



# Lloyd's Certificate

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## Certificate

of

Vikco Insurance Services, Inc.

(hereinafter called "Correspondent")

Evidencing Placement of Insurance with certain

UNDERWRITERS AT LLOYD'S, LONDON

**Correspondent** hereby certifies that insurance as described herein has been effected with certain Underwriters at Lloyd's, London.

Such insurance has been placed in accordance with the limited authorization granted to the Correspondent by certain Underwriters at Lloyd's, London, whose syndicate numbers and the proportions underwritten by them can be ascertained from the office of the said Correspondent (such Underwriters being hereinafter called "Underwriters") and in consideration of the premium specified herein, Underwriters have agreed to bind themselves severally and not jointly each for his own part and not one for another, their Executors and Administrators.

**The Assured** is requested to read this Certificate and if it is not correct, return it immediately to the Correspondent for appropriate alteration.

All inquiries regarding this Certificate should be addressed to the following Correspondent:

Vikco Insurance Services,  
Inc. 318 Diablo Rd., Ste 260  
Danville, CA 94526  
Phone: (925) 743-9100  
Fax: (925) 648-0511

**NOTICE:**

- 1. THE INSURANCE POLICY THAT YOU HAVE PURCHASED IS BEING ISSUED BY AN INSURER THAT IS NOT LICENSED BY THE STATE OF CALIFORNIA. THESE COMPANIES ARE CALLED "NONADMITTED" OR "SURPLUS LINE" INSURERS.**
- 2. THE INSURER IS NOT SUBJECT TO THE FINANCIAL SOLVENCY REGULATION AND ENFORCEMENT THAT APPLY TO CALIFORNIA LICENSED INSURERS.**
- 3. THE INSURER DOES NOT PARTICIPATE IN ANY OF THE INSURANCE GUARANTEE FUNDS CREATED BY CALIFORNIA LAW. THEREFORE, THESE FUNDS WILL NOT PAY YOUR CLAIMS OR PROTECT YOUR ASSETS IF THE INSURER BECOMES INSOLVENT AND IS UNABLE TO MAKE PAYMENTS AS PROMISED.**
- 4. THE INSURER SHOULD BE LICENSED EITHER AS A FOREIGN INSURER IN ANOTHER STATE IN THE UNITED STATES OR AS A NON-UNITED STATES (ALIEN) INSURER. YOU SHOULD ASK QUESTIONS OF YOUR INSURANCE AGENT, BROKER, OR "SURPLUS LINE" BROKER OR CONTACT THE CALIFORNIA DEPARTMENT OF INSURANCE AT THE FOLLOWING TOLL-FREE TELEPHONE NUMBER 1-800-927-4357. ASK WHETHER OR NOT THE INSURER IS LICENSED AS A FOREIGN OR NON-UNITED STATES (ALIEN) INSURER AND FOR ADDITIONAL INFORMATION ABOUT THE INSURER. YOU MAY ALSO CONTACT THE NAIC'S INTERNET WEB SITE AT [WWW.NAIC.ORG](http://WWW.NAIC.ORG).**
- 5. FOREIGN INSURERS SHOULD BE LICENSED BY A STATE IN THE UNITED STATES AND YOU MAY CONTACT THAT STATE'S DEPARTMENT OF INSURANCE TO OBTAIN MORE INFORMATION ABOUT THAT INSURER**
- 6. FOR NON-UNITED STATES (ALIEN) INSURERS, THE INSURER SHOULD BE LICENSED BY A COUNTRY OUTSIDE OF THE UNITED STATES AND SHOULD BE ON THE NAIC'S INTERNATIONAL INSURERS DEPARTMENT (IID) LISTING OF APPROVED NONADMITTED NON-UNITED STATES INSURERS. ASK YOUR AGENT, BROKER, OR "SURPLUS LINE" BROKER TO OBTAIN MORE INFORMATION ABOUT THAT INSURER.**
- 7. CALIFORNIA MAINTAINS A LIST OF APPROVED SURPLUS LINE INSURERS. ASK YOUR AGENT OR BROKER IF THE INSURER IS ON THAT LIST, OR VIEW THAT LIST AT THE INTERNET WEB SITE OF THE CALIFORNIA DEPARTMENT OF INSURANCE: [WWW.INSURANCE.CA.GOV](http://WWW.INSURANCE.CA.GOV).**
- 8. IF YOU, AS THE APPLICANT, REQUIRED THAT THE INSURANCE POLICY YOU HAVE PURCHASED BE BOUND IMMEDIATELY, EITHER BECAUSE EXISTING COVERAGE WAS GOING TO LAPSE WITHIN TWO BUSINESS DAYS OR BECAUSE YOU WERE REQUIRED TO HAVE COVERAGE WITHIN TWO BUSINESS DAYS, AND DID NOT RECEIVE THIS DISCLOSURE FORM AND A REQUEST FOR YOUR SIGNATURE UNTIL AFTER COVERAGE BECAME EFFECTIVE, YOU HAVE THE RIGHT TO CANCEL THIS POLICY WITHIN FIVE DAYS OF RECEIVING THIS DISCLOSURE. IF YOU CANCEL COVERAGE, THE PREMIUM WILL BE PRORATED AND ANY BROKER'S FEE CHARGED FOR THIS INSURANCE WILL BE RETURNED TO YOU.**

## CERTIFICATE PROVISIONS

- 1. Signature Required.** This Certificate shall not be valid unless signed by the Correspondent on the attached Declaration Page.
- 2. Correspondent Not Insurer.** The Correspondent is not an Insurer of the insurance described herein and neither is nor shall be liable for any loss or claim whatsoever. The Insurers of such insurance are those Underwriters at Lloyd's, London, whose names can be ascertained as hereinbefore set forth. As used in this Certificate "Underwriters" shall be deemed to include incorporated as well as unincorporated persons or entities that are Underwriters at Lloyd's, London.
- 3. Cancellation.** If the insurance described herein provides for cancellation and if said insurance is cancelled after the inception date, earned premium must be paid for the time the insurance has been in force.
- 4. Service of Suit Clause.** In the event of the failure of Underwriters to pay any amount claimed to be due under the insurance described herein, Underwriters have agreed that, at the request of the Assured, they will submit to the jurisdiction of a Court of competent jurisdiction within the United States. Nothing in this Clause constitutes or should be understood to constitute a waiver of Underwriters' rights to commence an action in any Court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer of a case to another Court as permitted by the laws of the United States or of any State in the United States. In any suit instituted against any one of them upon the insurance described herein, Underwriters have agreed to abide by the final decision of such Court or of any Appellate Court in the event of an appeal.

Underwriters have further agreed that service of process in such suit may be made upon the firm or person named in item 11 on the attached Declaration Page. Underwriters have agreed that such firm or person is authorized and directed to accept service of process on behalf of Underwriters in any such suit and/or upon the request of the Assured to give a written undertaking to the Assured that they will enter a general appearance upon Underwriters' behalf in the event that such a suit shall be instituted.

Further, pursuant to any statute of any state, territory or district of the United States which makes provision there for, Underwriters have designated the Superintendent, Commissioner or Director of Insurance or other officer specified for that purpose in the statute, or his successors in office, as their true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Assured or any beneficiary arising out of the insurance described herein, and have designated the above-mentioned as the person to whom the said officer is authorized to mail such process or true copy thereof.

- 5. Assignment.** The insurance described herein shall not be assigned either in whole or in part without the written consent of the Correspondent endorsed hereon.
- 6. Attached Conditions Incorporated.** The insurance described in this Certificate is subject to all provisions, conditions and warranties set forth herein, attached, or endorsed, all of which are to be considered incorporated herein as further descriptive of the insurance the placement of which is evidenced by this Certificate.
- 7. Short Rate Cancellation.** If the attached provisions provide for cancellation, the table below will be used to calculate the short rate proportion of the premium when applicable under the terms of cancellation. Premiums for cancellations pursuant to Paragraph 6 of the Notice on page 1 of this Certificate will be prorated.

## Short Rate Cancellation Table for Term of One Year

| Days Insurance in Force | Per Cent of One Year Premium | Days Insurance in Force | Per Cent of One Year Premium | Days Insurance in Force | Per Cent of One Year Premium | Days Insurance in Force | Per Cent of One Year Premium |
|-------------------------|------------------------------|-------------------------|------------------------------|-------------------------|------------------------------|-------------------------|------------------------------|
| 1                       | 5                            | 66-69                   | 29                           | 154-156                 | 53                           | 256-260                 | 77                           |
| 2                       | 6                            | 70-73                   | 30                           | 157-160                 | 54                           | 261-264                 | 78                           |
| 3-4                     | 7                            | 74-76                   | 31                           | 161-164                 | 55                           | 265-269                 | 79                           |
| 5-6                     | 8                            | 77-80                   | 32                           | 165-167                 | 56                           | 270-273 (9 mos)         | 80                           |
| 7-8                     | 9                            | 81-83                   | 33                           | 168-171                 | 57                           | 274-278                 | 81                           |
| 9-10                    | 10                           | 84-87                   | 34                           | 172-175                 | 58                           | 279-282                 | 82                           |
| 11-12                   | 11                           | 88-91 (3 mos)           | 35                           | 176-178                 | 59                           | 283-287                 | 83                           |
| 13-14                   | 12                           | 92-94                   | 36                           | 179-182 (6 mos)         | 60                           | 288-291                 | 84                           |
| 15-16                   | 13                           | 95-98                   | 37                           | 183-187                 | 61                           | 292-296                 | 85                           |
| 17-18                   | 14                           | 99-102                  | 38                           | 188-191                 | 62                           | 297-301                 | 86                           |
| 19-20                   | 15                           | 103-105                 | 39                           | 192-196                 | 63                           | 302-305 (10 mos)        | 87                           |
| 21-22                   | 16                           | 106-109                 | 40                           | 197-200                 | 64                           | 306-310                 | 88                           |
| 23-25                   | 17                           | 110-113                 | 41                           | 201-205                 | 65                           | 311-314                 | 89                           |
| 26-29                   | 18                           | 114-116                 | 42                           | 206-209                 | 66                           | 315-319                 | 90                           |
| 30-32 (1 mos)           | 19                           | 117-120                 | 43                           | 210-214                 | 67                           | 320-323                 | 91                           |
| 33-36                   | 20                           | 121-124 (4 mos)         | 44                           | 215-218                 | 68                           | 324-328                 | 92                           |
| 37-40                   | 21                           | 125-127                 | 45                           | 219-223                 | 69                           | 329-332                 | 93                           |
| 41-43                   | 22                           | 128-131                 | 46                           | 224-228                 | 70                           | 333-337 (11 mos)        | 94                           |
| 44-47                   | 23                           | 132-135                 | 47                           | 229-232                 | 71                           | 338-342                 | 95                           |
| 48-51                   | 24                           | 136-138                 | 48                           | 233-237                 | 72                           | 343-346                 | 96                           |
| 52-54                   | 25                           | 139-142                 | 49                           | 238-241                 | 73                           | 347-351                 | 97                           |
| 55-58                   | 26                           | 143-146                 | 50                           | 242-246 (8 mos)         | 74                           | 352-355                 | 98                           |
| 59-62 (2 mos)           | 27                           | 147-149                 | 51                           | 247-250                 | 75                           | 356-360                 | 99                           |
| 63-65                   | 28                           | 150-153 (5 mos)         | 52                           | 251-255                 | 76                           | 361-365 (12 mos)        | 100                          |

Rules applicable to insurance with terms less than or more than one year:

- A. If insurance has been in force for one year or less, apply the short rate table for annual insurance to the full annual premium determined as for insurance written for a term of one year.
- B. If insurance has been in force for more than one year:
  1. Determine full annual premium as for insurance written for a term of one year.
  2. Deduct such premium from the full insurance premium, and on the remainder calculate the pro rata earned premium on the basis of the ratio of the length of time beyond one year the insurance has been in force to the length of time beyond one year for which the policy was written.
  3. Add premium produced in accordance with items (1) and (2) to obtain earned premium during full period insurance has been in force.
8. The Certificate is intended for use as evidence of the placement of the insurance described herein, in accordance with Section 1764 of the California Insurance Code.

