay for the loss or damage caused by that fire, subject to all applicable policy provisions including the Limit of Insurance on the affected property. Such coverage for fire applies only to direct loss or damage by fire to covered property. Therefore, for example, the coverage does not apply to insurance provided under **Business Income** and/or **Extra Expense Coverage Forms** or endorsements that apply to those coverage forms, or to the **Legal Liability Coverage Form** or the **Leasehold Interest Coverage Form**.

**D. Cap on Certified Terrorism Losses**

The following limitation applies to coverage for any one or more "certified acts of terrorism" that are not excluded by the terms of the exclusion in paragraph B. and to any loss or damage that is covered and to which the exception in paragraph C. applies:

If aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a Program Year (January 1 through December 31) and we have met our insurer deductible under the Terrorism Risk Insurance Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and 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 paragraph, D., does not apply to insurance provided under the **Crime and Fidelity Coverage Part**.

### **E. Application of Exclusions**

The terms and limitations of any terrorism exclusion, or the non-applicability or omission of a terrorism exclusion, do not serve to create coverage for any loss which would otherwise be excluded under this Coverage Part or Policy, such as losses excluded by the War and Military Action Exclusion.



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IL 72 36  
(Ed. 07 05)

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

**NUCLEAR, BIOLOGICAL OR CHEMICAL EXCLUSION**

This endorsement modifies insurance provided under the following:

- AGRIPAK FARM AND RANCH POLICY
- AgriPro® AGRIBUSINESS® PROTECTION POLICY
- BOILER AND MACHINERY COVERAGE PART
- COMMERCIAL CRIME COVERAGE FORM
- COMMERCIAL CRIME POLICY
- COMMERCIAL INLAND MARINE COVERAGE PART
- COMMERCIAL INLAND MARINE POLICY
- COMMERCIAL PROPERTY COVERAGE PART
- EQUINE CARE, CUSTODY AND CONTROL COVERAGE FORM
- EQUINE CARE, CUSTODY OR CONTROL POLICY
- EQUIPMENT BREAKDOWN COVERAGE PART
- FARM COVERAGE PART
- GOVERNMENT CRIME COVERAGE FORM
- GOVERNMENT CRIME POLICY
- SAFEPAK® POLICY
- SELECT BUSINESS POLICY
- SELECT BUSINESS POLICY COVERAGE FORM

The following exclusion is added:

**A. Nuclear, Biological or Chemical Exclusion**

Notwithstanding any other provision of this policy, we will not pay for any loss or damage caused, directly or indirectly, in whole or in part, by any of the following, regardless of any other cause(s) or event(s) that may contribute concurrently or in any other sequence to the loss or damage:

1. Any actual, attempted, suspected, or threatened use of any "NBC material" as part of any plan, effort, or design, actually or apparently intended to cause any:
  - a. loss or damage to any tangible or intangible property, or
  - b. "bodily injury" or emotional distress.
2. Any actual, attempted, suspected, or threatened presence, spread, dissemination, release, escape, or distribution of any "NBC material" as a direct or indirect result

of any actual, attempted, suspected, or threatened plan, effort, or design, actually or apparently intended to cause any:

- a. loss or damage to any tangible or intangible property, or
- b. "bodily injury" or emotional distress.

However, if a hostile fire results, directly or indirectly, from 1. or 2. above, we will not pay for any loss or damage from that fire, unless an applicable statute of the state whose law applies to this insurance requires us to do so. This is so, even if another exclusion in this Coverage Form, Coverage Part, or Policy also applies, and under that other exclusion we would pay for loss or damage from that fire.

However, if an applicable statute of the state whose law applies to this insurance requires us to pay for loss or damage from that fire, then we will do so, but only

- (a) to the extent necessary to satisfy the minimum mandatory requirements of that statute and

(b) subject to all applicable policy provisions including the Limit of Insurance on the affected property.

Such coverage for fire applies only to direct loss or damage by fire to Covered Property. Therefore, for example, the coverage does not apply to insurance provided under Business Income and/or Extra Expense Coverage Forms or Endorsements that apply to those coverage forms, or to the Legal Liability Coverage Form or the Leasehold Interest Coverage Form.

## B. Definitions

The following definitions are added:

### 1. "NBC material"

"NBC material" means any nuclear, biological, or chemical material or substance that causes damage to property or is harmful to human health. "NBC material" includes, but is not limited to:

- (1) any radioactive substance or material, and the radiation it releases,
- (2) any pathogen, bacterium, microbe, virus, or other organism,
- (3) any substance or material produced by or from any pathogen, bacterium, microbe, virus, or other organism, and
- (4) any poison, toxin, or other harmful chemical, substance, or material.
- (5) the foregoing list (1) through (4) is only illustrative, and should not be construed as a complete, exclusive, or exhaustive list of all "NBC materials."

### 2. "Bodily injury"

"Bodily injury" includes any physical injury, disease, or death of any person.





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SB 86 90 (Ed.11/97)

Policy: CPP 820-25-42 03

**SELECT BUSINESS POLICY BASIC DECLARATIONS**

Location	Building	Location	Occupancy
001	01	3799-3811 CAMPOLINDO DRIVE MORAGA CA 94570	CLUBHOUSE
COVERAGE: Personal Property of Insured - Item 001 Limit of Insurance: \$150,300 Valuation: Replacement Cost Coinsurance (%): 90			
MORTGAGE CLAUSE: Subject to the provisions of the Mortgage Clause attached hereto, loss, if any, on building items, shall be payable to:  Mortgage Holder Name and Mailing Address:			

Location	Building	Location	Occupancy
001	02	3799-3811 CAMPOLINDO DRIVE MORAGA CA 94570	POOL
COVERAGE: Building Limit of Insurance: \$500,000 Valuation: Replacement Cost Coinsurance (%): 90			
MORTGAGE CLAUSE: Subject to the provisions of the Mortgage Clause attached hereto, loss, if any, on building items, shall be payable to:  Mortgage Holder Name and Mailing Address:			

Location	Building	Location	Occupancy
001	03	3799-3811 CAMPOLINDO DRIVE MORAGA CA 94570	POOL
COVERAGE: Building Limit of Insurance: \$400,000 Valuation: Replacement Cost Coinsurance (%): 90			

**BUSINESSPRO (Reg. U.S. Pat. Off.)**

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0187357 GREAT AMERICAN INS CO OF NY



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SB 86 90 (Ed.11/97)

Policy: CPP 820-25-42 03

**SELECT BUSINESS POLICY BASIC DECLARATIONS**

Location	Building	Location	Occupancy
001	03	3799-3811 CAMPOLINDO DRIVE MORAGA CA 94570	POOL
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MORTGAGE CLAUSE: Subject to the provisions of the Mortgage Clause attached hereto, loss, if any, on building items, shall be payable to:			
Mortgage Holder Name and Mailing Address:			

**BUSINESSPRO (Reg. U.S. Pat. Off.)**

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## SUPPLEMENTARY COVERAGES

The coverages apply per location. If you purchase additional limits for any of these coverages at a specific location, the Limits of Insurance shown at that location will reflect your total limits, including the Limits of Insurance shown below.

A. The coverages below apply per location. If you purchase additional limits for any of these coverages at a specific location, the Limits of Insurance shown at that location will reflect your total limits, including the Limits of Insurance shown below.

\$10,000	DEBRIS REMOVAL
\$5,000	FIRE DEPARTMENT SERVICE CHARGE
\$2,500	FIRE PROTECTION DEVICE RECHARGE
\$5,000	LOSS DATA PREPARATION COSTS
\$5,000	PERSONAL EFFECTS
\$10,000	POLLUTANT CLEAN UP AND REMOVAL

**FORMS AND ENDORSEMENTS** applying to this Coverage Part and made part of this Policy at time of issue:  
**SEE SB8801 01/88**



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SB 88 01 (Ed.01/88)

Policy: CPP 820-25-42 03

### BUSINESSPRO FORMS AND ENDORSEMENTS SCHEDULE

It is hereby understood and agreed the following forms and endorsements are attached to and are a part of this policy:

Form and Edition	Date Added*	Form Description
	or Date Deleted	
1. CP0299	11 / 85	CANCELLATION CHANGES
2. SB8123	04 / 09	SBP-WATER EXCLUSION ENDORSEMENT
3. SB8601	07 / 02	SELECT BUSINESS POLICY CONDITIONS
4. SB8602	07 / 02	BUILDING & PERSONAL PROP COV FORM
5. SB8690	11 / 97	SBP BASIC DECLARATIONS
6. SB8723	07 / 02	SBP - COINSURANCE
7. SB8753	03 / 01	CA CHANGES - ACV
8. SB8784	06 / 03	CA-CHANGES
9. SB8802	01 / 88	SBP DECLARATIONS AMENDMENT
10. SDM700	08 / 08	WATER EXCLUSION ENDT ADVISORY NOTIC

\* IF NOT AT INCEPTION



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## **SELECT BUSINESS POLICY GENERAL ENDORSEMENT**

### **SBP DECLARATIONS AMENDMENT**

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.

THIS ENDORSEMENT MODIFIES INSURANCE PROVIDED UNDER THE FOLLOWING:  
SB 8690, SELECT BUSINESS POLICY DECLARATIONS PAGE

LIMITS OF INSURANCE UNDER "NOT AT DESCRIBED PREMISES" ARE AMENDED AS  
FOLLOWS:

AT ANY OTHER LOCATION FOR BUILDING IS "NOT COVERED".

ALL OTHER TERMS AND CONDITIONS REMAIN THE SAME.

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

### **CANCELLATION CHANGES**

This endorsement modifies insurance provided under the following:

#### **COMMERCIAL PROPERTY COVERAGE PART**

The following is added to the CANCELLATION Common Policy Condition:

If any one of the following conditions exists at any building that is Covered Property in this policy, we may cancel this Coverage Part by mailing or delivering to the first Named Insured written notice of cancellation at least 5 days before the effective date of cancellation.

**A.** The building has been vacant or unoccupied 60 or more consecutive days. This does not apply to:

1. Seasonal unoccupancy;
2. Buildings in the course of construction, renovation or addition; or
3. Buildings to which the Vacancy Permit endorsement applies.

Buildings with 65% or more of the rental units or floor area vacant or unoccupied are considered unoccupied under this provision.

**B.** After damage by a covered cause of loss, permanent repairs to the building:

1. Have not started, and
2. Have not been contracted for,

within 30 days of initial payment of loss.