# POLICY DECLARATIONS

## PREMIUM SUMMARY

Named Insured and Mailing Address:  
Crown Harbor HOA  
c/o Associa Northern California  
2247 National Ave  
Hayward, CA 94545

*certain Underwriters at Lloyd's, London*  
*c/o Vikco Insurance Services, LLC*  
*318 Diablo Rd., Ste 260*  
*Danville, CA 94526*

Policy Number: VDL711053

Producer:  
AmWINS Insurance Brokerage of California, LLC  
140 New Montgomery Suite 1600  
San Francisco, CA 94105

Effective Date: 06/13/2017

Issued by the insurance company indicated below,  
herein called the company.

*certain Underwriters at Lloyd's, London*  
Authority Reference No.:

### Policy Period

From: June 13, 2017 To: June 13, 2018

12:01 A.M. standard time at the Named Insured's mailing address shown above.

Notice of Cancellation Conditions: 60/10 days

### Premium Payment

The first Named Insured shown in the declarations is responsible for the payment of all premiums and will be the payee for any return premiums we pay.

In return for the payment of the premium and subject to all the terms and conditions of the policy, we agree with you to provide the insurance as stated in the policy. The premium is due and payable at inception.

| Coverage   | Premium      |
|--|--------------|
| Premium  | \$ 80,000.00 |
| Total Premium  | \$ 80,000.00 |
| Taxes and Surcharges                                 | \$ 2,571.20  |
| Catastrophe Analysis Fee (fully earned at inception) | \$ 175.00    |
| Policy Fee (fully earned at inception)               | \$ 175.00    |
| Inspection Fee (fully earned at inception)           | \$           |
| Total Amount Payable                                 | \$ 82,921.20 |
| Minimum Retained Premium                             | 25%          |

# POLICY DECLARATIONS

## INSURING AGREEMENT

Named Insured and Mailing Address:  
Crown Harbor HOA  
c/o Associa Northern California  
2247 National Ave  
Hayward, CA 94545

*certain Underwriters at Lloyd's, London  
c/o Vikco Insurance Services, LLC  
318 Diablo Rd., Ste 260  
Danville, CA 94526*

Producer:  
AmWINS Insurance Brokerage of California, LLC  
140 New Montgomery Suite 1600  
San Francisco, CA 94105

Policy Number: VDL711053

Effective Date: 06/13/2017

Issued by the insurance company indicated below,  
herein called the company.

*certain Underwriters at Lloyd's, London  
Authority Reference No.: B0621F33089115*

### Policy Period

Insurance is issued by the company in consideration of payment of the required premium.

This policy is issued for the period 12:01 AM standard time at the Named Insured's mailing address shown above.

From: June 13, 2017 To: June 13, 2018

This Insuring Agreement together with the Premium Summary, Forms and Endorsements List, Declarations, Contracts, and Endorsements comprise this policy. Insurance is provided at those locations and for those coverages and Limits of Insurance shown in the Declarations and Statement of Values. Extensions of coverage, Sub-limits of Insurance and deductibles are listed in the Declarations. Endorsements may contain separate deductibles and limits or sub-limits of insurance.

Certain words and phrases in this policy have specific meaning. The meaning of such words and phrases are found in the Definitions section of the Difference In Conditions Coverage Form. Definitions that apply to individual forms or endorsements will be noted in a definitions section in those forms and endorsements. These definitions apply to the entire policy and any endorsements to it. Titles of the various paragraphs of this policy and of endorsements attached to the policy are inserted solely for convenience or reference and shall not be deemed in any way to limit or affect provisions to which they relate.

You are presumed to have actually read this policy and understood its terms, whether this is the first policy year or a renewal of a prior policy. Please review the entire policy immediately and contact us or your agent or broker with any questions you may have.

# POLICY DECLARATIONS

## FORMS AND ENDORSEMENTS

**Named Insured:** Crown Harbor HOA

**Policy Number:** VDL711053

**Effective Date:** 06/13/2017

The following policy forms and endorsements have been attached to and made a part of the policy.

| FORM NAME   | FORM NUMBER  | EDITION DATE |
|---|--------------|--------------|
| SLC-3 (COR)   | LMA3102      | 07/2011      |
| Policy Declarations   | VIS-DEC      | 04/2015      |
| Signature Page  | VIS-SIG      | 04/2015      |
| Schedule of Named Insured(s)  | VIS-SNI      | 04/2015      |
| Schedule of Additional Interests  | VIS-SAI      | 04/2015      |
| California Changes - Cancellation and Nonrenewal  | VIS-CCC      | 04/2015      |
| U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") Advisory Notice to Policyholders | VIS-OFAC     | 04/2015      |
| Exclusion of Certified Acts of Terrorism  | VIS-EXCAT    | 04/2015      |
| Surplus Lines Notice  | LSW1147D     | 11/2007      |
| Lloyd's Privacy Policy Statement  | LSW1135B     | 06/2003      |
| U.S. Terrorism Risk Insurance Act of 2002 as amended Not Purchased Clause                             | LMA5219      | 01/2015      |
| Service of Suit Clause  | LMA5020      | 09/2005      |
| Small Additional or Return Premiums Clause  | NMA1168      | 12/1999      |
| Biological or Chemical Materials Exclusion  | NMA2962      | 02/2003      |
| Microorganism Exclusion (Absolute)  | LMA5018      | 09/2005      |
| War and Civil War Exclusion Clause  | NMA464       | 01/1938      |
| Several Liability Notice  | LSW1001      | 08/1994      |
| Radioactive Contamination Exclusion Clause  | NMA1191      | 05/1959      |
| Terrorism Exclusion Endorsement   | NMA2920      | 10/2001      |
| Nuclear Incident Exclusion  | NMA1256      | 03/1960      |
| Electronic Data Recognition Exclusion (EDRE)  | NMA2802      | 12/1997      |
| Land, Water and Air Exclusion Etc.  | NMA2340      | 11/1988      |
| Asbestos Endorsement  | LMA5019      | 09/2005      |
| Electronic Data Endorsement B   | NMA2915      | 01/2001      |
| Amended Notice of Cancellation  | VIS-ANOC     | 04/2015      |
| Deletion of Exclusion for Foundations, Machinery & Boilers  | VIS-XFMB     | 04/2015      |
| Deletion of Exclusion for Pipes, Flues or Drains  | VIS-XPFD     | 04/2015      |
| Difference in Conditions Coverage   | VIS-DIC      | 04/2015      |
| Limited Coverage - Landscape  | VIS-LC-LSCPE | 04/2015      |
| Limited Coverage - Paved Surfaces   | VIS-LC-PS    | 04/2015      |
| Ordinance or Law Coverage   | VIS-OL       | 04/2015      |

|                       |          |         |
|-----------------------|----------|---------|
| Total Flood Exclusion | VIS-FLEX | 04/2015 |
|-----------------------|----------|---------|



## DECLARATIONS

### A. LIMITS OF INSURANCE

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

1. Limit of Insurance, any one "loss occurrence": \$5,000,000 part of \$5,000,000 (being 100%)

In no event will our liability exceed this limit for any one "loss occurrence", regardless of the number of coverages, causes of loss or locations involved, and regardless of any additional coverages provided under this policy.

Limit of Insurance, as respects "Earthquake Shock": \$5,000,000 part of \$5,000,000 (being 100%)

Limit of Insurance, All Other Covered Causes of Loss: \$5,000,000 part of \$5,000,000 (being 100%)

This policy will not pay more than the Limit of Insurance for the Causes of Loss listed above during the Policy Period, regardless of the number of "loss occurrences".

a. Sub-limits of Insurance

- Building Ordinance / ICC / DEMO, sub-limit: \$2,885,214 ICC and DEMO (collectively)

This policy will not pay more than the Sublimit of Insurance for the Causes of Loss listed above during the policy period, regardless of the number of "loss occurrences".

2. The premium for this policy is based upon the Schedule of Locations and Values or Statement of Values attached. In the event of loss hereunder, our liability is limited to the least of the following:

- a. The actual adjusted amount of loss, less applicable deductible(s);
- b. The stated values for the Covered Property, Business Income and/or Extra Expense, Rental Value, Maintenance Fees or any other Time Element coverages involved, as shown on the latest Schedule of Locations and Values or Statement of Values attached, less applicable deductible(s);
- c. The Limit of Insurance shown in item A.1., Limit of Insurance or endorsed onto this policy; or
- d. The remaining amount of the applicable Limit of Insurance for "Earthquake Shock", "Flood" or all other causes of loss shown in item A.1., Limits of Insurance.

**B. COVERAGE**

We provide the following coverage if it is marked with an "X". No coverage is provided by this policy under any item unless an "X" is inserted in the box preceding that item. Coverage is provided in accordance with the terms and conditions of this policy. Terms and conditions that apply only to individual coverage forms are set forth in those forms. This policy provides coverage on a Replacement Cost basis for Building and Contents unless Actual Cash Value is endorsed on the policy.

- Building
- Contents
- Stock
- Tenant's Improvements and Betterments
- Time Element (Loss of Business Income; Extra Expense, Rental Value; Maintenance Fees and any other time element coverages as specifically covered under this policy)

**C. OPTIONAL ENDORSEMENTS**

- Extended Building Definition

**D. DEDUCTIBLES**

All claims for loss or damage arising out of a single "loss occurrence" shall be adjusted as one claim, and we will then be liable for the excess of the percentage(s) or amount(s) shown below, but in no event to exceed our applicable Limits of Insurance. If two or more causes of loss covered by this policy contribute to a single "loss occurrence", the total deductible will not exceed the largest deductible applicable.

For application of Deductibles refer to section **B. Deductible Clause** in the coverage form.

1. Loss resulting from "Earthquake Shock":
  - In any one loss occurrence: 20%
  - subject to a minimum per loss occurrence of: \$50,000
  - The Deductible applies: per Unit
2. Loss resulting from "All Other Covered Causes of Loss":
  - In any one loss occurrence: \$25,000.00

**E. DECLARATIONS - SCHEDULE OF LOCATIONS AND VALUES**

| Street Address   | City, State | Total Value  |
|--|-------------|--------------|
| 1302-1389 Crown Drive; 530-578 Queens Road; 531-592 Kings Road | Alameda, CA | \$28,928,359 |

IN WITNESS WHEREOF, **Vikco Insurance Services, Inc.** has caused this policy to be signed by its Officer(s).

A handwritten signature in black ink, appearing to be "B. J. A.", written above a horizontal line.

(Authorized Representative)

Policy Number: VDL711053

THIS SCHEDULE IS A PART OF THE POLICY DECLARATIONS. READ IT CAREFULLY.

## **SCHEDULE OF NAMED INSURED(S)**

1. Crown Harbor HOA

**All other terms and conditions remain unchanged.**

Policy Number: VDL711053

THIS SCHEDULE IS A PART OF THE POLICY DECLARATIONS. READ IT CAREFULLY.

## **SCHEDULE OF ADDITIONAL INTERESTS**

None

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

## **CALIFORNIA CHANGES - CANCELLATION AND NONRENEWAL**

This endorsement modifies insurance provided under the following:

**DIFFERENCE IN CONDITIONS COVERAGE FORM**   
**EXCESS PROPERTY INSURANCE FORM**

A. Paragraphs **2.** and **3.** and **5.** of the **Cancellation** Policy Conditions in the Difference In Conditions Coverage Form and paragraphs **b.** and **c.** and **e.** of the **Cancellation** Policy Conditions in the Excess Property Insurance Form 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. 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 on the policy, and to the producer of record, at least:

(1) 10 days before the effective date of cancellation if we cancel for non-payment 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.**

5. If this policy is cancelled, we will send the first Named Insured any premium refund due. The refund, if any, will be computed on a pro rata basis. However, the refund may be less than pro rata if we made a loan to you for the purpose of payment of premiums for this policy.

The cancellation will be effective even if we have not made or offered a refund.

**B.** The following provision is added to the **Cancellation** 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.

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 shock 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 the coverage form excludes loss or damage caused by or resulting from corrosive soil conditions.

**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.

- 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 policy holder surplus of at least 25% for payment of those claims;

(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 policy; 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 the coverage form excludes loss or damage caused by or resulting from corrosive soil conditions.
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%.

**All other terms and conditions remain unchanged.**

## **U.S. TREASURY DEPARTMENT'S OFFICE OF FOREIGN ASSETS CONTROL ("OFAC") ADVISORY NOTICE TO POLICYHOLDERS**

No coverage is provided by this Policyholder Notice nor can it be construed to replace any provisions of your policy. You should read your policy and review your Declarations page for complete information on the coverages you are provided.

This Notice provides information concerning possible impact on your insurance coverage due to directives issued by OFAC. **Please read this Notice carefully.**

The Office of Foreign Assets Control (OFAC) administers and enforces sanctions policy, based on Presidential declarations of "national emergency". OFAC has identified and listed numerous:

- Foreign agents;
- Front organizations;
- Terrorists;
- Terrorist organizations; and
- Narcotics traffickers;

as "Specially Designated Nationals and Blocked Persons". This list can be located on the United States Treasury's web site – <http://www.treas.gov/ofac>.

In accordance with OFAC regulations, if it is determined that you or any other insured, or any person or entity claiming the benefits of this insurance has violated U.S. sanctions law or is a Specially Designated National and Blocked Person, as identified by OFAC, this insurance will be considered a blocked or frozen contract and all provisions of this insurance are immediately subject to OFAC. When an insurance policy is considered to be such a blocked or frozen contract, no payments nor premium refunds may be made without authorization from OFAC. Other limitations on the premiums and payments also apply.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

## **EXCLUSION OF CERTIFIED ACTS OF TERRORISM**

This endorsement modifies insurance provided under the following:

### **DIFFERENCE IN CONDITIONS COVERAGE FORM EXCESS PROPERTY INSURANCE FORM**

- 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:

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

We will not pay for loss or damage caused directly or indirectly by a "certified act of terrorism". Such loss or damage is excluded regardless of

any other cause or event that contributes concurrently or in any sequence to the loss.

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.

#### **C. Application Of Other Exclusions**

The terms and limitations of any terrorism exclusion, or the inapplicability or omission of a terrorism exclusion, do not serve to create coverage for any loss which would otherwise be excluded under this Policy, such as losses excluded by the hostile or warlike action exclusion or the nuclear reaction, radiation or radioactive contamination exclusion in Section **D. Causes of Loss Excluded** of the Difference In Conditions Coverage Form or the nuclear hazard and war and military action exclusions in any primary or underlying policy(ies).

**All other terms and conditions remain unchanged.**

NOTICE:

- 1. THE INSURANCE POLICY THAT YOU HAVE PURCHASED IS BEING ISSUED BY AN INSURER THAT IS NOT LICENSED BY THE STATE OF CALIFORNIA. THESE COMPANIES ARE CALLED "NONADMITTED" OR "SURPLUS LINE" INSURERS.**
- 2. THE INSURER IS NOT SUBJECT TO THE FINANCIAL SOLVENCY REGULATION AND ENFORCEMENT THAT APPLY TO CALIFORNIA LICENSED INSURERS.**
- 3. THE INSURER DOES NOT PARTICIPATE IN ANY OF THE INSURANCE GUARANTEE FUNDS CREATED BY CALIFORNIA LAW. THEREFORE, THESE FUNDS WILL NOT PAY YOUR CLAIMS OR PROTECT YOUR ASSETS IF THE INSURER BECOMES INSOLVENT AND IS UNABLE TO MAKE PAYMENTS AS PROMISED.**
- 4. THE INSURER SHOULD BE LICENSED EITHER AS A FOREIGN INSURER IN ANOTHER STATE IN THE UNITED STATES OR AS A NON-UNITED STATES (ALIEN) INSURER. YOU SHOULD ASK QUESTIONS OF YOUR INSURANCE AGENT, BROKER, OR "SURPLUS LINE" BROKER OR CONTACT THE CALIFORNIA DEPARTMENT OF INSURANCE AT THE FOLLOWING TOLL-FREE TELEPHONE NUMBER 1-800-927-4357. ASK WHETHER OR NOT THE INSURER IS LICENSED AS A FOREIGN OR NON-UNITED STATES (ALIEN) INSURER AND FOR ADDITIONAL INFORMATION ABOUT THE INSURER. YOU MAY ALSO CONTACT THE NAIC'S INTERNET WEB SITE AT [WWW.NAIC.ORG](http://WWW.NAIC.ORG).**
- 5. FOREIGN INSURERS SHOULD BE LICENSED BY A STATE IN THE UNITED STATES AND YOU MAY CONTACT THAT STATE'S**

**DEPARTMENT OF INSURANCE TO OBTAIN MORE INFORMATION ABOUT THAT INSURER.**

- 6. FOR NON-UNITED STATES (ALIEN) INSURERS, THE INSURER SHOULD BE LICENSED BY A COUNTRY OUTSIDE OF THE UNITED STATES AND SHOULD BE ON THE NAIC'S INTERNATIONAL INSURERS DEPARTMENT (IID) LISTING OF APPROVED NONADMITTED NON-UNITED STATES INSURERS. ASK YOUR AGENT, BROKER, OR "SURPLUS LINE" BROKER TO OBTAIN MORE INFORMATION ABOUT THAT INSURER.**
  
- 7. CALIFORNIA MAINTAINS A LIST OF APPROVED SURPLUS LINE INSURERS. ASK YOUR AGENT OR BROKER IF THE INSURER IS ON THAT LIST, OR VIEW THAT LIST AT THE INTERNET WEB SITE OF THE CALIFORNIA DEPARTMENT OF INSURANCE: [WWW.INSURANCE.CA.GOV](http://WWW.INSURANCE.CA.GOV).**
  
- 8. IF YOU, AS THE APPLICANT, REQUIRED THAT THE INSURANCE POLICY YOU HAVE PURCHASED BE BOUND IMMEDIATELY, EITHER BECAUSE EXISTING COVERAGE WAS GOING TO LAPSE WITHIN TWO BUSINESS DAYS OR BECAUSE YOU WERE REQUIRED TO HAVE COVERAGE WITHIN TWO BUSINESS DAYS, AND DID NOT RECEIVE THIS DISCLOSURE FORM AND A REQUEST FOR YOUR SIGNATURE UNTIL AFTER COVERAGE BECAME EFFECTIVE, YOU HAVE THE RIGHT TO CANCEL THIS POLICY WITHIN FIVE DAYS OF RECEIVING THIS DISCLOSURE. IF YOU CANCEL COVERAGE, THE PREMIUM WILL BE PRORATED AND ANY BROKER'S FEE CHARGED FOR THIS INSURANCE WILL BE RETURNED TO YOU.**

# **LLOYD'S PRIVACY POLICY STATEMENT**

## **UNDERWRITERS AT LLOYD'S, LONDON**

The Certain Underwriters at Lloyd's, London want you to know how we protect the confidentiality of your non-public personal information. We want you to know how and why we use and disclose the information that we have about you. The following describes our policies and practices for securing the privacy of our current and former customers.

## **INFORMATION WE COLLECT**

The non-public personal information that we collect about you includes, but is not limited to:

- Information contained in applications or other forms that you submit to us, such as name, address, and social security number
- Information about your transactions with our affiliates or other third-parties, such as balances and payment history
- Information we receive from a consumer-reporting agency, such as credit-worthiness or credit history

## **INFORMATION WE DISCLOSE**

We disclose the information that we have when it is necessary to provide our products and services. We may also disclose information when the law requires or permits us to do so.

## **CONFIDENTIALITY AND SECURITY**

Only our employees and others who need the information to service your account have access to your personal information. We have measures in place to secure our paper files and computer systems.

## **RIGHT TO ACCESS OR CORRECT YOUR PERSONAL INFORMATION**

**You have a right to request access to or correction of your personal information that is in our possession.**

## **CONTACTING US**

If you have any questions about this privacy notice or would like to learn more about how we protect your privacy, please contact the agent or broker who handled this insurance. We can provide a more detailed statement of our privacy practices upon request.

**U.S. Terrorism Risk Insurance Act of 2002 as amended**

**Not Purchased Clause**

*This Clause is issued in accordance with the terms and conditions of the "U.S. Terrorism Risk Insurance Act of 2002" as amended as summarized in the disclosure notice.*

It is hereby noted that the Underwriters have made available coverage for "insured losses" directly resulting from an "act of terrorism" as defined in the "U.S. Terrorism Risk Insurance Act of 2002", as amended ("TRIA") and the Insured has declined or not confirmed to purchase this coverage.

This Insurance therefore affords no coverage for losses directly resulting from any "act of terrorism" as defined in TRIA except to the extent, if any, otherwise provided by this policy.

All other terms, conditions, insured coverage and exclusions of this Insurance including applicable limits and deductibles remain unchanged and apply in full force and effect to the coverage provided by this Insurance.

LMA5219

12 January 2015

## **SERVICE OF SUIT CLAUSE (U.S.A.)**

This Service of Suit Clause will not be read to conflict with or override the obligations of the parties to arbitrate their disputes as provided for in any Arbitration provision within this Policy. This Clause is intended as an aid to compelling arbitration or enforcing such arbitration or arbitral award, not as an alternative to such Arbitration provision for resolving disputes arising out of this contract of insurance (or reinsurance).

It is agreed that in the event of the failure of the Underwriters hereon to pay any amount claimed to be due hereunder, the Underwriters hereon, at the request of the Insured (or Reinsured), will submit to the jurisdiction of a Court of competent jurisdiction within the United States. Nothing in this Clause constitutes or should be understood to constitute a waiver of Underwriters' rights to commence an action in any Court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer of a case to another Court as permitted by the laws of the United States or of any State in the United States.

It is further agreed that service of process in such suit may be made upon **Foley & Lardner LLP, 555 California Street, Suite 1700, San Francisco, CA 94104-1520** and that in any suit instituted against any one of them upon this contract, Underwriters will abide by the final decision of such Court or of any Appellate Court in the event of an appeal.

The above-named are authorized and directed to accept service of process on behalf of Underwriters in any such suit and/or upon the request of the Insured (or Reinsured) to give a written undertaking to the Insured (or Reinsured) that they will enter a general appearance upon Underwriters' behalf in the event such a suit shall be instituted.

Further, pursuant to any statute of any state, territory or district of the United States which makes provision therefor, Underwriters hereon hereby designate the Superintendent, Commissioner or Director of Insurance or other officer specified for that purpose in the statute, or his successor or successors in office, as their true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Insured (or Reinsured) or any beneficiary hereunder arising out of this contract of insurance (or reinsurance), and hereby designate the above-named as the person to whom the said officer is authorized to mail such process or a true copy thereof.

**LMA5020 14/09/2005**

## **SMALL ADDITIONAL OR RETURN PREMIUMS CLAUSE (U.S.A.)**

NOTWITHSTANDING anything to the contrary contained herein and in consideration of the premium for which this Insurance is written, it is understood and agreed that whenever an additional or return premium of \$2 or less becomes due from or to the Assured on account of the adjustment of a deposit premium, or of an alteration in coverage or rate during the term or for any other reason, the collection of such premium from the Assured will be waived or the return of such premium to the Assured will not be made, as the case may be.

**NMA1168**

## **Biological or Chemical Materials Exclusion**

It is agreed that this Insurance excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with the actual or threatened malicious use of pathogenic or poisonous biological or chemical materials regardless of any other cause or event contributing concurrently or in any other sequence thereto.

**NMA2962 06/02/03 Form approved by Lloyd's Market Association [Non-Marine]**



## **MICROORGANISM EXCLUSION (ABSOLUTE)**

This Policy does not insure any loss, damage, claim, cost, expense or other sum directly or indirectly arising out of or relating to:

mold, mildew, fungus, spores or other microorganism of any type, nature, or description, including but not limited to any substance whose presence poses an actual or potential threat to human health.

This Exclusion applies regardless whether there is (i) any physical loss or damage to insured property; (ii) any insured peril or cause, whether or not contributing concurrently or in any sequence; (iii) any loss of use, occupancy, or functionality; or (iv) any action required, including but not limited to repair, replacement, removal, cleanup, abatement, disposal, relocation, or steps taken to address medical or legal concerns.

This Exclusion replaces and supersedes any provision in the Policy that provides insurance, in whole or in part, for these matters.