**C.** The building has:

1. An outstanding order to vacate;
2. An outstanding demolition order;
3. Been declared unsafe by governmental authority.

**D.** Fixed and salvageable items have been or are being removed from the building and are not being replaced. This does not apply to such removal that is necessary or incidental to any renovation or remodeling.

**E.** Failure to:

1. Furnish necessary heat, water, sewer service or electricity for 30 consecutive days or more, except during a period of seasonal unoccupancy; or
2. Pay property taxes that are owing and have been outstanding for more than one year following the date due, except that this provision will not apply where you are in a bona fide dispute with the taxing authority regarding payment of such taxes.



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**SB 81 23**  
(Ed. 04 09)

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

**SELECT BUSINESS POLICY  
WATER EXCLUSION ENDORSEMENT**

The endorsement modifies insurance provided under the following:

SELECT BUSINESS POLICY BUILDING AND PERSONAL PROPERTY COVERAGE FORM

Section C. Exclusion, paragraph 1.g Water of the Select Business Policy Building and Personal Property Coverage Form, SB 86 02, is deleted in its entirety and replaced by the following:

**g. Water**

1. flood, surface water, waves (including tidal wave and tsunami), tides, tidal water, overflow of any body of water, or spray from any of these, all whether or not driven by wind (including storm surge);
2. mudslide or mudflow;
3. waterborne material carried or otherwise moved by any of the water referred to in paragraph 1. and 2., or material carried or otherwise moved by mudslide or mudflow.

This exclusion applies regardless of whether any of the above, in paragraphs 1. and 2., is caused by an act of nature or is otherwise caused. An example of a situation to which this exclusion applies is the situation where a dam, levee, seawall or other boundary or containment system fails in whole or in part, for any reason, to contain the water.

But if any of the above, in paragraphs 1. and 2., results in fire, explosion or sprinkler leakage, we will pay for the loss or damage caused by that fire, explosion or sprinkler leakage (if sprinkler leakage is a Covered Cause of Loss).

This exclusion does not apply to Covered Personal Property in due course of transit.



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**SB 87 53**  
(Ed. 03 01)

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

**CALIFORNIA CHANGES - ACTUAL CASH VALUE**

This endorsement modifies insurance provided under the following:

SELECT BUSINESS POLICY CONDITIONS  
SELECT BUSINESS POLICY BUILDING AND PERSONAL PROPERTY COVERAGE FORM

The following is added to any provision which uses the term actual cash value:

Actual cash value is calculated as the amount it would cost to repair or replace Covered Property, at the time of loss or damage, with material of like kind and quality, subject to a deduction for deterioration, depreciation and obsolescence. Actual cash value applies to valuation of Covered Property regardless of whether that property has sustained partial or total loss or damage.

The actual cash value of the lost or damaged property may be significantly less than its replacement cost.

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SB 87 53 (Ed. 03/01) XS



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SB 87 84  
(Ed. 06 03)

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

**SELECT BUSINESS POLICY  
CALIFORNIA CHANGES**

This endorsement modifies insurance provided under the following:

SELECT BUSINESS POLICY BUILDING AND PERSONAL PROPERTY COVERAGE FORM  
SELECT BUSINESS POLICY BUSINESS INCOME AND EXTRA EXPENSE COVERAGE FORM  
SELECT BUSINESS POLICY BUSINESS INCOME WITHOUT EXTRA EXPENSE COVERAGE FORM  
SELECT BUSINESS POLICY EXTRA EXPENSE COVERAGE FORM

- A. Section C. Exclusions, Paragraph 1.h. "Fungus," Wet Rot, Dry Rot And Bacteria** of the **Select Business Policy Building And Personal Property Coverage Form** is deleted in its entirety.
- (b)** requires any Insured or others 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. Section C. Exclusions, Paragraph 2.d.(2)** of the **Select Business Policy Building And Personal Property Coverage Form** is deleted and replaced with the following:
- (2)** rust, or other corrosion, fungus, decay, deterioration, spoilage, hidden or latent defect or any quality in property that causes it to damage or destroy itself;
- C. Section E. Additional Coverages, Paragraph 2. Limited Coverage for "Fungus," Wet Rot, Dry Rot And Bacteria** of the **Select Business Policy Building And Personal Property Coverage Form** is deleted in its entirety.
- D. Section E. Additional Coverages, Paragraph 5. of the Select Business Policy Business Income And Extra Expense Coverage Form and Paragraph 6. of the Select Business Policy Business Income Without Extra Expense Coverage Form** is deleted in its entirety.
- E. Section H. Optional Coverages, Paragraph 1.d.(2)(b)** of the **Select Business Policy Business Income And Extra Expense Coverage Form** and the **Select Business Policy Business Income Without Extra Expense Coverage Form** is deleted and replaced with the following:
- F. Section H. Optional Coverages, Paragraph 2.b.(1) and (2)** of the **Select Business Policy Business Income And Extra Expense Coverage Form** and the **Select Business Policy Business Income Without Extra Expense Coverage Form** is deleted and replaced with the following:
- b.** We will not pay under this Optional Coverage for loss caused by or resulting from the enforcement of any ordinance or law which requires:
- (1)** the demolition, repair, replacement, reconstruction, remodeling or remediation of property due to contamination by "pollutants"; or
- (2)** the costs associated with the enforcement of any ordinance or law which requires any Insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants."
- G. Section B. Covered Causes Of Loss, Exclusions And Limitations, Paragraph 1. of the Select Business Policy Extra Expense Coverage Form Section C. Exclusions, Paragraph 1.h. of the Select Business Policy Building And Personal Property Coverage Form** is deleted.



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**SB 86 01**  
(Ed. 07 02)

## SELECT BUSINESS POLICY CONDITIONS

This Coverage Part is subject to the following conditions:

### GENERAL CONDITIONS

#### A. Concealment, Misrepresentation Or Fraud

This Coverage Part is void in any case of fraud by you as it relates to this Coverage Part at any time. It is also void if you or any other Insured, at any time, intentionally conceal or misrepresent a material fact concerning:

1. this Coverage Part;
2. the Covered Property;
3. your interest in the Covered Property; or
4. a claim under this Coverage Part.

#### B. Control Of A Property

Any act or neglect of any person other than you beyond your direction or control will not affect this insurance.

The breach of any condition of this Coverage Part at any one or more locations will not affect coverage at any location where, at the time of loss or damage, the breach of condition does not exist.

#### C. Insurance Under Two Or More Coverages

If two or more of this policy's coverages apply to the same loss or damage, we will not pay more than the actual amount of the loss or damage.

#### D. Legal Action Against Us

No one may bring a legal action against us under this Coverage Part unless:

1. there has been full compliance with all of the terms of this Coverage Part; and
2. the action is brought within 2 years after the date on which the direct physical loss or damage occurred.

#### E. Liberalization

If we adopt any revision that would broaden the coverage under this Coverage Part without additional premium within 45 days prior to or during the policy period, the broadened coverage will immediately apply to this Coverage Part.

#### F. No Benefit To Bailee

No person or organization, other than you, having custody of Covered Property will benefit from this insurance.

#### G. Other Insurance

1. You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this Coverage Part. If you do, we will pay our share of the covered loss or damage. Our share is the proportion that the applicable Limit of Insurance under this Coverage Part bears to the Limits of Insurance of all insurance covering on the same basis.
2. If there is other insurance covering the same loss or damage, other than that described in 1. above, we will pay only for the amount of covered loss or damage in excess of the amount due from that other insurance, whether you can collect on it or not. But we will not pay more than the applicable Limit of Insurance or more than the actual amount of loss or damage.

#### H. Policy Period, Coverage Territory

Under this Coverage Part:

1. We cover loss or damage commencing:
  - a. during the policy period shown in the Declarations; and
  - b. within the Coverage Territory.
2. The Coverage Territory is:

- a. the United States of America (including its territories and possessions);
- b. Puerto Rico; and
- c. Canada.

#### I. Transfer Of Rights Of Recovery Against Others To Us

If any person or organization to or for whom we make payment under this Coverage Part has rights to recover damages from another, those rights are transferred to us to the extent of our payment. That person or organization must do everything necessary to secure our rights and must do nothing after loss to impair them. But you may waive your rights against another party in writing:

1. Prior to a loss to your Covered Property or Covered Income.
2. After a loss to your Covered Property or Covered Income only if, at the time of loss, that party is one of the following:
  - a. someone insured by this insurance;
  - b. a business firm:
    - (1) owned or controlled by you; or
    - (2) that owns or controls you; or
  - c. your tenant.

This will not restrict your insurance.

#### J. Mortgageholders

1. The term "mortgageholder" includes trustee.
2. We will pay for covered loss of or damage to buildings or structures to each mortgageholder shown in the Declarations in their order of precedence, as interests may appear.
3. The mortgageholder has the right to receive loss payment even if the mortgageholder has started foreclosure or similar action on the building or structure.
4. If we deny your claim because of your acts or because you have failed to comply with the terms of this Coverage Part, the

mortgageholder will still have the right to receive loss payment if the mortgageholder:

- a. pays any premium due under this Coverage Part if you have failed to do so;
- b. submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so; and
- c. has notified us if any change in ownership, occupancy or substantial change in risk known to the mortgageholder.

All of the terms of this Coverage Part will then apply directly to the mortgageholder.

5. If we pay the mortgageholder for any loss or damage and deny payment to you because of your acts or because you have failed to comply with the terms of this Coverage Part:
  - a. the mortgageholder's rights under the mortgage will be transferred to us to the extent of the amount we pay; and
  - b. the mortgageholder's rights to recover the full amount of the mortgageholder's claim will not be impaired.

At our option, we may pay to the mortgageholder the whole principal on the mortgage plus any accrued interest. In this event, your mortgage and note will be transferred to us and you will pay your remaining mortgage debt to us.

6. If we cancel this policy, we will give written notice to the mortgageholder at least:
  - a. 10 days before the effective date of cancellation if we cancel for your nonpayment or premium; or
  - b. 30 days before the effective date of cancellation if we cancel for any other reason.
7. If we elect not to renew this policy, we will give written notice to the mortgageholder at least 10 days before the expiration date of this policy.

## LOSS CONDITIONS

### A. Abandonment

There can be no abandonment of any property to us.