**LMA5018 14/09/2005 Form approved by Lloyd's Market Association**

## **WAR AND CIVIL WAR EXCLUSION CLAUSE**

Notwithstanding anything to the contrary contained herein this Policy does not cover Loss or Damage directly or indirectly occasioned by, happening through or in consequence of war, invasion, acts of foreign enemies, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, military or usurped power or confiscation or nationalisation or requisition or destruction of or damage to property by or under the order of any government or public or local authority.

**NMA464 1/1/38 (Approved by Lloyd's Underwriters' Non-Marine Association)**

## **SEVERAL LIABILITY NOTICE**

The subscribing insurers' obligations under contracts of insurance to which they subscribe are several and not joint and are limited solely to the extent of their individual subscriptions. The subscribing insurers are not responsible for the subscription of any co-subscribing insurer who for any reason does not satisfy all or part of its obligations.

**LSW1001 08/94 (Insurance)**

## **RADIOACTIVE CONTAMINATION EXCLUSION CLAUSE - PHYSICAL DAMAGE - DIRECT (U.S.A.)**

This Policy does not cover any loss or damage arising directly or indirectly from nuclear reaction nuclear radiation or radioactive contamination however such nuclear reaction nuclear radiation or radioactive contamination may have been caused \* NEVERTHELESS if Fire is an insured peril and a Fire arises directly or indirectly from nuclear reaction nuclear radiation or radioactive contamination any loss or damage arising directly from that Fire shall (subject to the provisions of this Policy) be covered EXCLUDING however all loss or damage caused by nuclear reaction nuclear radiation or radioactive contamination arising directly or indirectly from that Fire.

\* NOTE. - If Fire is not an insured peril under this Policy the words "NEVERTHELESS" to the end of the clause do not apply and should be disregarded.

**NMA1191 7/5/59**

# **TERRORISM EXCLUSION ENDORSEMENT**

Notwithstanding any provision to the contrary within this insurance or any endorsement thereto it is agreed that this insurance excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any act of terrorism regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

For the purpose of this endorsement an act of terrorism means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organisation(s) or government(s), committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear.

This endorsement also excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to any act of terrorism.

If the Underwriters allege that by reason of this exclusion, any loss, damage, cost or expense is not covered by this insurance the burden of proving the contrary shall be upon the Assured.

In the event any portion of this endorsement is found to be invalid or unenforceable, the remainder shall remain in full force and effect.

**NMA2920 08/10/01**

## **NUCLEAR INCIDENT EXCLUSION CLAUSE-LIABILITY-DIRECT (BROAD) (U.S.A.)**

For attachment to insurances of the following classifications in the U.S.A., it's Territories and Possessions, Puerto Rico and the Canal Zone:-

Owners, Landlords and Tenants Liability, Contractual Liability, Elevator Liability, Owners or Contractors (including railroad) Protective Liability, Manufacturers and Contractors Liability, Product Liability, Professional and Malpractice Liability, Storekeepers Liability, Garage Liability, Automobile Liability (including Massachusetts Motor Vehicle or Garage Liability),

not being insurances of the classifications to which the Nuclear Incident Exclusion Clause-Liability-Direct (Limited) applies.

This policy\* does not apply:-

- I. Under any Liability Coverage, to injury, sickness, disease, death or destruction
  - (a) with respect to which an insured under the policy is also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability; or
  - (b) resulting from the hazardous properties of nuclear material and with respect to which (1) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act 1954. or any law amendatory thereof, or (2) the insured is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization.
- II. Under any Medical Payments Coverage. or under any Supplementary Payments Provision relating to immediate medical or surgical relief, to expenses incurred with respect to bodily injury, sickness, disease or death resulting from the hazardous properties of nuclear material and arising out of the operation of a nuclear facility by any person or organization.
- III. Under any Liability Coverage, to injury, sickness, disease, death or destruction resulting from the hazardous properties of nuclear material, if

- (a) the nuclear material (1) is at any nuclear facility owned by, or operated by or on behalf of, an insured or (2) has been discharged or dispersed therefrom;
- (b) the nuclear material is contained in spent fuel or waste at any time possessed, handled, used, processed, stored, transported or disposed of by or on behalf of an insured; or
- (c) the injury, sickness, disease, death or destruction arises out of the furnishing by an insured of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any nuclear facility, but if such facility is located within the United States of America, its territories or possessions or Canada, this exclusion (c) applies only to injury to or destruction of property at such nuclear facility.

IV. As used in this endorsement:

"hazardous properties " include radioactive, toxic or explosive properties; "nuclear material " means source material, special nuclear material or by-product material; "source material," "special nuclear material", and "by-product material" have the meanings given them in the Atomic Energy Act 1954 or in any law amendatory thereof; "spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a nuclear reactor; "waste" means any waste material (1) containing by-product material and (2) resulting from the operation by any person or organization of any nuclear facility included within the definition of nuclear facility under paragraph (a) or (b) thereof; "nuclear facility" means

- (a) any nuclear reactor,
- (b) any equipment or device designed or used for (1) separating the isotopes of uranium or plutonium, (2) processing or utilizing spent fuel, or (3) handling, processing or packaging waste,
- (c) any equipment or device used for the processing, fabricating or alloying of special nuclear material if at any time the total amount of such material in the custody of the insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235,
- (d) any structure, basin, excavation, premises or place prepared or used for the storage or disposal of waste, and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations; "nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self supporting chain reaction or to contain a critical mass of fissionable material. With respect to injury to or destruction of property, the word "injury" or "destruction" includes all forms of radioactive contamination of property.

It is understood and agreed that, except as specifically provided in the foregoing to the contrary, this clause is subject to the terms, exclusions, conditions and limitations of the Policy to which it is attached.

\* NOTE: -As respects policies which afford liability coverages and other forms of coverage in addition, the words underlined should be amended to designate the liability coverage to which this clause is to apply.

**NMA1256 17/3/60**

## **ELECTRONIC DATE RECOGNITION EXCLUSION (EDRE)**

This policy does not cover any loss, damage, cost, claim or expense, whether preventative, remedial or otherwise, directly or indirectly arising out of or relating to:

- a) the calculation, comparison, differentiation, sequencing or processing of data involving the date change to the year 2000, or any other date change, including leap year 2000, or any other date change, including leap year calculations, by any computer system, hardware, programme or software and/or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the Insured or not:  
or
- b) any change, alteration, or modification involving the date change to the year 2000, or any other date change, including leap year calculations, to any such computer system, hardware, programme or software and/or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the Insured or not.

This clause applies regardless of any other cause or event that contributes concurrently or in any sequence to the loss,

damage, cost, claim or expense.

**EDRE NMA 2802 (17/12/1997)**  Form approved by Lloyd's Underwriters' Non-Marine Association Limited.

## **U.S.A. & CANADA**

### **LAND, WATER AND AIR EXCLUSION**

Notwithstanding any provision to the contrary within the Policy of which this Endorsement forms part (or within any other Endorsement which forms part of this Policy), this Policy does not insure land (including but not limited to land on which the insured property is located), water or air, howsoever and wherever occurring, or any interest or right therein.

### **SEEPAGE AND/OR POLLUTION AND/OR CONTAMINATION EXCLUSION**

Notwithstanding any provision to the contrary within the Policy of which this Endorsement forms part (or within any other Endorsement which forms part of this Policy), this Policy does not insure:

- (a) any loss, damage, cost or expense, or
- (b) any increase in insured loss, damage, cost or expense, or
- (c) any loss, damage, cost, expense, fine or penalty, which is incurred, sustained or imposed by order, direction, instruction or request of, or by any agreement with, any court, government agency or any public, civil or military authority, or threat thereof, (and whether or not as a result of public or private litigation),

which arises from any kind of seepage or any kind of pollution and/or contamination, or threat thereof, whether or not caused by or resulting from a peril insured, or from steps or measures taken in connection with the avoidance, prevention, abatement, mitigation, remediation, clean-up or removal of such seepage or pollution and/or contamination or threat thereof.

The term "any kind of seepage or any kind of pollution and/or contamination" as used in this Endorsement includes (but is not limited to):

- (a) seepage of, or pollution and/or contamination by, anything, including but not limited to, any material designated as a "hazardous substance" by the United States Environmental Protection Agency or as a "hazardous material" by the United States Department of Transportation, or defined as a "toxic substance" by the Canadian Environmental Protection Act for the purposes of Part II of that Act, or any substance designated or defined as toxic, dangerous, hazardous or deleterious to persons or the environment under any other Federal, State, Provincial, Municipal or other law, ordinance or regulation; and
- (b) the presence, existence, or release of anything which endangers or threatens to endanger the health, safety or welfare of persons or the environment.

### **DEBRIS REMOVAL ENDORSEMENT**

THIS ENDORSEMENT CONTAINS PROVISIONS WHICH MAY LIMIT OR PREVENT RECOVERY UNDER THIS POLICY FOR LOSS WHERE COSTS OR EXPENSES FOR DEBRIS REMOVAL ARE INCURRED.

Nothing contained in this Endorsement shall override any Seepage and/or Pollution and/or Contamination Exclusion or any Radioactive Contamination Exclusion or any other Exclusion applicable to this Policy.

Any provision within this Policy (or within any other Endorsement which forms part of this Policy) which insures debris removal is cancelled and replaced by the following:

1. In the event of direct physical damage to or destruction of property, for which Underwriters hereon agree to pay, or which but for the application of a deductible or underlying amount they would agree to pay (hereinafter referred to as

"Damage or Destruction"), this Policy also insures, within the Sum Insured, subject to the limitations and method of calculation below, and to all the other terms and conditions of the Policy, costs or expenses;

- (a) which are reasonably and necessarily incurred by the Assured in the removal, from the premises of the Assured at which the Damage or Destruction occurred, of debris which results from the Damage or Destruction; and
- (b) of which the Assured becomes aware and advises the amount thereof to Underwriters hereon within one year of the commencement of such Damage or Destruction.

2. In calculating the amount, if any, payable under this Policy for loss where costs or expenses for removal of debris are incurred by the Assured (subject to the limitations in paragraph 1 above):

(a) the maximum amount of such costs or expenses that can be included in the method of calculation set out in (b) below shall be the greater of US\$25,000 (twenty-five thousand dollars) or 10% (ten percent) of the amount of the Damage or Destruction from which such costs or expenses result; and

(b) the amount of such costs or expenses as limited in (a) above shall be added to:

(i) the amount of the Damage or Destruction; and

(ii) all other amounts of loss, which arise as a result of the same occurrence, and for which Underwriters hereon also agree to pay, or which but for the application of a deductible or underlying amount they would agree to pay; and

the resulting sum shall be the amount to which any deductible or underlying amount to which this Policy is subject and the limit (or applicable sub-limit) of this Policy, shall be applied.

**NMA2340 24/11/88**

## **ASBESTOS ENDORSEMENT**

A. This Policy only insures asbestos physically incorporated in an insured building or structure, and then only that part of the asbestos which has been physically damaged during the period of insurance by one of these Listed Perils:

fire; explosion; lightning; windstorm; hail; direct impact of vehicle, aircraft or vessel; riot or civil commotion, vandalism or malicious mischief; or accidental discharge of fire protective equipment.

This coverage is subject to each of the following specific limitations:

1. The said building or structure must be insured under this Policy for damage by that Listed Peril.
  2. The Listed Peril must be the immediate, sole cause of the damage of the asbestos.
  3. The Assured must report to Underwriters the existence and cost of the damage as soon as practicable after the Listed Peril first damaged the asbestos. However, this Policy does not insure any such damage first reported to the Underwriters more than 12 (twelve) months after the expiration, or termination, of the period of insurance.
  4. Insurance under this Policy in respect of asbestos shall not include any sum relating to:
    - (i) any faults in the design, manufacture or installation of the asbestos;
    - (ii) asbestos not physically damaged by the Listed Peril including any governmental or regulatory authority direction or request of whatsoever nature relating to undamaged asbestos.
- B. Except as set forth in the foregoing Section A, this Policy does not insure asbestos or any sum relating thereto.