### B. Appraisal

If we and you disagree on the value of the property, the amount of Net Income and operating expense, or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the property, the amount of Net Income and operating expense, or the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

1. pay its chosen appraiser; and
2. bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim.

### C. Duties In The Event Of Loss Or Damage

1. You must see that the following are done in the event of loss or damage to Covered Property:
  - a. Notify the police if a law may have been broken.
  - b. Give us prompt notice of the loss or damage. Include a description of the property involved.
  - c. As soon as possible, give us a description of how, when, and where the loss or damage occurred.
  - d. Take all reasonable steps to protect the Covered Property from further damage by a Covered Cause of Loss, and keep a record of your expenses necessary to protect the Covered Property from such a loss, for consideration in the settlement of the

claim. However, we will not pay for any subsequent loss or damage resulting from a Cause of Loss that is not a Covered Cause of Loss. Also, if feasible, set damaged property aside and in the best possible order, for examination.

- e. At our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.
- f. As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records. Also permit us to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.
- g. Send us a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.
- h. Cooperate with us in the investigation or settlement of the claim.
- i. If you intend to continue your business, you must resume all or part of your "operations" as quickly as possible.

2. We may examine any Insured under oath while not in the presence of any other Insured and at such times as may be reasonably required, about any matter relating to this insurance or claim, including an Insured's books and records. In the event of an examination, an Insured's answers must be signed.

### D. Loss Payment

1. In the event of direct physical loss or damage covered by this Coverage Part, at our option, we will either:
  - a. pay the value of lost or damaged property;

- b. pay the cost of repairing or replacing the lost or damaged property, subject to **2.** below;
- c. take all or any part of the property at an agreed or appraised value; or
- d. repair, rebuild or replace the property with other property of like kind and quality subject to **2.** below.

We will determine the value of lost or damaged property, or the cost of its repair or replacement, in accordance with the applicable terms of the **Valuation Condition** in this Coverage Part or any applicable provision which amends or supersedes the **Valuation Condition**.

- 2.** The cost to repair, rebuild or replace does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property.
- 3.** The amount of Business Income loss will be determined based on:
  - a. the Net Income of the business before the direct physical loss or damage occurred;
  - b. the likely Net Income of the business if no physical loss or damage occurred but not including any Net Income that would likely have been earned as a result of an increase in the volume of business due to favorable business conditions caused by the impact of the Covered Cause of Loss on customers or on other businesses;
  - c. the operating expenses, including payroll expenses, necessary to resume "operations" with the same quality of service that existed just before the direct physical loss or damage; and
  - d. other relevant sources of information, including:
    - (1) your financial records and accounting procedures;
    - (2) bills, invoices and other vouchers; and
    - (3) deeds, liens, or contracts.

- 4.** The amount of Extra Expense will be determined based on:
  - a. All expenses that exceed the normal operating expenses that would have been incurred by "operations" during the "period of restoration" if no direct physical loss or damage had occurred. We will deduct from the total of such expenses:
    - (1) the salvage value that remains of any property bought for temporary use during the "period of restoration," once "operations" are resumed; and
    - (2) any Extra Expense that is paid for by other insurance, except for insurance that is written subject to the same plan, terms, conditions and provisions as this insurance; and
  - b. Necessary expenses that reduce the Business Income loss that otherwise would have been incurred.
- 5.** We will give notice of our intentions within 30 days after we receive the sworn statement of loss.
- 6.** We will not pay you more than your financial interest in the Covered Property.
- 7.** We may adjust losses with the owners of lost or damaged property if other than you. If we pay the owners, such payments will satisfy your claims against us for the owners' property. We will not pay the owners more than their financial interest in the Covered Property.
- 8.** We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.
- 9.** We will pay for covered loss or damage within 30 days after we receive the sworn proof of loss, if you have complied with all of the terms of this Coverage Part and:
  - a. we have reached agreement with you on the amount of loss; or
  - b. an appraisal award has been made.

## E. Recovered Property

1. If either you or we recover any property after loss settlement, that party must give the other prompt notice. At your option, the property will be returned to you. You must then return to us the amount we paid to you for the property. We will pay recovery expenses and the expenses to repair the recovered property, subject to the Limit of Insurance.
2. If branded or labeled merchandise that is Covered Property is damaged by a Covered Cause of Loss, we may take all or any part of the property at an agreed or appraised value. If so, you may, at your own expense:
  - a. stamp "salvage" on the merchandise or its containers, if the stamp will not physically damage the merchandise; or
  - b. remove the brands or labels, if doing so will not physically damage the merchandise. You must relabel the merchandise or its containers to comply with the law.

## F. Resumption Of Operations

1. We will reduce the amount of your:
  - a. Business Income loss, other than Extra Expense, to the extent you can resume your "operations," in whole or in part by using damaged or undamaged property (including merchandise or stock) at the described premises or elsewhere.
  - b. Extra Expense loss to the extent you can return "operations" to normal and discontinue such Extra Expense.
2. If you do not resume "operations," or do not resume "operations" as quickly as possible, we will pay losses based on the length of time it would have taken to resume "operations" as quickly as possible.

## G. Vacancy

### 1. Description of Terms

- a. As used in the **Vacancy** Condition, the

term building and the term vacant have the meaning set forth in (1) and (2) below:

- (1) When this policy is issued to a tenant, and with respect to that tenant's interest in Covered Property, building means that unit or suite rented or leased to the tenant. Such building is vacant when it does not contain enough business personal property to conduct customary operations.
- (2) When this policy is issued to the owner or general lessee of a building, building means the entire building. Such building is vacant unless at least 31% of its total square footage is:
  - (a) rented to a lessee or sub-lessee and used by the lessee or sub-lessee to conduct its customary operations; and/or
  - (b) used by the building owner to conduct customary operations.

- b. Buildings under construction or renovation are not considered vacant.

### 2. Vacancy Provisions

If the building where loss or damage occurs has been vacant for more than 60 consecutive days before that loss or damage occurs:

- a. We will not pay for any loss or damage caused by any of the following even if they are Covered Causes of Loss:
  - (1) vandalism;
  - (2) sprinkler leakage, unless you have protected the system against freezing;
  - (3) building glass breakage;
  - (4) water damage;
  - (5) theft; or

(6) attempted theft.

- b. With respect to Covered Causes of Loss other than those listed in 2.(a)(1) through 2.(a)(6) above, we will reduce the amount we would otherwise pay for the loss or damage by 15%.

stallation of improvements to the expiration of the lease.

If your lease contains a renewal option, the expiration date of the renewal option period will replace the expiration of the lease in this procedure.

#### H. Valuation

1. If actual cash value is indicated in the Declarations as the method of valuation we will determine the value of Covered Property in the event of loss or damage as follows:

- a. At actual cash value as of the time of loss or damage except as provided in b. through g. below.
- b. "Stock" you have sold but not delivered at the selling price less discounts and expenses you otherwise would have had.
- c. Finished "stock" you have manufactured at the selling price, as if no loss or damage occurred, less discounts and expenses you otherwise would have had.
- d. Glass at the cost of replacement with safety glazing material if required by law.
- e. Tenant's Improvements and Betterments at:

- (1) Actual cash value of the loss or damaged property if you make repairs promptly.
- (2) A proportion of your original cost if you do not make repairs promptly. We will determine the proportionate value as follows:

- (a) multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and
- (b) divide the amount determined in (a) above by the number of days from the in-

- (3) Nothing if others pay for repairs or replacement.

- f. Exhibitions and displays at your cost.
- g. Patterns, molds, models, and dies at replacement cost if actually replaced. Otherwise at actual cash value.

2. If replacement cost is indicated in the Declarations as the method of valuation we will determine the value of Covered Property in the event of loss or damage as follows:

- a. At replacement cost (without deduction for depreciation) as of the time of loss or damage except as provided in b. through l. below.
- b. "Stock" you have sold but not delivered at the selling price less discounts and expenses you otherwise would have had.
- c. Finished "stock" you have manufactured at the selling price, as if no loss or damage occurred, less discounts and expenses you otherwise would have had.
- d. Glass at the cost of replacement with safety glazing material if required by law.
- e. Tenant's Improvements and Betterments at:

- (1) Replacement cost of the loss or damaged property if you make repairs promptly.
- (2) A proportion of your original cost if you do not make repairs promptly. We will determine the proportionate value as follows:

- (a) multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and
    - (b) divide the amount determined in (a) above by the number of days from the installation of improvements to the expiration of the lease;
    - (c) if your lease contains a renewal option, the expiration of the renewal option period will replace the expiration of the lease in this procedure.
  - (3) Nothing if others pay for repairs or replacement.
  - f. Valuable Papers and Records, including those which exist on electronic or magnetic media (other than prepackaged software programs), at the cost of:
    - (1) blank materials for reproducing the records; and
    - (2) labor to transcribe or copy the records when there is a duplicate.
  - g. Works of art, antiques or rare articles, including etchings, pictures, statuary, marbles, bronzes, porcelains and bric-a-brac at actual cash value.
  - h. You may make a claim for loss or damage covered by this insurance on an actual cash value basis instead of on a replacement cost basis. In the event you elect to have loss or damage settled on an actual cash value basis, you may still make a claim for the additional coverage that replacement cost coverage provides if you notify us of your intent to do so within 180 days after the loss or damage.
  - i. We will not pay on a replacement cost basis for any loss or damage:
    - (1) until the lost or damaged property is actually repaired or replaced; and
    - (2) unless the repairs or replacement are made as soon as reasonably possible after the loss or damage.
  - j. We will not pay more for loss or damage on a replacement cost basis than the least of (1), (2) or (3) subject to k. below:
    - (1) the Limit of Insurance applicable to the lost or damaged property;
    - (2) the cost to replace, the lost or damaged property with other property:
      - (a) of comparable material and quality; and
      - (b) used for the same purpose; or
    - (3) the amount actually spent that is necessary to repair or replace the lost or damaged property.
- If a building is rebuilt at a new premises, the cost described in (2) above is limited to the cost which would have been incurred if the building had been rebuilt at the original premises.
- k. The cost of repair or replacement does not include any increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property.
  - l. With respect to replacement cost on the personal property of others, the following limitation applies:

If an item(s) of personal property of others is subject to a written contract which governs your liability for loss or damage to that item(s), then valuation of that item(s) will be based on the amount for which you are liable under such contract, but not to exceed the lesser of the replacement cost of the property or the applicable Limit of Insurance.

Tenants' Improvements and Betterments are not considered to be the personal property of others.

**I. Limitation - Electronic Media and Records**

We will not pay for any loss of Business Income caused by direct physical loss of or damage to Electronic Media and Records after the longer of:

1. 60 consecutive days from the date of direct physical loss or damage; or
2. the period, beginning with the date of direct physical loss or damage, necessary to repair, rebuild or replace, with reasonable speed and similar quality, other property at the described premises due to loss or damage caused by the same occurrence.

Electronic Media and Records are:

- a. electronic data processing recording or storage media such as films, tapes, discs, drums or cells;
- b. data stored on such media; or
- c. programming records used for electronic data processing or electronically controlled equipment.

This limitation does not apply to Extra Expense.

**J. Definitions**

1. "Stock" means merchandise held in storage or for sale, raw materials and in-process or finished goods, including supplies used in their packing or shipping.



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SB 86 02  
(Ed. 07 02)

## SELECT BUSINESS POLICY BUILDING AND PERSONAL PROPERTY COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights and duties and what is and what is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section J. - **Definitions.**

### A. Coverage

We will pay for direct physical loss of or damage to Covered Property shown in the Declarations caused by or resulting from any Covered Cause of Loss.

#### 1. Covered Property

Covered Property, as used in this Coverage Part, means the type of property described in this Section A.1., and limited in A.2., **Property Not Covered**, if a Limit of Insurance is shown in the Declarations for that type of property.

a. Building, meaning the building or structure described in the Declarations, including:

- (1) completed additions;
- (2) fixtures, including outdoor fixtures and signs;
- (3) permanently installed:
  - (a) machinery;
  - (b) equipment; and
  - (c) foundations of machinery, tanks and their component parts, including all connections thereto which are below the undersurface of the lower basement floor, or

where there is no basement, below the surface of the ground.

(4) personal property owned by you that is used to maintain or service the building or structure or its premises, including but not limited to:

- (a) fire extinguishing equipment;
- (b) outdoor furniture;
- (c) floor coverings; and
- (d) appliances used for refrigerating, ventilating, cooking, dishwashing or laundering;

(5) if not covered by other insurance:

- (a) additions under construction, alterations and repairs to the building or structure;
- (b) materials, equipment, supplies and temporary structures, on or within 1000 feet of the described premises, used for making additions, alterations or repairs to the building or structure.

b. **Your Business Personal Property** as shown in the Declarations consisting of the following:

- (1) furniture and fixtures;

- (2) machinery and equipment;
  - (3) "stock";
  - (4) all other personal property owned by you and used in your business;
  - (5) labor, materials or services furnished or arranged by you on personal property of others;
  - (6) your use interest as tenant in Improvements and Betterments. Improvements and Betterments are fixtures, alterations, installations or additions:
    - (a) made a part of the building or structure you occupy but do not own; and
    - (b) you acquired or made at your expense but cannot legally remove;
  - (7) leased personal property for which you have a contractual responsibility to insure, unless otherwise provided for under Personal Property of Others;
  - (8) signs, including signs attached to building, provided there is no coverage for the sign under the Building Covered Property.
- c. automobiles held for sale;
  - d. bridges, roadways, walks, patios or other paved surfaces;
  - e. contraband, or property in the course of illegal transportation or trade;
  - f. the cost of excavations, grading, backfilling or filling;
  - g. foundations of buildings, structures, or boilers if their foundations are below:
    - (1) the lowest basement floor; or
    - (2) the surface of the ground, if there is no basement;
  - h. land (including land on which the property is located), water, growing crops or lawns;
  - i. personal property while airborne or waterborne (other than while on regular ferries or railroad car floats);
  - j. bulkheads, pilings, piers, wharves or docks;
  - k. property that is covered under another coverage form of this or any other policy in which it is more specifically described, except for the excess of the amount due (whether you can collect on it or not) from that other insurance;

**c. Personal Property of Others** that is in your care, custody or control as shown in the Declarations.

However, our payment for loss of, or damage to Personal Property of Others will only be for the account of the owner of the property.

## 2. Property Not Covered

Covered Property does not include:

- a. accounts, bills, currency, deeds, food stamps or other evidences of debt, money, notes, or securities. Lottery tickets held for sale are not securities;
- b. animals, unless owned by others and boarded by you, or if owned by you, only as "stock" while inside of buildings;

- l. retaining walls that are not part of a building;
- m. underground pipes, flues or drains except as provided under **A.1.a.(3)(c)**;
- n. electronic data except as provided under **Additional Coverages - Electronic Data**. Electronic Data means information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The term computer programs, referred to in the foregoing description of electronic

data, means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data. This paragraph n. does not apply to your "stock" of prepackaged software.

o. the cost to replace or restore the information on valuable papers and records, including those which exist as electronic data. Valuable papers and records include but are not limited to proprietary information, books of account, deeds, manuscripts, abstracts, drawing and card index systems. Refer to the Coverage Extension for Valuable Papers and Records (Other Than Electronic Data) for limited coverage for valuable papers and records other than those which exist as electronic data as provided in the Coverage Extensions;

p. vehicles or self-propelled machines (including aircraft or watercraft) that:

- (1) are licensed for use on public roads; or
- (2) are operated principally away from the described premises.

This paragraph does not apply to:

- (a) vehicles or self-propelled machines, other than autos, you manufacture, process or warehouse;
- (b) vehicles or self-propelled machines, other than autos, you hold for sale;
- (c) rowboats or canoes out of water at the described premises; or
- (d) trailers, but only to the extent provided for in the Coverage Extension for Non-Owned Detached Trailers.

q. the following property while outside of buildings:

- (1) grain, hay, straw or other crops;

(2) trees, shrubs or plants, (other than "stock" of trees, shrubs or plants), all except as provided in the Coverage Extensions.

## B. Covered Causes Of Loss

Covered Causes of Loss means **Risks Of Direct Physical Loss** unless loss is:

- 1. Excluded in Section C. **Exclusions**; or
- 2. Limited in Section D. **Limitations**;

that follow.

## C. Exclusions

- 1. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

### a. Ordinance or Law

The enforcement of any ordinance or law:

- (1) regulating construction; use or repair of any property; or
- (2) requiring the tearing down of any property including the cost of removing its' debris.

This exclusion, **Ordinance or Law**, applies whether the loss results from:

- (1) an ordinance or law that is enforced even if the property has not been damaged; or
- (2) the increased costs incurred to comply with an ordinance or law in the course of construction, repair, renovation, remodeling or demolition of property or removal of its debris, following a direct physical loss to that property.

### b. Earth Movement

- (1) earthquake, including any earth sinking, rising or shifting related to such event;

- (2) landslide, including any earth sinking, rising or shifting related to such event;
- (3) mine subsidence, meaning subsidence of a man-made mine, whether or not mining activity has ceased;
- (4) earth sinking (other than sinkhole collapse), rising or shifting including soil conditions which cause settling, cracking or other disarrangement of foundations or other parts of reality. Soil conditions include contraction, expansion, freezing, thawing, erosion, improperly compacted soil and the action of water under the ground surface.

But if Earth Movement, as described in **b.(1)** through **(4)** above, results in fire or explosion, we will pay for the loss or damage caused by that fire or explosion.

- (5) Volcanic eruption, explosion or effusion. But, if volcanic eruption, explosion or effusion results in fire, building glass breakage or volcanic action, we will pay for that resulting loss or damage caused by that fire, building glass breakage or volcanic action.

Volcanic action means direct loss or damage resulting from the eruption of a volcano when the loss or damage is caused by:

- (a) airborne volcanic blast or airborne shockwaves;
- (b) ash, dust or particulate matter; or
- (c) lava flow.

All volcanic eruptions that occur within any 168 hour period will constitute a single occurrence.

Volcanic action does not include the cost to remove ash, dust or particulate matter that does not cause direct physical loss or damage to the described property.

This exclusion does not apply to Covered Personal Property in due course of transit.

**c. Governmental Action**

Seizure or destruction of property by order of governmental authority.

But we will pay for loss or damage caused by or resulting from acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread, if the fire would be covered under this Coverage Part.

**d. Nuclear Hazard**

Nuclear reaction or radiation, or radioactive contamination, however caused.

But if nuclear reaction or radiation or radioactive contamination results in fire we will pay for that loss or damage caused by the fire.

**e. Utility Services**

The failure of power or other utility service supplied to the described premises however caused, if the failure occurs away from the described premises. Failure includes lack of sufficient capacity and reduction in supply.

But if the failure of power or other utility services results in a Covered Cause of Loss, we will pay for the resulting loss or damage caused by that Covered Cause of Loss.

**f. War and Military Action**

- (1) War, including undeclared or civil war;
- (2) warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or

- (3) insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

**g. Water**

- (1) Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not.
- (2) Mudslide or mudflow.

But if Water, as described in **g.(1)** and **g.(2)** above results in fire, explosion, theft or sprinkler leakage, we will pay for the loss or damage caused by that fire, explosion, theft or sprinkler leakage.

This exclusion does not apply to Covered Personal Property in due course of transit.

**h. "Fungus," Wet Rot, Dry Rot And Bacteria**

Presence, growth, proliferation, spread or any activity of "fungus," wet or dry rot or bacteria.

But if "fungus," wet or dry rot or bacteria results in a "Specified Cause of Loss," we will pay for the loss or damage caused by that "Specified Cause of Loss."

This exclusion does not apply:

- (1) when "fungus," wet or dry rot or bacteria results from fire or lightning; or
- (2) to the extent that coverage is provided in the Additional Coverage - Limited Coverage for "Fungus," Wet Rot, Dry Rot And Bacteria with respect to loss or damage by a cause of loss other than fire or lightning.

Exclusions **C.1.a.** through **C.1.h.** apply whether or not the loss event results in widespread damage or affects a substantial area.

- 2. We will not pay for loss or damage caused by or resulting from any of the following:

- a. Artificially generated electrical current, including electric arcing, that disturbs electrical devices, appliances or wires.

But if artificially generated electrical current results in fire, we will pay for the loss or damage caused by that fire.

- b. Delay, loss of use or loss of market.
- c. Smoke, vapor or gas from agricultural smudging or industrial operations.