14/09/2005

LMA5019

Form approved by Lloyd's Market Association

## **ELECTRONIC DATA ENDORSEMENT B**

### 1. Electronic Data Exclusion

Notwithstanding any provision to the contrary within the Policy or any endorsement thereto, it is understood and agreed as follows:

- (a) This Policy does not insure loss, damage, destruction, distortion, erasure, corruption or alteration of ELECTRONIC DATA from any cause whatsoever (including but not limited to COMPUTER VIRUS) or loss of use, reduction in functionality, cost, expense of whatsoever nature resulting therefrom, regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

ELECTRONIC DATA means facts, concepts and information converted to a form useable for communications, interpretation or processing by electronic and electromechanical data processing or electronically controlled equipment and includes programmes, software and other coded instructions for the processing and manipulation of data or the direction and manipulation of such equipment.

COMPUTER VIRUS means a set of corrupting, harmful or otherwise unauthorised instructions or code including a set of maliciously introduced unauthorised instructions or code, programmatic or otherwise, that propagate themselves through a computer system or network of whatsoever nature. COMPUTER VIRUS includes but is not limited to 'Trojan Horses', 'worms' and 'time or logic bombs'.

- (b) However, in the event that a peril listed below results from any of the matters described in paragraph (a) above, this Policy, subject to all its terms, conditions and exclusions, will cover physical damage occurring during the Policy period to property insured by this Policy directly caused by such listed peril.

Listed Perils

Fire

Explosion

### 2. Electronic Data Processing Media Valuation

Notwithstanding any provision to the contrary within the Policy or any endorsement thereto, it is understood and agreed as follows:

Should electronic data processing media insured by this Policy suffer physical loss or damage insured by this Policy, then the basis of valuation shall be the cost of the blank media plus the costs of copying the ELECTRONIC DATA from back-up or from originals of a previous generation. These costs will not include research and engineering nor any costs of recreating, gathering or assembling such ELECTRONIC DATA. If the media is not repaired, replaced or restored the basis of valuation shall be the cost of the blank media. However this Policy does not insure any amount pertaining to the value of such ELECTRONIC DATA to the Assured or any other party, even if such ELECTRONIC DATA cannot be recreated, gathered or assembled.

25/01/01

NMA2915

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

## **AMENDED NOTICE OF CANCELLATION**

**This endorsement modifies insurance provided under the following:**

### **DIFFERENCE IN CONDITIONS COVERAGE FORM**

For any reason other than nonpayment of premium, the number of days required for notice of cancellation, as provided in section **E. Cancellation Policy Condition** of the **Difference In Conditions Coverage Form** or as amended by the applicable state cancellation endorsement, is increased to the number of days shown in the Declarations. All other terms of the Cancellation Policy Condition remain applicable.

**All other terms and conditions remain unchanged.**

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**DELETION OF EXCLUSION FOR FOUNDATIONS, MACHINERY &  
BOILERS**

This endorsement modifies insurance provided under the following:

**DIFFERENCE IN CONDITIONS COVERAGE FORM**

**A. Under Part C. PROPERTY EXCLUDED**

1. Exclusion 11.

is hereby deleted in its entirety.

**All other terms and conditions remain unchanged.**



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## **DELETION OF EXCLUSION FOR PIPES, FLUES OR DRAINS**

This endorsement modifies insurance provided under the following:

### **DIFFERENCE IN CONDITIONS COVERAGE FORM**

#### **A. Under Part C. PROPERTY EXCLUDED**

##### **1. Exclusion 25.**

is hereby deleted in its entirety.

This additional coverage is subject to a \$            sublimit.

#### **B. Payments made for this additional coverage are included within the limits of insurance and will not serve to increase the limits of insurance as shown in the Declarations.**

**All other terms and conditions remain unchanged.**

## DIFFERENCE IN CONDITIONS COVERAGE

Various Provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and 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 I., **Definitions**.

### A. COVERAGE

In return for your payment of the required premium, and subject to its terms, exclusions, limitations and conditions, this Policy insures against direct physical loss or damage caused directly by a Covered Cause of Loss to Covered Property at the locations described in the Declarations. “Covered Cause of Loss” are defined herein as the perils of Earthquake Shock, Flood, and other perils to the extent such perils are (i) not insured by the separate All-Risk Policy (as defined in Section **G.7 All Risk Coverage Warranty**), and (ii) not hereafter excluded in Sections **C., Property Excluded** or **D., Causes of Loss Excluded**, or excluded or limited in the Declarations or by endorsement.

#### 1. Covered Property

- a. **Building**, meaning the building or structure at the locations described in the Declarations, including:
  - (1) Completed additions;
  - (2) Fixtures, including outdoor fixtures;
  - (3) Permanently installed:
    - (a) Machinery; and
    - (b) Equipment;
  - (4) Personal property owned by you that is used to maintain or service the building or structure or its premises, including:
    - (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 buildings or structures at the locations described in the Declarations. An addition does not include new construction of any separate building or structure;
    - (b) Materials, equipment, supplies and temporary structures, on or within 100 feet of the described location, used for making additions, alterations or repairs to the building or structure.
- b. **Contents**, meaning furniture, fixtures, machinery and equipment being property belonging to you, or such properties of others in your care, custody or control and for which you are liable in the event of a direct physical loss.
- c. **“Stock”**, meaning merchandise held in storage or for sale, raw materials and in-process or finished goods, including supplies used in their packing or shipping, including such properties of others in your care, custody or control and for which you are liable in the event of a direct physical loss.
- d. **Tenant’s Improvements and Betterments**, meaning fixtures, alterations, installations or additions:
  - (1) Made a part of the building you occupy but do not own; and

(2) You acquired or made at your expense but cannot legally remove.

## 2. Additional Coverages

### a. Debris Removal

- (1) Subject to Paragraph **(3)** below, 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 date of direct physical loss or damage.
- (2) Debris Removal does not apply to costs to remove debris caused by an excluded cause of loss.
- (3) Subject to the exceptions in Paragraph **(4)**, the following provisions apply:
  - (a) 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.
  - (b) Subject to **(a)** 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.
- (4) We will not be liable under this policy for:
  - (a) Any greater proportion of such expense than the amount of insurance hereunder bears to the total amount of all insurance, whether all such insurance contains this clause or not.
  - (b) Loss occasioned by the enforcement of any state or municipal law or ordinance which necessitates the demolition of any portion of the building which has not suffered loss by any Covered Cause of Loss unless such liability is otherwise specifically insured by this policy.

### b. Limited Coverage for "Fungus", Wet Rot, Dry Rot and Bacteria

- (1) The coverage described in **A.2.b.(2)** only applies when the "fungus", wet or dry rot or bacteria is the result of a Covered Cause of Loss 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.
- (2) The amount of \$5,000 is the most 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:
  - (a) 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;
  - (b) 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
  - (c) 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.
- (3) The coverage described under **b.(2)** of this Limited Coverage is limited to \$5,000. 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 loss caused by Covered Causes of Loss which take place during the 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 \$5,000 even if the "fungus", wet or dry rot or bacteria continues to be present or active, or recurs, in a later policy period.
- (4) The coverage provided under this Limited Coverage does not increase the applicable Limits 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 Limits 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.

Increase in loss or damage as used in this Limited Coverage means any loss, damage, cost or expense resulting from the presence, treatment, removal or disposal of "fungus", wet or dry rot or bacteria as excluded in this policy.

**c. Limited Coverage for Land Stabilization and Building Foundations**

- (1) We will pay your expenses, including engineering costs, to replace, stabilize or restore the land that supports the damaged Building when necessary in order to repair the Building which has suffered structural damage. The structural damage to the Building must be directly caused by an "earthquake shock" or "flood". This Limited Coverage is only provided if a limit for "earthquake shock" or "flood" is shown in the Declarations.

The Limited Coverage under this subsection **c.(1)** does not apply to expenses to stabilize or restore the land unless the stabilization or restoration is required in order to repair damage to the damaged Building located directly upon that land that is the result of a loss otherwise covered under the terms of this policy. This Limited Coverage does not apply to costs to stabilize or restore land if the land damage is caused by an excluded cause of loss.

We do not provide any other coverage for land, land damage or landscaping.

- (2) We will pay your expenses to repair or replace Building foundations when required in order to repair the Building which has suffered structural damage. The structural damage to the Building must be directly caused by an "earthquake shock" or "flood". This Limited Coverage is only provided if a limit for "earthquake shock" or "flood" is shown in the Declarations.

The Limited Coverage under this subsection **c.(2)** does not apply to expenses to repair or replace Building foundations unless the repair or replacement is required in order to repair damage to the damaged Building located directly upon those foundations, that is the result of a loss otherwise covered under the terms of this policy. This Limited Coverage does not apply to expenses to repair or replace Building foundations if the damage to the Building is caused by an excluded cause of loss.

As used in this Limited Coverage, Building foundations means the foundations of buildings, machinery or boilers if their foundations are below:

- (a) The lowest basement floor; or
- (b) The surface of the ground, if there is no basement;

The amount of \$5,000 is the most we will pay for land stabilization and Building foundations under this Limited Coverage. 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 losses caused by "earthquake shock" or "flood" which take place during the policy period.

Structural damage to the Building must exceed the deductible in order for this Limited Coverage to apply.

- (3) The expenses for land stabilization and/or Building foundations will be paid only if they are reported to us in writing within 180 days of the date of direct physical loss or damage.

Payments made for coverage under this Limited Coverage for Land Stabilization and Building Foundations are within the Limits of Insurance and will not serve to increase our Limits of Insurance shown in the Declarations.

**B. DEDUCTIBLE CLAUSE**

All claims for loss or damage arising out of a single "loss occurrence" will be adjusted as one claim, and we will then be liable for the excess of the percentage(s) or amount(s) shown in the Declarations, but in no event to exceed the applicable Limits of Insurance. If two or more causes of loss covered by this policy contribute to a single "loss occurrence", the total deductible will not exceed the largest deductible applicable.

## 1. Per Unit of Insurance

If the deductible percentage shown in the Declarations is applied Per Unit of Insurance, the deductible is calculated separately for, and applies separately to each Unit of Insurance that sustains loss or damage from a "loss occurrence". The total values at risk Per Unit is the total stated value for each separate unit of insurance as shown on the Declarations or the latest Schedule of Values and Locations. Each of the following is considered a separate Unit of Insurance:

- a. Each separate Building;
- b. All Contents of each separate Building;
- c. Property in the open, including Covered Property which is not a permanent part of a Building in item **a.** above, at each location covered;
- d. Time Element exposures (the sum of Business Income, Extra Expense, Rental Value, Maintenance Fees and any other time element coverages as specifically covered by this policy) applicable at each location covered;
- e. All other coverage forms with respect to each location (separately), whether or not such location has more than one unit as defined in **a.**, **b.**, **c.** and **d.** above.

### EXAMPLE – APPLICATION OF PER UNIT OF INSURANCE DEDUCTIBLE

One location with one Building:

Building #1 - The total stated value of the Building is \$800,000, Contents is \$700,000 and Business Income is \$200,000

The total loss at Building #1 = \$100,000 in Building damage, \$600,000 in Contents damage and \$150,000 for Business Income loss.

Deductible = 10%

Step 1: Building deductible = \$800,000 x 10% = \$80,000

Step 2: Contents deductible = \$700,000 x 10% = \$70,000

Step 3: Business Income deductible = \$200,000 x 10% = \$20,000

Step 4: \$100,000 - \$80,000 = \$20,000

Step 5: \$600,000 - \$70,000 = \$530,000

Step 6: \$150,000 - \$20,000 = \$130,000

The most we will pay is \$680,000. That portion of the total loss not covered due to the application of the deductibles is \$170,000.

## 2. Per Location

If the deductible percentage shown in the Declarations is applied Per Location, the deductible is calculated separately for, and applies separately to, each location that sustains loss or damage from a "loss occurrence". The total values at risk per location is the total stated value of all Covered Property and Time Element exposures (the sum of Business Income, Extra Expense, Rental Value, Maintenance Fees and any other time element coverages as specifically covered by this policy) covered at each location as shown on the Declarations or the latest Schedule of Locations and Values, regardless of whether such Covered Property incurred loss or damage.