- d. (1) Wear and tear;
- (2) rust, or other corrosion, decay, deterioration, spoilage, hidden or latent defect or any quality in property that causes it to damage or destroy itself;

- (3) smog;

- (4) settling, cracking, shrinking or expansion;

- (5) nesting or infestation or discharge or release of waste products or secretions by insect, birds, rodents or other animals.

- (6) mechanical breakdown, including rupture or bursting caused by centrifugal force. But if mechanical breakdown results in elevator collision, we will pay for the loss or damage caused by that elevator collision;

- (7) the following causes of loss to personal property;

- (a) dampness or dryness of atmosphere;

- (b) changes in or extremes of temperature; or

- (c) marring or scratching.

But if an excluded cause of loss that is listed in **2.d (1)** through **(7)** results in a "specified cause of loss" or building glass breakage, we will pay for the

loss or damage caused by that "specified cause of loss" or building glass breakage.

- e. Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control. But if explosion of steam boilers, steam pipes, steam engines or steam turbines results in fire or combustion explosion, we will pay for the loss or damage caused by that fire or combustion explosion. We will also pay for the loss or damage caused by or resulting from the explosion of gases or fuel within the flues or passages through which the gases of combustion pass.
- f. Continuous or repeated seepage or leakage of water, or the presence or condensation of humidity, moisture or vapor, that occurs over a period of 14 days or more.
- g. Water, other liquids, powder or molten material that leaks or flows from plumbing, heating, air conditioning or other equipment (except fire protective systems) caused by or resulting from freezing, unless:
  - (1) you do your best to maintain heat in the building or structure; or
  - (2) you drain the equipment and shut off the supply if the heat is not maintained.
- h. Dishonest or criminal act by you, any of your partners, members, officers, managers, employees (including leased employees), directors, trustees, authorized representatives or anyone to whom you entrust the property for any purpose.
  - (1) acting alone or in collusion with others; or
  - (2) whether or not occurring during the hours of employment.

This exclusion does not apply to acts of destruction by your employees (including leased employees); but theft by employees (including leased employees) is not covered.

- i. Voluntary parting with any property by you or anyone else to whom you have entrusted the property if induced to do so by any fraudulent scheme, trick, device or false pretense.
- j. Rain, snow, ice or sleet to personal property in the open.
- k. Collapse, except as provided below in the Additional Coverage for Collapse. But if collapse results in a Covered Cause of Loss at the described premises, we will pay for the loss or damage caused by that Covered Cause of Loss.
- l. Discharge, dispersal, seepage, migration, release or escape of "pollutants" unless the discharge, dispersal, seepage, migration, release or escape is itself caused by any of the "specified causes of loss." But if the discharge, dispersal, seepage, migration, release or escape of "pollutants" results in a "specified cause of loss," we will pay for the loss or damage caused by that "specified cause of loss."

This exclusion, l., does not apply to damage to glass caused by chemicals applied to the glass.

- m. Neglect of an Insured to use all reasonable means to have and preserve property from further damage at and after the time of loss.
3. We will not pay for loss or damage caused by or resulting from any of the following 3.a. through 3.c. But if an excluded Cause of Loss that is listed in 3.a. through 3.c. results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.
- a. Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in Paragraph 1. above to produce the loss or damage.
  - b. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.
  - c. Faulty, inadequate or defective:

- (1) planning, zoning, development, surveying, siting;
- (2) design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
- (3) materials used in repair, construction, renovation or remodeling; or
- (4) maintenance;

of part or all of any property on or off the described premises.

**D. Limitations**

- 1. We will pay for direct physical loss or damage to Covered Personal Property which is in due course of transit at your risk if the Covered Personal Property is:
  - a. in the custody of a carrier or bailee for hire; or
  - b. on vehicles you own or operate; but

only up to the Transit Limit of Insurance shown in the Declarations and subject to the Transit deductible shown in the Declarations.

- 2. We will not pay for loss or damage to any of the following types of property if the loss or damage occurs at an unnamed location or while in transit:
  - a. Musical Instruments;
  - b. Contractors' Equipment, including Cranes.

This limitation does not apply to musical instruments or contractors equipment you manufacture, process or hold for sale.

- 3. We will not pay for loss of or damage to:
  - a. Steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment. But we will pay for loss of or damage to such equipment caused by or resulting from an explosion of gases or fuel within the

furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.

- b. Hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment, other than an explosion.
- c. Building materials and supplies not attached as part of the building or structure, caused by or resulting from theft.

However, this limitation does not apply to building materials and supplies held for sale by you, unless they are insured under the Builders Risk Coverage Form.

- d. Property that is missing, where the only evidence of the loss or damage is a shortage disclosed on taking inventory, or other instances where there is no physical evidence to show what happened to the property.
- e. Property that has been transferred to a person or to a place outside the described premises on the basis of unauthorized instructions.

- 4. We will not pay more than \$10,000 for loss or damage to the interior of any building or structure caused by or resulting from rain, snow, sleet, ice, sand or dust, whether driven by wind or not, unless:

- a. the building or structure first sustains damage by a Covered Cause of Loss to its roof or walls through which the rain, snow, sleet, ice, sand or dust enters; or
- b. the loss or damage is caused by or results from thawing of snow, sleet or ice on the building or structure.

- 5. We will only pay for loss of or damage to animals if the loss or damage is caused by any of the "specified causes of loss" or building glass breakage, and then only if they are killed or their destruction is made necessary.

6. The special limit shown for each category, a. through c., is the total limit for loss of or damage to all property in that category. The special limit applies to any one occurrence of theft, regardless of the types or number of articles that are lost or damaged in that occurrence. The special limits are:

- a. \$2,500 for furs, fur garments and garments trimmed with fur.
- b. \$2,500 for jewelry, watches, watch movements, jewels, pearls, precious and semi-precious stones, bullion, gold, silver, platinum and other precious alloys or metals. This limit does not apply to jewelry and watches worth \$100 or less per item.
- c. \$250 for stamps, tickets (including lottery tickets held for sale) and letters of credit.

These special limits are part of, not in addition to, the Limit of Insurance applicable to the Covered Property.

7. We will not pay the cost to repair any defect to a system or appliance from which water, other liquid, powder, or molten material escapes. But we will pay the cost to repair or replace damaged parts of fire extinguishing equipment if the damage:

- a. results in discharge of any substance from any automatic fire protection system; or
- b. is directly caused by freezing.

## E. Additional Coverages

### 1. Collapse

The term Covered Cause of Loss includes the Additional Coverage – Collapse as described and limited in 1.a. through 1.e. below.

a. With respect to buildings:

- (1) Collapse means an abrupt falling down or caving in of a building or any part of a building with the

result that the building or part of the building cannot be occupied for its intended purpose;

- (2) a building or any part of a building that is in danger of falling down or caving in is not considered to be in a state of collapse;
- (3) a part of a building that is standing is not considered to be in a state of collapse even if it has separated from another part of the building;
- (4) a building that is standing or any part of a building that is standing is not considered to be in a state of collapse even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

b. We will pay for direct physical loss or damage to Covered Property, caused by collapse of a building or any part of a building that is insured under this Coverage Form or that contains Covered Property insured under this Coverage Form, if the collapse is caused by one or more of the following:

- (1) the "specified causes of loss" or breakage of building glass, all only as insured against in this Coverage Part;
- (2) decay that is hidden from view, unless the presence of such decay is known to an Insured prior to collapse;
- (3) insect or vermin damage that is hidden from view, unless the presence of such damage is known to an Insured prior to collapse;
- (4) weight of people or personal property;
- (5) weight of rain that collects on a roof;
- (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 cause of loss listed in **1.b.(1)** through **1.b.(5)**, we will pay for the loss or damage even if use of defective material or methods, in construction, remodeling or renovation, contributes to the collapse.

The criteria set forth in **1.a.(1)** through **1.a.(4)** do not limit the coverage otherwise provided under this Coverage Form for the causes of loss listed in **1.b.(1)**, **1.b.(4)** and **1.b.(5)**.

**c.** With respect to the following property:

- (1) outdoor radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers;
- (2) awnings, gutters and downspouts;
- (3) yard fixtures;
- (4) outdoor swimming pools;
- (5) fences;
- (6) piers, wharves and docks;
- (7) beach or diving platforms or appurtenances;
- (8) retaining walls; and
- (9) walks, roadways and other paved surfaces;

if the collapse is caused by a Cause of Loss listed in **b.(2)** through **b.(6)**, we will pay for loss or damage to that property only if:

- (1) such loss or damage is a direct result of the collapse of a building insured under this Coverage Form; and
- (2) the property is Covered Property under this Coverage Form.

**d.** If personal property abruptly falls down or caves in and such collapse is not the result of collapse of a building, we will pay for loss or damage to Covered Property caused by such collapse of personal property only if:

- (1) the collapse was caused by a Cause of Loss listed in **b.(1)** through **b.(6)** above;
- (2) the personal property which collapses is inside a building; and
- (3) the property which collapses is not of a kind listed in **c.** above, regardless of whether that kind of property is considered to be personal property or real property.

The coverage stated in this Paragraph **d.** does not apply to personal property if marring and/or scratching is the only damage to that personal property caused by the collapse.

Collapse of personal property does not mean cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

**e.** This Additional Coverage, Collapse, will not increase the Limits of Insurance provided in this Coverage Part.

## **2. Limited Coverage for "Fungus," Wet Rot, Dry Rot And Bacteria**

**a.** The coverage described in **2.b.** only applies when the "fungus," wet or dry rot or bacteria is the result of one or more of the following causes that occurs during the policy period and only if all reasonable means were used to save and preserve the property from further damage at the time of and after that occurrence.

- (1) a "specified cause of loss" other than fire or lightning; or
- (2) flood, if the Flood Coverage Endorsement applies to the affected premises.

b. We will pay for loss or damage by "fungus," wet or dry rot or bacteria. As used in this Limited Coverage, the term loss or damage means:

- (1) direct physical loss or damage to Covered Property caused by "fungus," wet or dry rot or bacteria, including the cost of removal of the "fungus," wet or dry rot or bacteria;
- (2) the cost to tear out and replace any part of the building or other property as needed to gain access to the "fungus," wet or dry rot or bacteria; and
- (3) the cost of testing performed after removal, repair, replacement or restoration of the damaged property is completed, provided there is a reason to believe that "fungus," wet or dry rot or bacteria are present.

c. The coverage described under 2.b. of this Limited Coverage is limited to \$15,000. Regardless of the number of claims, this limit is the most we will pay for the total of all loss or damage arising out of all occurrences of "specified causes of loss" (other than fire or lightning) and Flood which take place in a 12 month period (starting with the beginning of the present annual policy period). With respect to a particular occurrence of loss which results in "fungus," wet or dry rot or bacteria, we will not pay more than a total of \$15,000 even if the "fungus," wet or dry rot or bacteria continues to be present or active, or recurs, in a later policy period.

d. The coverage provided under this Limited Coverage does not increase the applicable Limit of Insurance on any Covered Property. If a particular occurrence results in loss or damage by "fungus," wet or dry rot or bacteria, and other loss or damage, we will not pay more for the total of all loss or damage than the applicable Limit of Insurance on the affected Covered Property.

If there is covered loss or damage to Covered Property, not caused by "fungus," wet or dry rot or bacteria, loss payment will not be limited by the terms of this Limited Coverage, except to the extent that "fungus," wet or dry rot or bacteria causes an increase in the loss. Any such increase in the loss will be subject to the terms of this Limited Coverage.

e. The terms of this Limited Coverage do not increase or reduce the coverage provided under Paragraph F.6. (Water Damage, Other Liquids, Powder Or Molten Material Damage) of this form or under the Additional Coverage - Collapse.

### 3. Debris Removal

a. Subject to Paragraphs c. and d., we will pay your expense to remove debris of Covered Property caused by or resulting from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the direct physical loss or damage.

b. Debris Removal does not apply to costs to:

- (1) extract "pollutants" from land or water; or
- (2) remove, restore or replace polluted land or water.

c. Subject to the exception in Paragraph d., the following provisions apply:

- (1) The most we will pay for the total of direct physical loss or damage plus debris removal expense is the Limit of Insurance applicable to the Covered Property that has sustained loss or damage.
- (2) Subject to (1) above, the amount we will pay for debris removal expense is limited to 25% of the sum of the deductible plus the amount that we pay for direct physical loss or damage to the Covered Property that has sustained loss or damage.

d. We will pay up to the limit shown for Debris Removal on the Declarations for each location, in any one occurrence of physical loss or damage to Covered Property, if one or both of the following circumstances apply:

- (1) The total of the actual debris removal expense plus the amount we pay for direct physical loss or damage exceeds the Limit of Insurance on the Covered Property that has sustained loss or damage.
- (2) The actual debris removal expense exceeds 25% of the sum of the deductible plus the amount that we pay for direct physical loss or damage to the Covered Property that has sustained loss or damage.

Therefore, if d.(1) and/or d.(2) apply, our total payment for direct physical loss or damage and debris removal expense may reach but will never exceed the Limit of Insurance on the Covered Property that has sustained loss or damage plus the limit shown for Debris Removal on the Declarations for each location in any one occurrence under the Debris Removal Additional Coverage.

**e. Examples**

The following examples assume that there is no coinsurance penalty and the limit shown under Debris Removal Additional Coverage on the Declarations page equals \$10,000.

**Example #1**

Limit of Insurance	\$ 90,000
Amount of Deductible	\$ 500
Amount of Loss	\$ 50,000
Amount of Loss Payable	\$ 49,500
	(\$ 50,000 - \$500)
Debris Removal Expense	\$ 10,000
Debris Removal Expense Payable	\$ 10,000
	(\$ 10,000 is 20% of \$ 50,000)

The debris removal expense is less than 25% of the sum of the loss payable plus the deductible. The sum of the loss payable and the debris removal expense (\$49,500 + \$10,000 = \$59,500) is less

than the Limit of Insurance. Therefore the full amount of debris removal expense is payable in accordance with the terms of Paragraph c.

**Example #2**

Limit of Insurance	\$ 90,000
Amount of Deductible	\$ 500
Amount of Loss	\$ 80,000
Amount of Loss Payable	\$ 79,500
	(\$ 80,000 - \$500)
Debris Removal Expense	\$ 30,000
Debris Removal Expense Payable	\$ 20,500
	Basic Amount \$ 10,500
	Additional Amount \$ 10,000

The basic amount payable for debris removal expense under the terms of Paragraph c. is calculated as follows: \$80,000 (\$79,500 + \$500) x 25% = \$20,000; capped at \$10,500. The cap applies because the sum of the loss payable (\$79,500) and the basic amount payable for debris removal (\$10,500) cannot exceed the Limit of Insurance (\$90,000).

The additional amount payable for debris removal expense is provided in accordance with the terms of Paragraph d., because the debris removal expense (\$30,000) exceeds 25% of the loss payable plus the deductible (\$30,000 is 37.5% of \$80,000), and because the sum of the loss payable and debris removal expense (\$79,500 + \$30,000 = \$109,500) would exceed the Limit of Insurance (\$90,000). The additional amount of covered debris removal expense is limited to \$10,000, which is equal to the limit shown on the Declarations page, as stated under Paragraph d. Thus, the total payable for debris removal expense in this example is \$20,500; \$9,500 of the debris removal expense is not covered.

**4. Fire Department Service Charge**

When the fire department is called to save or protect Covered Property from a Covered Cause of Loss, we will pay up to the limit specified in the Declarations for this Additional Coverage for your liability for fire department service charges:

- a. assumed by contract or agreement prior to loss; or

b. required by local ordinance.

No Deductible applies to this Additional Coverage.

#### 5. Fire Protection Device Recharge

We will pay, up to the limit listed in the Declarations for this Additional Coverage, to recharge or refill your fire protective devices that are permanently installed in buildings at the described premises.

This Additional Coverage only applies when such devices have been discharged while being used to combat a covered fire.

#### 6. Loss Data Preparation

We will pay, up to the limit listed in the Declarations for this Additional Coverage, for reasonable costs you incur in preparing loss data required by policy conditions after a loss covered by this Coverage Part. This includes the cost of taking inventory, making appraisals and preparing other data to determine the extent of your loss. This does not include public adjustors fees.

#### 7. Pollutant Clean Up and Removal

We will pay your expense to extract "pollutants" from land or water at the described premises if the release, discharge, seepage, migration, escape or dispersal of the "pollutants" is caused by or results from a Covered Cause of Loss that occurs during the policy period.

The expenses will be paid only if they are reported to us in writing within 180 days of the date on which the Covered Cause of Loss occurs.

This Additional Coverage does not apply to costs to test for, monitor or assess the existence, concentration or effects of "pollutants." But we will pay for testing which is performed in the course of extracting the "pollutants" from the land or water.

The most we will pay for each location under this Additional Coverage is stated in the Declarations for the sum of all cov-

ered expenses arising out of Covered Causes of Loss occurring during each separate 12 month period of this Policy.

No Deductible applies to this Additional Coverage.

#### 8. Electronic Data

a. Under this Additional Coverage, electronic data has the meaning described under Property Not Covered - Electronic Data.

b. Subject to the provisions of this Additional Coverage, we will pay for the cost to replace or restore electronic data which has been destroyed or corrupted by a Covered Cause of Loss. To the extent that electronic data is not replaced or restored, the loss will be valued at the cost of replacement of the media on which the electronic data was stored, with blank media of substantially identical type.

c. The Covered Causes of Loss applicable to Your Business Personal Property apply to this Additional Coverage - Electronic Data, subject to the following:

(1) Coverage under this Additional Coverage - Electronic Data is limited to the "specified causes of loss" and Collapse as defined in this form.

(2) If the policy is endorsed to add a Covered Cause of Loss, the additional Covered Cause of Loss does not apply to the coverage provided under this Additional Coverage - Electronic Data.

(3) The Covered Causes of Loss include a virus, harmful code or similar instruction introduced into or enacted on a computer system (including electronic data) or a network to which it is connected, designed to damage or destroy any part of the system or disrupt its normal operation. But there is no coverage for loss or damage caused by or resulting from manipulation of a computer system (including electronic data) by any

employee, including a temporary or leased employee, or by an entity retained by you or for you to inspect, design, install, modify, maintain, repair or replace that system.

- d. The most we will pay under this Additional Coverage – Electronic Data is \$2,500 for all loss or damage sustained in any one policy year, regardless of the number of occurrences of loss or damage or the number of premises, locations or computer systems involved. If loss payment on the first occurrence does not exhaust this amount, then the balance is available for subsequent loss or damage sustained in but not after that policy year. With respect to an occurrence which begins in one policy year and continues or results in additional loss or damage in a subsequent policy year(s), all loss or damage is deemed to be sustained in the policy year in which the occurrence began.

## F. Coverage Extensions

Except as otherwise provided, the following Extensions apply to property located in or on the building described in the Declarations or in the open (or in a vehicle) within 1,000 feet of the described premises.

### 1. Newly Acquired or Constructed Property

#### a. Buildings

If this policy covers Building, you may extend that insurance to apply to:

- (1) your new buildings while being built on the described premises; and
- (2) buildings you acquire at locations, other than the described premises, intended for:
  - (a) similar use as the building described in the Declarations; or
  - (b) use as a warehouse.

The most we will pay for loss or damage under this Extension is the Limit of Insurance for this Coverage Extension, shown in the Declarations.

#### b. Your Business Personal Property

- (1) If this policy covers Your Business Personal Property, you may extend that insurance to apply to:
  - (a) Business Personal Property, including such property that you newly acquire, at any location you acquire other than fairs, trade shows or exhibitions;
  - (b) Business Personal Property, including such property that you newly acquire, located at your newly constructed or acquired buildings at the location described in the Declarations; or
  - (c) Business Personal Property, that you newly acquire, located at the described premises.

The most we will pay for loss or damage under this Extension is the Limit of Insurance for this Coverage Extension, shown in the Declarations.

- (2) This extension does not apply to:
  - (a) Personal property of others that is temporarily in your possession in the course of installing or performing work on such property; or
  - (b) Personal property of others that is temporarily in your possession in the course of your manufacturing or wholesaling activities.

#### c. Period of Coverage

With respect to insurance on or at each newly acquired or constructed property, coverage will end when any of the following first occurs:

- (1) this policy expires;

(2) 90 days expire after you acquire the property or begin construction on that part of the building that would qualify as covered property; or

(3) you report values to us.

We will charge you additional premium for values reported from the date construction begins or you acquire the property.

d. If the coverage provided by this extension has expired due to Item c. above, the Limit of Insurance shown in the Declarations for "At Any Other Location" will apply.