### EXAMPLE – APPLICATION OF PER LOCATION DEDUCTIBLE

Two locations with two Buildings at location #1 and one building at location #2:

Location #1, Building #1 - The total stated value of the Building, Contents and Business Income is \$1,920,000. The Total Loss for Building, Contents and Business Income at Building #1 = \$1,000,000

Location #1, Building #2 - The total stated value of the Building, Contents and Business Income is \$140,000.  
The total loss for Building, Contents and Business Income at Building #2 = \$30,000

Location #2, Building #1 – The total stated value of the Building, Contents and Business Income is \$900,000. The total loss for Building, Contents and Business Income at Location #2 = \$200,000

Deductible = 10%□

Step 1: Total loss at Location #1 = \$1,000,000 + \$30,000 = \$1,030,000

Step 2: Total loss at Location #2 = \$200,000

Deductible applied to Location #1 =  $(\$1,920,000 + \$140,000) \times 10\% = \$206,000$

Deductible applied to Location #2 =  $\$900,000 \times 10\% = \$90,000$

The most we will pay is \$934,000. That portion of the total loss not covered due to the application of the deductible is \$296,000.

### 3. Per Policy

If the deductible percentage shown in the Declarations is applied Per Policy, the deductible is calculated as a percentage of the total stated value of all Covered Property and Time Element exposures (the sum of Business Income, Extra Expense, Rental Value, Maintenance Fees and any other time element coverages as specifically covered by this policy) covered by this policy at all locations described in the Declarations or the latest Schedule of Values and Locations, regardless of whether such Covered Property incurred loss or damage.

#### EXAMPLE – APPLICATION OF PER POLICY DEDUCTIBLE

Two locations with one Building at each location:

Location #1 - The total stated value of the Building, Contents and Business Income is \$2,000,000.

The total loss for Building, Contents and Business Income at Location #1 = \$1,600,000

Location #2 – The total stated value of the Building, Contents and Business Income is \$400,000.

The total loss for Building, Contents and Business Income at Building #2 = \$0

Deductible = 10%

Step 1:  $\$2,000,000 + \$400,000 = \$2,400,000$  (total Policy values)

Deductible applied to the policy =  $\$2,400,000 \times 10\% = \$240,000$

The most we will pay is \$1,360,000. That portion of the total loss not covered due to the application of the deductible is \$240,000.

### 4. Per Building

If the deductible percentage shown in the Declarations is applied Per Building, the deductible is calculated separately for, and applies separately to, each building that sustains loss or damage from a “loss occurrence”. The total values at risk Per Building is the sum of all stated values for Covered Property at each separate building as shown in the Declarations or latest Schedule of Locations and Values, regardless of whether there was loss or damage to some or all of the Covered Property. The total values at risk Per Building also include Time Element losses (the sum of Business Income, Extra Expense, Rental Value, Maintenance Fees and any other time element coverages as specifically covered by this policy) arising in whole or in part from loss or damage to each separate Building.

**EXAMPLE – APPLICATION OF PER BUILDING DEDUCTIBLE**

One location with two Buildings:

Building #1 - The total stated value of the Building, Contents and Business Income is \$1,200,000.

The total loss for Building, Contents and Business Income at Building #1 = \$800,000

Building #2 – The total stated value of the Building, Contents and Business Income is \$600,000.

The total loss for Building, Contents and Business Income at Building #2 = \$200,000

Deductible = 10%

Step 1: Total stated values at Building #1 = \$1,200,000

Step 2: Deductible applied to Building #1 = \$1,200,000 x 10% = \$120,000

Step 3: Total stated values at Building #2 = \$600,000

Step 4: Deductible applied to Building #2 = \$600,000 x 10% = \$60,000 Step 5: \$800,000 - \$120,000 = \$680,000

Step 5: \$200,000 - \$60,000 = \$140,000

The most we will pay is \$820,000. That portion of the total loss not covered due to the application of the deductible is \$180,000.

The total loss shown in the example above is the adjusted loss after deduction for all applicable calculations have been taken.

The total loss shown in the examples 1, 2, 3 and 4 above is the adjusted loss after deduction for all applicable calculations have been taken.

**C. PROPERTY EXCLUDED**

We will not pay for loss or damage to the following property unless a sublimit for that property is shown in the Declarations or in an endorsement to this policy:

1. Accounts, bills, deeds, evidences of debt, currency, money, notes, securities, stamps, original drawings and specifications, letters of credit, passports, tickets (including lottery tickets), valuable papers or records. We will not pay for the cost or expense to research, replace or restore the information on valuable papers and records, including those which exist on electronic or magnetic media;
2. Animals, growing plants, trees or shrubs (except when held for sale, or when used for decorative purposes inside buildings), growing crops or lawns;
3. Antiques, objects of art, sculpture, property of artistic, historical or scientific significance whether or not constituting part of the covered buildings; or any item scheduled under a Fine Arts or other scheduled property floater;
4. Bridges, tunnels, dams, trestles, culverts, swales, roadways, walks, patios or other paved surfaces;
5. Contraband, or property in the course of illegal transportation or trade;
6. Contractors' equipment;
7. Electronic data processing equipment including computers, electronic accounting machines, all supporting machinery, magnetic tapes, discs, cards, any storage device and all software including procedures, programs or source material of any kind unless specifically endorsed to this policy;
8. Electronic data, meaning 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 8., does not apply to your "stock" of prepackaged software;

9. Exported or imported property that is covered under any ocean marine cargo insurance policy or any similar policy covering exports and imports;
10. Fences, radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers, signs (other than signs attached to buildings);
11. Foundations of buildings, machinery or boilers if their foundations are below:
  - a. The lowest basement floor; or
  - b. The surface of the ground, if there is no basement;

Even if the building sustains covered direct physical damage that results in enforcement of an ordinance or law requiring demolition and construction or repair of damaged or undamaged foundations, these foundations are excluded from coverage under this policy except to the extent provided under **A.2.c. Limited Coverage for Land Stabilization and Building Foundations**;

12. Grain, hay, straw or other crops;
13. Jewelry, watches, pearls, precious and semi-precious stones, gold, silver, platinum, other precious metals or alloys, bullion, furs, and articles trimmed with fur;
14. Land or land value (including land on which the property is located), or air or water, howsoever and wherever located, or any interest or right therein, including underground or surface water, water rights and mineral rights. We will not pay for the cost of excavations, grading, backfilling or filling except to the extent provided under **A.2.c. Limited Coverage for Land Stabilization and Building Foundations**;
15. Mining equipment;
16. Motor vehicles licensed for highway use, motorcycles, motor scooters and other similar vehicles licensed for highway use, watercraft, aircraft;
17. Pilings, piers, bulkheads, wharves or docks;
18. Pools, spas, jacuzzis, or fountains;
19. Property in the course of construction, including materials and supplies thereof;
20. Property sold by you under conditional sales, trust agreements, installment payments or other deferred payment plans after delivery to customers;
21. Property in transit, including but not limited to shipments in the mail;
22. Power transmission and/or distribution lines not on the insured's premises;
23. Railroad rolling stock, including locomotives, or roadbeds;
24. Retaining walls that are not attached to the building described in this coverage form;
25. Underground pipes, flues or drains, including, but not limited to water, electrical, communications and sanitary systems, except to the extent provided under **A.2.c. Limited Coverage for Land Stabilization and Building Foundations**.
26. Underground Tanks

#### **D. CAUSES OF LOSS EXCLUDED**

We will not pay for loss, damage, cost or expense directly or indirectly caused by or resulting from, any of the following excluded causes of loss. Such loss, damage, cost or expense is excluded regardless of any other cause or event that contributes concurrently or in sequence to the loss.

1. The following causes of loss are excluded whether or not insurance for such causes of loss is being maintained by you at the time of the loss and whether or not such loss or damage is directly or indirectly caused by or contributed to by a cause of loss covered under this policy:



- a. Aircraft or vehicles, including loss or damage by objects falling from aircraft as well as loss or damage caused by or resulting from vehicles owned by you or operated in the course of your business;
- b. Any causes of loss covered under policies maintained by you as required by item **F.7. All Risk Coverage Warranty**, of this form;
- c. Explosion, including, but not limited to, the 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. Explosion also includes:
  - (1) The rupture, bursting, or operation of pressure relief devices; and
  - (2) The rupture or bursting due to expansion or swelling of the contents of any building,  caused by or resulting from water;
- d. Falling objects, including loss or damage to personal property in the open and to the interior of a building or property inside a building;
- e. Fire and/or lightning;
- f. Riot or civil commotion, including, but not limited to:
  - (1) Acts of striking employees while occupying the described location; and/or
  - (2) Looting occurring at the time and place of a riot or civil commotion;
- g. Sinkhole collapse, including but not limited to loss or damage caused by the sudden sinking or collapse of land into underground empty spaces created by the action of water on soil and/or bedrock, or the sinking or collapse of land into man-made underground cavities;
- h. Smoke, including, but not limited to, gas, vapor and smoke from agricultural smudging or industrial operations;
- i. Sprinkler leakage, meaning leakage or discharge of any substance from an “automatic sprinkler system”, including collapse of a tank that is part of the system;
- j. Vandalism and malicious mischief, meaning willful and malicious damage to, or destruction of, Covered Property;
- k. Water damage, including, but not limited to:
  - (1) Discharge or leakage of water or steam as the direct result of the breaking apart or cracking of plumbing, heating, air conditioning or other systems or appliances, that are located on the described premises and contains water or steam;
  - (2) Discharge or leakage from a sump or related equipment and parts, including the overflow due to sump pump failure or excessive volume of water;
  - (3) Discharge or leakage from roof drains, gutters, downspouts or similar fixtures or equipment;
  - (4) The cost to repair any defect that caused the loss or damage;
  - (5) Loss or damage caused by or resulting from the continuous or repeated seepage or  leakage of water, or the presence or condensation of humidity, moisture or vapor;
  - (6) Loss or damage caused by or resulting from freezing and/or thawing; and
  - (7) Water which overflows or backs up through sewers, sewer sumps or drains, surface waters, water below the surface of the ground including water that exerts pressure on or flows, seeps, or leaks through sidewalks, driveways, foundations, walls, basement or other floors, or through doors, windows or any other openings in such sidewalks, driveways, foundations, basements, walls, floors, or paved surfaces;
- l. Weather Conditions, including, but not limited to:
  - (1) Windstorm or hail;

- (2) Frost or cold weather;
  - (3) Ice, rain, snow or sleet, whether driven by wind or not; and
  - (4) Loss or damage to the interior or exterior of any building, or the property inside or outside the building, caused by rain, snow, sand or dust, whether driven by wind or not;
  - (5) Weight of snow, hail, ice or sleet, including loss or damage to personal property outside of buildings;
2. The following causes of loss:
- a. "Earthquake shock" inducing a fire. This means we will not pay for loss or damage occasioned by an "earthquake shock"-induced fire;
  - b. "Earthquake shock" inducing an explosion. This means we will not pay for loss or damage caused by an "earthquake shock"-induced explosion;
  - c. "Earthquake shock" inducing a volcanic eruption. This means we will not pay for loss or damage caused by an "earthquake shock"-induced volcanic eruption;
  - d. "Earthquake shock" inducing a tsunami, "earthquake shock" inducing a tidal wave. This means we will not pay for loss or damage caused by either an "earthquake shock"-induced tsunami and/or an "earthquake shock"-induced tidal wave;
  - e. "Earthquake shock" inducing a "flood". This means we will not pay for loss or damage caused by an "earthquake shock"-induced "flood", except when "flood" coverage is purchased and made a part of this policy;
  - f. "Earthquake shock" inducing sprinkler leakage. This means we will not pay for loss or damage caused by "earthquake shock"-induced sprinkler leakage, except when covered by an Earthquake Sprinkler Leakage Endorsement attached to and made a part of this policy;
- 3.
- a. Acts or decisions, including the failure to act or decide, of any person, organization or governmental body;
  - b. 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 locations covered;
4. Any fraudulent scheme, trick, device or false pretense perpetrated upon you or upon any person(s) to whom the property may be entrusted;
- 5.
- a. Asbestos, dioxin, or polychlorinated biphenyls removal, encapsulation, covering, or any manner of control or abatement from any goods, products, "stock", contents or building. We will not pay for loss or damage caused by or resulting from:
  - b. Demolition, increased cost of construction, repair, debris removal or loss of use necessitated by the enforcement of any law or ordinance regulating asbestos, dioxins, or polychlorinated biphenyls;
  - c. Any governmental direction or request declaring that asbestos materials, dioxins, or polychlorinated biphenyls present in or part of or utilized on any undamaged portion of your property can no longer be used for the purpose for which it was intended or installed and must be removed or modified; or
  - d. The presence of asbestos, dioxins, or polychlorinated biphenyls in any building as defined in **A.1.a** of this policy;

6. Dampness of atmosphere, dryness of atmosphere, extremes or changes of temperature or barometric pressure, shrinkage, evaporation, loss of weight, rust or corrosion;
7. Delay, loss of market, loss of use, interruption of business, consequential loss of any nature; except when specifically covered;
8. Denial of service; including but not limited to authorized or unauthorized direction of a high volume of messages or inquiries to web sites or e-mail destinations, effectively denying, interrupting or limiting legitimate access, including but not limited to spamming or phishing;
9. Earth movement, including but not limited to:
  - a. Loss caused by landslide and/or avalanche, and any earth sinking, rising or shifting related to such an event;
  - b. Mine subsidence, meaning subsidence of a man-made mine, whether or not mining activity has ceased;
  - c. Earth sinking, rising or shifting including soil conditions which cause settling, cracking, or other disarrangement of foundations or other parts of real property. Soil conditions include contraction, expansion, freezing, thawing, erosion, improperly compacted, graded and/or maintained soil and/or the action of water under the ground surface;
  - d. Collapse of volcanic edifice;
  - e. Man-made shaking or vibrations;
  - f. Mudslide or mudflow;

However, earth movement does not include "earthquake shock" as defined in this policy;

10. Electrical injury or disturbance to electrical appliances, fixtures or wiring caused by electrical currents artificially generated, except with respect to ensuing loss caused by or resulting from a Covered Cause of Loss;
11. Enforcement of any ordinance or law regulating the construction, use, repair or demolition of any real property insured hereunder. This exclusion applies whether the loss results from an ordinance or law that is enforced even if the property has not been damaged; or the loss results from 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 physical loss to that property;
12. Errors in design, errors in processing, faulty workmanship or faulty materials, including any ensuing collapse;
13. Explosion or rupture or bursting of pressure vessels or pipes, or steam boilers, or steam engines, or steam turbines, or flywheels; any of which is owned, leased or operated by you;
14. Failure of power, communication, water or other utility service supplied to the described location, however caused. Failure of any utility service includes lack of sufficient capacity and reduction in supply. Communication services include but are not limited to service relating to Internet access or access to any electronic, cellular or satellite network;
15.
  - a. The failure, malfunction or inadequacy of:
    - (1) Any of the following, whether belonging to you or to others:
      - (a) Computer hardware, including microprocessors;
      - (b) Computer application software;
      - (c) Computer operating systems and related software;
      - (d) Computer networks;
      - (e) Microprocessors (computer chips) not part of any computer system; or

- (f) Any other computerized or electronic equipment or components; or
  - (2) Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed in Paragraph a.(1)(a) above.
  - b. Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to determine, rectify or test for, any potential or actual problems described in Paragraph a. (1) and a. (2) above;
- We will not pay for repair, replacement or modification of any items in Paragraphs **a. (1)** and **a. (2)** above to correct any deficiencies or change any features;
- 16. Freezing and/or thawing of plumbing or heating systems;
  - 17. "Fungus", wet rot, dry rot and bacteria
 

This exclusion applies regardless of whether "fungus", wet rot or dry rot or bacteria arises from any other cause of loss, including but not limited to, a loss involving water, water damage or discharge, which may otherwise be covered by this policy, except to the extent provided under **A.2.b. Limited Coverage for "Fungus", Wet Rot, Dry Rot and Bacteria**;
  - 18. Geomagnetic storms, solar flares, solar eruptions or bursts including plasma bubbles or ejections, magnetic field or magnetosphere fluctuations or disruptions, comets, asteroids, meteorites, or any falling spacecraft, part or fragment thereof;
  - 19. Hostile or warlike action in time of peace or war, including:
    - a. Action in hindering, combating or defending against an actual, impending or expected attack by:
      - (1) Any government or sovereign power (de jure or de facto), or by any authority maintaining or using military, naval or air forces; or
      - (2) Military, naval or air forces; or
      - (3) By any agent of any government, power, authority or forces;
    - b. Use of any weapon employing atomic fission or radioactive force whether in time of peace or war;
    - c. Insurrection, rebellion, revolution, civil war, usurped power or martial law or action taken by governmental authority in hindering, combating or defending against any such occurrence, seizure or destruction under quarantine or customs regulation, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade;
  - 20. Infidelity or any 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:
    - a. Acting alone or in collusion with others; or
    - b. Whether or not occurring during the hours of employment;
  - 21. Leakage of contents, breakage of glass or similar fragile materials, marring, scratching, exposure to light, contamination, change in flavor or color or texture or finish;
  - 22. Mechanical breakdown, including rupture or bursting caused by centrifugal force;
  - 23. Nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled;
  - 24. Pilferage, burglary, larceny, looting, robbery, theft, or attempted theft;
  - 25. "Pollutants", including loss or damage caused by or resulting from the discharge, dispersal, seepage, migration, release or escape of "pollutants", including but not limited to any cost or expense to:
    - a. Extract "pollutants" from land, air or water; or
    - b. Remove, restore or replace polluted land, air or water; or

- c. Investigate any loss, injury, or damage, or for any cost, fine, or penalty or for any expense or claim or suit related to either **a.** or **b.** above;
26. Settling, shrinkage, subsidence or expansion of foundations, walls, floors, or ceilings;
  27. Seizure or destruction of property by order of governmental authority;
  28. "Terrorism", including loss, damage, cost or expense caused by, resulting from or in connection with:
    - a. Any act of "terrorism";
    - b. The use or threatened use of biological, chemical, radiological or nuclear substances for the apparent purpose of or with the result of harming or intimidating a civilian population, whether in time of peace or war, and regardless of who commits the acts; or
    - c. Any action taken to control, counter, prevent, respond to, mitigate or suppress either a. or b. above;

This does not apply to "Certified Acts of Terrorism" if such coverage is purchased and made part of this policy;
  29. Tsunami, waves, wave wash, wave action, tides, tidal waves, tidal water, storm surge, or their spray, all whether driven by wind or not;
  30. Unexplained disappearance of property or loss or shortage of property disclosed on taking inventory;
  31. Volcanic eruption, explosion or effusion, including any related shaking or trembling of the earth and/or ensuing "volcanic action";
  32. Water, other liquids, gas, powder or molten material that leaks or flows from plumbing, heating, air conditioning, fire protective systems, or other equipment;
  33. Wear and tear, depreciation, inherent vice, latent defect, gradual deterioration, decay, smog, nesting or infestation, vermin, rodents, termites or other insects including larvae or pupae thereof;
  34. Your neglect to use all reasonable means to save and preserve property from further damage at and after the time of loss.

#### **E. CANCELLATION POLICY CONDITION**

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 10 days before the effective date of cancellation.
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 canceled, 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.

#### **F. OTHER POLICY CONDITIONS**

##### **1. Changes**

This policy contains all 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. Notice to any agent or broker or knowledge possessed by any agent or broker or by any other person will not constitute a waiver or a change in any part of this policy or stop us from asserting any right(s) under the terms of this policy.

## 2. 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.

## 3. Inspections And Surveys

a. We have the right to:

- (1) Make inspections and surveys at any time;
- (2) Give you reports on the conditions we find;
- (3) Recommend changes; and
- (4) Make appraisals and valuations.

b. We are not obligated to make any inspections, surveys, reports, appraisals, valuations or recommendations and any such actions we do undertake relate only to insurability and the premiums to be charged. Valuations and appraisals do not constitute a recommendation regarding the adequacy of Limits of Insurance under this policy. 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:

- (1) Are safe or healthful;
- (2) Comply with laws, regulations, codes or standards.

c. Paragraphs a. and b. of this condition apply not only to us, but also to any rating, advisory, rate service or any organization which makes insurance inspections, surveys, reports or recommendations.

## 4. Minimum Retained Premium

In the event of cancellation of this policy at your request, the policy Minimum Retained Premium will be the percentage of the policy premium shown in the Declarations at a maximum of 25%. Your failure to make a timely payment of premium will be considered a request by you for us to cancel. If we cancel for non-payment of premium, the minimum retained premium or minimum earned premium, whichever is greater, will be immediately due and payable.

## 5. Premiums

The first Named Insured shown in the Declarations:

- a. Is responsible for the payment of all premiums; and
- b. Will be the payee for any return premiums we pay.

## 6. Transfer Of Your Rights And Duties Under This Policy

Your rights and duties under this policy may not be transferred without our written consent 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.

## 7. All Risk Coverage Warranty

You warrant that the property insured is covered and at all times during the policy period will continue to be covered, by standard all risk insurance for the term of this policy, equivalent to Insurance Services Office, Inc. forms CP 0010 and CP 1030 or their equivalent(s) as approved by the insurance department of the state where the predominant exposure is located. All losses under this policy will be adjusted as though such coverage was in effect at the time of loss. It is agreed that your failure to comply with this warranty shall constitute a violation of a material warranty and make this policy voidable by us.

## G. LOSS CONDITIONS

### 1. **Abandonment**

There can be no abandonment of any property to us.

### 2. **Appraisal**

If we and you disagree on the values of the property 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 and 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.

### 3. **Brands And Labels**

In the event of loss of or damage to labels, capsules or wrappers, the loss will be adjusted on the basis of an amount sufficient to pay the cost of new labels, capsules or wrappers.

If branded or labeled merchandise covered by this policy is damaged and we elect to take all or any part of such merchandise at the value established by the terms of this policy, you may, at your own expense, stamp "salvage" on the merchandise or its containers, or may remove or obliterate the brands or labels, if such stamp, removal or obliteration will not physically damage the merchandise; but you must re-label the merchandise or containers in compliance with the requirements of law.

### 4. **Duties In The Event Of Loss Or Damage**

- a. You must see that the following are done in the event of loss or damage to Covered Property:

- (1) Notify the police if a law may have been broken.
- (2) Give us prompt notice of the loss or damage. Include a description of the property involved.
- (3) As soon as possible, give us a description of how, when and where the loss or damage occurred.
- (4) Take all reasonable steps to protect the Covered Property from further damage, and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the Limits of Insurance. 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 the damaged property aside and in the best possible order for examination.  
 No insured will, except at that insured's own cost, voluntarily make a payment, assume any obligation, or incur any expense without our written consent.
- (5) At our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.
- (6) 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.
- (7) 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.
- (8) Cooperate with us in the investigation or settlement of the claim.

- b. 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 the claim, including an insured's books and records. In the event of an examination, an insured's answers must be signed.

### 5. **Excess Insurance**

Permission is granted to you to have excess insurance over the Limits of Insurance set forth in this policy without prejudice to this policy, and the existence of such insurance, if any, will not reduce any liability under this policy.

## 6. Loss Clause

Following an "earthquake shock" or "flood" loss, we have the option but not the duty of reinstating the Limits of Insurance shown in the Declarations for "earthquake shock" and "flood", for an additional premium.

## 7. Loss Payment

a. In the event of loss or damage covered by this policy, at our option, we will either:

- (1) Pay the value of lost or damaged property;
- (2) Pay the cost of repairing or replacing the lost or damaged property, subject to **b.** below;
- (3) Take all or any part of the property at an agreed or appraised value; or
- (4) Repair, rebuild or replace the property with other property of like kind and quality, subject to **b.** 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 policy or any applicable provision which amends or supersedes the Valuation Condition.

- b. 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.
- c. We will give notice of our intentions within 30 days after we receive the sworn proof of loss.
- d. We will not pay you more than your financial interest in the Covered Property.
- e. 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.
- f. We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.
- g. 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:
  - (1) We have reached agreement with you on the amount of loss; or
  - (2) An appraisal award has been made.
- h. A party wall is a wall that separates and is common to adjoining buildings that are owned by different parties. In settling covered losses involving a party wall, we will pay a proportion of the loss to the party wall based on your interest in the wall in proportion to the interest of the owner of the adjoining building. However, if you elect to repair or replace your building and the owner of the adjoining building elects not to repair or replace that building, we will pay you the full value of the loss to the party wall, subject to all applicable policy provisions including Limits of Insurance, the Valuation Conditions and all other provisions of this Loss Payment Condition. Our payment under the provisions of this paragraph does not alter any right of subrogation we may have against any entity, including the owner or insurer of the adjoining building, and does not alter the terms of the Transfer Of Rights Of Recovery Against Others To Us Condition in this policy.