## 2. Personal Effects

You may extend the insurance that applies to Your Business Personal Property to apply to personal effects owned by you, your officers, your partners or members, your managers or your employees. This extension does not apply to loss or damage by theft.

The most we will pay for loss or damage under this Extension is stated in the Declarations for this Extension per each described premises. Our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

No Deductible applies to this Coverage Extension.

## 3. Valuable Papers And Records (Other Than Electronic Data)

a. You may extend the insurance that applies to Your Business Personal Property to apply to the cost to replace or restore the lost information on valuable papers and records for which duplicates do not exist. But this Extension does not apply to valuable papers and records which exist as electronic data. Electronic data has the meaning described under Property Not Covered - Electronic Data.

b. Coverage under this Extension is limited to the "specified causes of loss" and Collapse as defined in this form.

c. Under this Extension, the most we will pay to replace or restore the lost information is \$2,500 at each described premises, unless a higher limit is shown in the Declarations. Such amount is additional insurance. We will also pay for the cost of blank material for reproducing the records (whether or not duplicates exist), and (when there is a duplicate) for the cost of labor to transcribe or copy the records. The costs of blank material and labor are subject to the applicable Limit of Insurance on Your Business Personal Property and therefore coverage of such costs is not additional insurance.

## 4. Outdoor Property

You may extend the insurance provided by this Coverage Form to apply to your trees, shrubs and plants (other than "stock" of trees, shrubs or plants), piers, wharves, docks or retaining walls (not attached to buildings), including debris removal expense, caused by or resulting from any of the following causes of loss if they are Covered Causes of Loss:

- a. fire;
- b. lightning;
- c. explosion;
- d. riot or Civil Commotion; or
- e. aircraft.

## 5. Non-Owned Detached Trailers

a. You may extend the insurance that applies to Your Business Personal Property to apply to loss or damage to trailers that you do not own, provided that:

- (1) the trailer is used in your business;
- (2) the trailer is in your care, custody or control at the premises described in the Declarations; and
- (3) you have a contractual responsibility to pay for loss or damage to the trailer.

b. We will not pay for loss or damage that occurs:

(1) While the trailer is attached to any motor vehicle or motorized conveyance, whether or not the motor vehicle or motorized conveyance is in motion;

(2) During hitching or unhitching operations, or when a trailer becomes accidentally unhitched from a motor vehicle or motorized conveyance.

c. The most we will pay for loss or damage under this Extension is \$5,000, unless a higher limit is shown in the Declarations.

d. This insurance is excess over the amount due (whether you can collect on it or not) from any other insurance covering such property.

## 6. Water Damage, Other Liquids, Powder or Molten Material Damage

If loss or damage caused by or resulting from covered water or other liquid, powder or molten material damage loss occurs, we will also pay the cost to tear out and replace any part of the building or structure to repair damage to the system or appliance from which the water or other substance escapes.

## 7. Glass

a. We will pay for expenses incurred to put up temporary plates or board up openings if repair or replacement of damaged glass is delayed.

b. We will pay for expenses incurred to remove or replace obstructions when repairing or replacing glass that is part of a building. This does not include removing or replacing window displays.

Each of these Extensions is additional insurance, except for **6. Water Damage, Other Liquids, Powder or Molten Material Damage** and **7. Glass**.

Payments under the following Extensions will not increase the applicable limit of insurance:

(1) **Water Damage, Other Liquids, Powder or Molten Material Damage**

(2) **Glass.**

The **Additional Condition, Coinsurance**, does not apply to these Extensions.

## G. Limits of Insurance

The most we will pay for loss or damage in any one occurrence is the applicable Limit of Insurance shown in the Declarations.

The limits applicable to the Coverage Extensions and the Fire Department Service Charge and Pollutant Clean Up and Removal Additional Coverages are in addition to the Limits of Insurance.

## H. Deductible

In any one occurrence of loss or damage (hereinafter referred to as loss), we will first reduce the amount of loss if required by a Coinsurance Condition. If the adjusted amount of loss is less than or equal to the Deductible, we will not pay for that loss. If the adjusted amount of loss exceeds the Deductible, we will then subtract the Deductible from the adjusted amount of loss, and will pay the resulting amount or the Limit of Insurance, whichever is less.

When the occurrence involves loss to more than one item of Covered Property and separate Limits of Insurance apply, the losses will not be combined in determining application of the Deductible. But the Deductible will be applied only once per occurrence.

## I. Optional Coverages

### 1. Inflation Guard

a. The Limit of Insurance for property to which this Optional Coverage applies will automatically increase by the annual percentage shown in the Declarations.

b. The amount of increase will be:

- (1) the Limit of Insurance that applied on the most recent of the policy inception date, the policy anniversary date, or any other policy change amending the Limit of Insurance, times
- (2) the percentage of annual increase shown in the Declarations expressed as a decimal (example 8% is .08), times
- (3) the number of days since the beginning of the current policy year or the effective date of the most recent policy change amending the Limit of Insurance, divided by 365.

zoning or land use requirements at the described premises; and

- (b) is in force at the time of loss.

But coverage under this Optional Coverage applies only in response to the minimum requirements of the ordinance or law. Losses and costs incurred in complying with recommended actions or standards that exceed actual requirements are not covered under this Optional Coverage.

**Example:**

If: The applicable Limit of Insurance is \$100,000  
 and the annual percentage increase is 8%  
 The number of days since the beginning of the policy year (or last change) is 146  
 The amount of increase is \$100,000 X .08  
 X 146 ÷ 365 = \$3,200

- (2) (a) The building sustains direct physical damage that is covered under this policy and such damage results in enforcement of the ordinance or law; or

- (b) The building sustains both direct physical damage that is covered under this policy and direct physical damage that is not covered under this policy, and the building damage in its entirety results in enforcement of the ordinance or law.

**2. Ordinance or Law**

- a. Each of the Coverages – Coverage A, Coverage B and Coverage C – applies only if that Coverage(s) is chosen by entry in the Declarations and then only with respect to the Building property identified for that Coverage(s) in the Declarations.

**b. Application of Coverage**

The coverage provided by this Optional Coverage applies only if both (1) and (2) are satisfied and then subject to the qualifications set forth in (3).

- (1) The ordinance or law:
  - (a) regulates the demolition, construction or repair of buildings, or establishes

- (c) But if the building sustains direct physical damage that is not covered under this policy, and such damage is the subject of the ordinance or law, then there is no coverage under this Optional Coverage even if the building has also sustained covered direct physical damage.

- (3) In the situation described in (2)(b) above, we will not pay the full amount of loss otherwise payable under the terms of Coverages A, B and/or C of this Optional Coverage. Instead, we will pay a proportion of such loss; meaning the proportion that the covered direct physical damage bears to the total direct physical damage.

However, if the covered direct physical damage, alone, would have resulted in enforcement of the ordinance or law, then we will pay the full amount of loss otherwise payable under the terms of Coverages A, B and/or C of this Optional Coverage.

c. We will not pay under Coverages A, B and/or C of this Optional Coverage for:

- (1) Enforcement of any ordinance or law which requires the demolition, repair, replacement, reconstruction, remodeling or remediation of property due to contamination by "pollutants" or due to the presence, growth, proliferation, spread or any activity of "fungus," wet or dry rot or bacteria; or
- (2) The costs associated with the enforcement of any ordinance or law which requires any Insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants," "fungus," wet or dry rot or bacteria.

d. Coverage

**(1) Coverage A - Coverage for Loss to the Undamaged Portion of the Building**

With respect to the building that has sustained covered direct physical damage, we will pay under Coverage A for the loss in value of the undamaged portion of the building as a consequence of enforcement of an ordinance or law that requires demolition of undamaged parts of the same building.

Coverage A is included within the Limit of Insurance shown in the Declarations as applicable to the covered building. Coverage A does not increase the Limit of Insurance.

**(2) Coverage B - Demolition Cost Coverage**

With respect to the building that has sustained covered direct physical damage, we will pay the cost to demolish and clear the site of undamaged parts of the same building, as a consequence of enforcement of an ordinance or law that requires demolition of such undamaged property.

If attached, the Coinsurance Additional Condition Endorsement does not apply to Demolition Cost Coverage.

**(3) Coverage C - Increased Cost of Construction Coverage**

(a) With respect to the building that has sustained covered direct physical damage, we will pay the increased cost to:

- (i) repair or reconstruct damaged portions of that Building property; and/or
- (ii) reconstruct or remodel undamaged portions of that Building property, whether or not demolition is required;

when the increased cost is a consequence of enforcement of the minimum requirements of the ordinance or law.

However:

- (i) This coverage applies only if the restored or remodeled property is intended for similar occupancy as the current property, unless such occupancy is not permitted by zoning or land use ordinance or law.

- (ii) We will not pay for the increased cost of construction if the building is not repaired, reconstructed or remodeled.

If attached, the Coinsurance Additional Condition Endorsement, does not apply to Increased Cost of Construction Coverage.

- (b) When a building is damaged or destroyed and Coverage C applies to that building in accordance with (3)(a) above, coverage for the increased cost of construction also applies to repair or reconstruction of the following, subject to the same conditions stated in (3)(a):

- (i) the cost of excavations, grading, backfilling and filling;
- (ii) foundation of the building;
- (iii) pilings; and
- (iv) underground pipes, flues and drains.

The items listed in (b)(i) through (b)(iv) above are deleted from Property Not Covered, but only with respect to the coverage described in this Provision (3)(b).

#### e. Loss Payment

- (1) All following loss payment Provisions e.(2) through e.(4), are subject to the apportionment procedures set forth in Section b.(3) of this Optional Coverage.
- (2) When there is a loss in value of an undamaged portion of a building, to which Coverage A applies, the loss payment for that building, including damaged and undamaged portions, will be determined as follows:

- (a) If the replacement cost valuation applies, and the property is being repaired or replaced, on the same or another premises, we will not pay more than the lesser of:

- (i) the amount you would actually spend to repair, rebuild or reconstruct the Building property, but not for more than the amount it would cost to restore the Building property on the same premises and to the same height, floor area, style and comparable quality of the original property insured; or

- (ii) the Limit of Insurance shown in the Declarations as applicable to the covered Building property.

- (b) If the replacement cost valuation applies and the property is not repaired or replaced, or if the replacement cost valuation does not apply, we will not pay more than the lesser of:

- (i) the actual cash value of the Building property at the time of loss; or

- (ii) the Limit of Insurance shown in the Declarations as applicable to the covered Building property.

- (3) Loss payment under Coverage B Demolition Cost Coverage will be determined as follows:

We will not pay more than the lesser of the following:

- (a) the amount you actually spend to demolish and clear the site of the described premises; or

(b) the applicable Limit of Insurance shown for Coverage B in the Declarations.

(4) Loss payment under Coverage C - Increased Cost of Construction Coverage will be determined as follows:

(a) We will not pay under Coverage C:

(i) until the property is actually repaired or replaced, at the same or another premises; and

(ii) unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not to exceed two years. We may extend this period in writing during the two years.

(b) If the building is repaired or replaced at the same premises, or if you elect to rebuild at another premises, the most we will pay under Coverage C is the lesser of:

(i) the increased cost of construction at the same premises; or

(ii) the applicable Limit of Insurance shown for Coverage C in the Declarations.

(c) If the ordinance or law requires relocation to another premises, the most we will pay under Coverage C is the lesser of:

(i) the increased cost of construction at the new premises; or

(ii) the applicable Limit of Insurance shown for Coverage C in the Declarations.

f. Under this Optional Coverage we will not pay for loss due to any ordinance or law that:

(1) you were required to comply with before the loss, even if the building was undamaged; and

(2) you failed to comply with.

### 3. Utility Services

#### a. Coverage

We will pay for loss of or damage to Covered Property described in the Declarations, caused by the interruption of service to the described premises. The interruption must result from direct physical loss or damage by a Covered Cause of Loss to the following property, not on the described premise.

#### b. Exception

Coverage under this Optional Coverage does not apply to loss or damage to electronic data, including destruction or corruption of electronic data. The term electronic data has the meaning set forth in this coverage form.

#### c. Utility Services

(1) **Water Supply Services**, meaning the following types of property supplying water to the described premises:

(a) pumping stations; and

(b) water mains.

(2) **Communication Supply Services**, meaning property supplying communication services, including telephone, radio, microwave or television services to the described premises, such as:

(a) communication transmission lines, including optic fiber transmission lines;

(b) coaxial cables; and

(c) microwave radio relays except satellites.

(3) **Power Supply Services**, meaning the following types of property supplying electricity, steam or gas to the described premises:

- (a) utility generating plants;
- (b) switching stations;
- (c) substations;
- (d) transformers; and
- (e) transmission lines.

b. The Utility Services Limit of Insurance as shown on the Declarations is part of, not in addition to, the Limit of Insurance stated in the Declarations, as applicable to the Covered Property.

#### J. Definitions

1. **"Fungus"** means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.
2. **"Pollutants"** means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.
3. **"Stock"** means merchandise held in storage or for sale, raw materials and in-process or finished goods, including supplies used in their packing or shipping.

4. **"Specified Causes of Loss"** means the following: Fire; lightning; explosion; wind-storm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire extinguishing equipment; sink-hole collapse; volcanic action; falling objects; weight of snow, ice or sleet; water damage.

a. Sinkhole collapse means the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or dolomite. This cause of loss does not include:

(1) the cost of filling sinkholes; or

(2) sinking or collapse of land into man-made underground cavities.

b. Falling objects does not include loss or damage to:

(1) personal property in the open; or

(2) the interior of a building or structure, or property inside a building or structure unless the roof or an outside wall of the building or structure is first damaged by a falling object.

c. Water damage means accidental 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 (other than a sump system including its related equipment and parts) containing water or steam.



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SB 87 23  
(Ed. 07 02)

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

**SELECT BUSINESS POLICY - COINSURANCE**

This endorsement modifies insurance provided under the following:

- SELECT BUSINESS POLICY BUILDING AND PERSONAL PROPERTY COVERAGE FORM
- SELECT BUSINESS POLICY BUSINESS INCOME WITH EXTRA EXPENSE COVERAGE FORM
- SELECT BUSINESS POLICY BUSINESS INCOME WITHOUT EXTRA EXPENSE COVERAGE

The following condition applies in addition to the **Common Policy Conditions** and the **Select Business Policy Conditions**.

**A. Coinsurance**

1. If a Coinsurance percentage is shown in the Declarations for Building, Personal Property or Personal Property of Others, the following condition applies:
  - a. We will not pay the full amount of any loss if the value of Covered Property at the time of loss times the Coinsurance percentage shown for it in the Declarations is greater than the Limit of Insurance for the property.

Instead, we will determine the most we will pay using the following steps:

- (1) multiply the value of Covered Property at the time of loss by the Coinsurance percentage;
- (2) divide the Limit of Insurance of the property by the figure determined in Step (1);
- (3) multiply the total amount of loss, before the application of any deductible, by the figure determined in Step (2); and
- (4) subtract the deductible from the figure determined in Step (3).

The most we will pay is the amount determined in Step (4) or the Limit of Insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

**Example No. 1 (Underinsurance)**

When:

The value of the property is	\$ 250,000
The Coinsurance percentage for it is	80%
The Limit of Insurance for it is	\$ 100,000
The deductible is	\$ 250
The amount of loss is	\$ 40,000

- Step (1): \$ 250,000 x 80% = \$ 200,000 (the minimum amount of insurance to meet your Coinsurance requirements)  
 Step (2): \$ 100,000 ÷ \$ 200,000 = .50  
 Step (3): \$ 40,000 x .50 = \$ 20,000  
 Step (4): \$ 20,000 - \$ 250 = \$ 19,750.

We will pay no more than \$ 19,750. The remaining \$ 20,250 is not covered.

**Example No. 2 (Adequate Insurance)**

When:

The value of the property is	\$ 250,000
The Coinsurance percentage for it is	80%
The Limit of Insurance for it is	\$ 200,000
The deductible is	\$ 250
The amount of loss is	\$ 40,000

The minimum amount of insurance to meet your Coinsurance requirement is \$ 200,000 (\$ 250,000 x 80%). Therefore, the Limit of Insurance in this Example is adequate and no penalty applies. We will pay no more than \$ 39,750 (\$ 40,000 amount of loss minus the deductible of \$250).

2. If one Limit of Insurance applies to two or more separate items, this condition will apply to the total of all property to which the limit applies.

**Example No. 3**

When:

The value of the property is	
Bldg at Location No. 1	\$ 75,000
Bldg at Location No. 2	\$ 100,000
Personal Property at Location No. 2	\$ 75,000
	<u>\$ 250,000</u>
The Coinsurance percentage for it is	90%
The Limit of Insurance for Buildings and Personal Property at Locations Nos. 1 and 2 is	\$ 180,000
The deductible is	\$ 1,000
The amount of loss is	
Bldg. at Location No. 2	\$ 30,000
Personal Property at Location No. 2	\$ 20,000
	<u>\$ 50,000</u>

- Step (1): \$ 250,000 x 90% = \$ 225,000 (the minimum amount of insurance to meet your Coinsurance requirements and to avoid the penalty shown below)  
 Step (2): \$ 180,000 ÷ \$ 225,000 = .80  
 Step (3): \$ 50,000 x .80 = \$ 40,000  
 Step (4): \$ 40,000 - \$ 1,000 = \$ 39,000.

We will pay no more than \$ 39,000. The remaining \$ 11,000 is not covered.

3. If a coinsurance percentage is shown in the Declarations for Business Income, the following condition applies:

a. We will not pay the full amount of any loss if the Limit of Insurance for Business Income is less than:

(1) the Coinsurance percentage shown for Business Income in the Declarations; times

(2) the sum of:

(a) the Net Income (Net profit or Loss before income taxes), and

(b) operating expenses, including payroll expenses,

that would have been earned or incurred (had no loss occurred) by your "operations" at the described premises for the 12 months following the inception, or last previous anniversary date, of this policy (whichever is later).

Instead, we will determine the most we will pay using the following steps:

(1) multiply the Net Income and operating expense for the 12 months following the inception, or last previous anniversary date, of this policy by the Coinsurance percentage;

(2) divide the Limit of Insurance for the described premises by the figure determined in Step (1); and

(3) multiply the total amount of loss by the figure determined in Step (2).

We will pay no more than the amount determined in Step (3) or the Limit of Insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

In determining operating expenses for the purpose of applying the Coinsurance condition, the following expenses, if applicable, shall be deducted from the total of all operating expenses:

(a) prepaid freight – outgoing;

(b) returns and allowances;

(c) discounts;

(d) bad debts;

(e) collection expenses;

(f) cost of raw stock and factory supplies consumed (including transportation charges);

(g) cost of merchandise sold (including transportation charges);

(h) cost of other supplies consumed (including transportation charges);

(i) cost of services purchased from outsiders (not employees) to resell, that do not continue under contract;

(j) power, heat and refrigeration expenses that do not continue under contract (if form CP 15 11 is attached);

- (k) all ordinary payroll expenses or the amount of payroll expense excluded (if form CP 15 10 is attached); and
- (l) special deductions for mining properties (royalties unless specifically included in coverage; actual depletion commonly known as unit or cost depletion – no percentage depletion; welfare and retirement fund charges based on tonnage; hired trucks).

**Example No. 1 (Underinsurance):**

When: The Net Income and operating expenses for the 12 months following the inception, or last previous anniversary date, of this policy at the described premises would have been

	\$ 400,000
The Coinsurance percentage is	50%
The Limit of Insurance is	\$ 150,000
The amount of loss is	\$ 80,000

Step (1):  $\$ 400,000 \times 50\% = \$ 200,000$  (the minimum amount of insurance to meet your Coinsurance requirements)

Step (2):  $\$ 150,000 \div \$ 200,000 = .75$

Step (3):  $\$ 80,000 \times .75 = \$ 60,000$

We will pay no more than \$ 60,000. The remaining \$ 20,000 is not covered.

**Example No. 2 (Adequate Insurance):**

When: The Net Income and operating expenses for the 12 months following the inception, or last previous anniversary date, of this policy at the described premises would have been

	\$ 400,000
The Coinsurance percentage is	50%
The Limit of Insurance is	\$ 200,000
The amount of loss is	\$ 80,000

The minimum amount of insurance to meet your Coinsurance requirement is \$ 200,000 ( $\$ 400,000 \times 50\%$ ). Therefore, the Limit of Insurance in this Example is adequate and no penalty applies. We will pay no more than \$ 80,000 (amount of loss).