**8. Other Insurance**

- a. You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this policy. If you do, we will pay our share of the covered loss or damage. Our share is the proportion that the applicable Limits of Insurance under this policy bears to the Limits of Insurance of all insurance covering on the same basis.
- b. If there is other insurance covering the same loss or damage, other than that described in **a.** 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 Limits of Insurance.

**9. Pair, Set Or Parts**

- a. Pair or Set

In case of loss or damage to any part of a pair or set we may:

- (1) Repair or replace any part to restore the pair or set to its value before the loss; or
- (2) Pay the difference between the value of the pair or set before and after the loss.

- b. Parts

In case of loss or damage to any part of Covered Property consisting of several parts when complete, we will only pay for the value of the lost or damaged part.

**10. Records and Inventory**

You will keep accurate books, records and accounts in the following manner: A detailed and itemized inventory record of all property covered hereunder will be maintained and physical inventory will be taken periodically at intervals not more than 12 months apart.

**11. Recovered Property**

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 Limits of Insurance.

**12. Single Loss Clause**

Each loss by "earthquake shock" occasioned by any one disaster, loss; or series of disasters, or losses, arising out of any one event will constitute a single loss hereunder, provided, if more than one "earthquake shock" arising out of any one event occurs within any period of 168 hours during the policy period, such "earthquake shocks" will be deemed to be a single "earthquake shock" within the meaning hereof. We will not be liable for any loss caused by any "earthquake shock" occurring before the effective date and time of this policy, nor for any loss occurring after the expiration date and time of this policy.

Each loss by "flood" occasioned by any one disaster, loss or series of disasters, or losses, arising out of any one event, that occurs within any period of 72 hours during the policy period will constitute a single loss hereunder.

**13. Stated Values**

If at the time of loss, the values shown on the Declarations or the latest Schedule of Locations and Values are not individually stated for each building or contents at each location:

- a. The value for each building will be developed by multiplying the total reported building value by the proportion that the square footage of the individual building bears to the total square footage of all buildings contemplated in the total reported building value.
- b. The value of Contents at each location will be developed by multiplying the total reported Contents value by the proportion that the square footage of all buildings at the individual location bears to the total square footage of all buildings at all locations contemplated in the total reported Contents value.

The square footage of each separate building will be estimated or ascertained after a "loss occurrence" as necessary. For the purpose of this Loss Condition, each Coverage marked in the Declarations is deemed to be a separate Coverage.

In the event that the submission, application or Statement of Values does not provide a total stated value of one or more separate Coverage(s) by Location, but rather contains a total stated value for the separate Coverage(s) for all Locations on the policy, then the pro-rata factor for that coverage will be calculated as the square footage of the damaged building divided by the total square footage for all buildings covered under this policy.

Example:

The following example illustrates how a stated value is calculated under the conditions above. The amounts in the example shown may not be applicable to your policy. They are being used only to provide you with an example. Further, this example is not intended to be limited to determining the stated values of only individual buildings and contents, but rather is intended to be applicable to each separate Coverage marked in the Declarations.

In this example, there are three buildings at one location, with total building values for the location of \$7,500,000 and total contents value for the location of \$3,000,000.

|            | Square Footage (1) | Total Square Footage location (1) | Pro Rata Factor (2) | Location Total Building Value (1) | Building Stated Value (3) | Location Total Contents Value (1) | Contents Stated Value (4) |
|------------|--------------------|-----------------------------------|---------------------|-----------------------------------|---------------------------|-----------------------------------|---------------------------|
| Building 1 | 10,000             | 50,000                            | 0.2                 | \$7,500,000                       | \$1,500,000               | \$3,000,000                       | \$600,000                 |
| Building 2 | 25,000             | 50,000                            | 0.5                 | \$7,500,000                       | \$3,750,000               | \$3,000,000                       | \$1,500,000               |
| Building 3 | 15,000             | 50,000                            | 0.3                 | \$7,500,000                       | \$2,250,000               | \$3,000,000                       | \$900,000                 |

- (1) As reported on the application or submission.
- (2) The Pro-rata Factor is calculated by dividing the Square Footage of each building by the Total Square Footage Location.
- (3) The Building Stated Value is calculated by multiplying the Pro-rata Factor times the Location Total Building Value.
- (4) The Contents Stated Value is calculated by multiplying the Pro-rata Factor times the Location Total Contents Value.

#### 14. 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);
- b. Replacement cost does not apply to:
  - (1) Personal property of others;
  - (2) Contents of a residence;
  - (3) Works of art, antiques or rare articles, including etchings, pictures, statuary, marbles, bronzes, porcelains and bric-a-brac;
  - (4) "Stock", unless the Including "stock" option is shown in the Declarations;
  - (5) Manuscripts; or
  - (6) Any item covered under the Valuable Papers and Records Endorsement, when attached to and made a part of this policy.

The items listed under **b.** above will be valued at actual cash value as of the time of loss or damage.

Under the terms of this Valuation Provision, Tenants' Improvements and Betterments are not considered to be the personal property of others.

- c. 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 replacement cost valuation if you notify us of your intent to do so within 180 days after the loss or damage.
- d. 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.

With respect to tenants' improvements and betterments, the following also apply:

- (3) If the conditions in **d.(1)** and **d.(2)** above are not met, the value of tenants' improvements and betterments will be determined as a proportion of your original cost. 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. □

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

- (4) We will not pay for loss or damage to tenants' improvements and betterments if others pay for repairs or replacement.
- e. We will not pay more for loss or damage on a replacement cost basis than the least of **(1), (2) or (3)**, subject to **f.** 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 location, the cost described in **e.(2)** above is limited to the cost which would have been incurred if the building had been rebuilt at the original location.
- f. The cost of repair or replacement does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property.

## H. ADDITIONAL CONDITIONS

### 1. Claims Against Third Parties

In the event of any loss of or damage to the property covered hereunder you will immediately make claim in writing against the carrier(s), bailee(s) or others involved.

### 2. Concealment, Misrepresentation Or Fraud

This policy is void in any case of fraud by you as it relates to this Coverage at any time. It is also void if you or any other insured, at any time, intentionally conceals or misrepresents a material fact concerning:

- a. This policy;
- b. The Covered Property;

- c. Your interest in the Covered Property; or
- d. A claim under this policy.

### 3. **Legal Action Against Us**

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

- a. There has been full compliance with all of the terms of this policy; and
- b. The action is brought within 12 months after the date on which the direct physical loss or damage occurred.

However, if by the laws of the state within which this policy is issued such limitation is invalid, then any such claims will be void unless such action, suit or proceeding be commenced within the shortest limit of time permitted by the laws of such state.

### 4. **No Benefit To Bailee**

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

### 5. **Policy Period, Coverage Territory**

Under this policy:

- a. We cover loss or damage commencing:
  - (1) During the policy period shown in the Declarations; and
  - (2) Within the coverage territory.
- b. The coverage territory is the "state" in which the location(s) described in the Declarations is located.

### 6. **Transfer Of Rights Of Recovery Against Others To Us**

If any person or organization to or for whom we make payment under this policy 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:

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

This will not restrict your insurance.

## I. **DEFINITIONS**

The following definitions are hereby added to this policy.

1. "Automatic Sprinkler System" means:
  - a. Any automatic fire-protective or extinguishing system, including connected:
    - (1) Sprinklers and discharge nozzles;
    - (2) Ducts, pipes, valves and fittings;
    - (3) Tanks, their component parts and supports; and
    - (4) Pumps and private fire protection mains.

- b. When supplied from an automatic fire-protective system:
  - (1) Non-automatic fire-protective systems; and
  - (2) Hydrants, standpipes and outlets.
- 2. "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.
- 3. "Earthquake Shock" is defined as – earth movement meaning natural faulting of land masses, but not including subsidence, landslide, rock slide, earth rising, earth sinking, earth shifting or settling unless as a direct result of such earth movement. All such sudden movements occurring within the space of a single hour shall be considered a single "shock." All shocks occurring within a single 168 hour period during the policy shall be considered a single "earthquake shock."
- 4. "Flood" means a general condition, whether temporary or permanent, of partial or complete inundation of normally dry land areas with water, mud, slurry or other liquid, arising from any of the following:
  - a. The overflow or breaking of natural or artificial boundaries or confines of inland or tidal waters;
  - b. The unusual and rapid accumulation or runoff of surface waters from any source or by their spray;
  - c. Waters changing course;
  - d. Waters rising;
  - e. The release or overtopping of water held by a dam, levee, dike, canal or conduit or by any water or flood control device or system, regardless of location, or from breach or failure, by any cause, of any of the foregoing;

However, "flood" does not include inundation arising from tidal wave or tsunami.
- 5. "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.
- 6. "Loss occurrence" means any one loss or disaster; or series of losses, or disasters arising out of one event.
- 7. "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; or any solid, liquid, gaseous or thermal irritant or contaminant which is discharged, dispersed, seeps, migrates, releases or escapes from any products, materials or supplies used in or incidental to the business of any insured.
- 8. "State" means one of the 50 United States of America and the District of Columbia.
- 9. "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.
- 10. "Terrorism" means an activity that involves a violent act or the use of force, including the threat of any such activity or the preparation for any such activity, that is committed for political, religious, ideological, economic, social, or cultural purposes, by any person or group(s) of persons, whether acting alone or on behalf of or in concert with or in connection with any organization(s), government(s), or other political entity(ies), and:
  - a. Has been labeled, identified or described as a terrorist act by the executive branch of the United States government; or
  - b. Causes either:
    - (1) Damage to property;
    - (2) Injury to person(s);
    - (3) Disruptions of financial, governmental, transportation, communication, computer or utility services;

or

- c. Appears to be intended to:
- (1) Disrupt any segment of an economy;
  - (2) Intimidate, harm, coerce or punish a civilian population;
  - (3) Put the public, or any section of the public, in fear;
  - (4) Influence the policy of a government by intimidation, coercion or punishment; or
  - (5) Affect the conduct of a government by destruction, assassination, kidnapping or hostage- taking.
11. "Volcanic action" means the direct loss or damage resulting from the eruption, explosion or effusion of a volcano when the loss or damage is caused by airborne volcanic blast or airborne shock waves, ash, dust or particulate matter, or lava flow. Volcanic action includes the cost to remove ash, dust or particulate matter that does not cause direct physical loss or damage to the Covered Property.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

## **LIMITED COVERAGE – LANDSCAPE**

This endorsement modifies insurance provided under the following:

DIFFERENCE IN CONDITIONS COVERAGE FORM  
EARTHQUAKE SHOCK INSURANCE FORM  
EARTHQUAKE SHOCK AND FLOOD INSURANCE FORM

- A. Under section C., **PROPERTY EXCLUDED**, Paragraph C.2. is replaced by the following:
2. Animals or growing crops;

**All other terms and conditions remain unchanged.**

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

## **LIMITED COVERAGE – PAVED SURFACES**

This endorsement modifies insurance provided under the following:

DIFFERENCE IN CONDITIONS COVERAGE FORM  
EARTHQUAKE SHOCK INSURANCE FORM  
EARTHQUAKE SHOCK AND FLOOD INSURANCE FORM

A. Under section C., **PROPERTY EXCLUDED**, Paragraph C.4. is replaced by the following:

4. Bridges, tunnels, dams, trestles, culverts or swales;

**All other terms and conditions remain unchanged.**



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

## ORDINANCE OR LAW COVERAGE

This endorsement modifies insurance provided under the following:

### DIFFERENCE IN CONDITIONS COVERAGE FORM EXCESS PROPERTY INSURANCE

- A.** Our Limit of Insurance with respect to each and every “loss occurrence” will not exceed the Limits of Insurance for Building Ordinance shown in the Declarations. This Coverage does not increase our Limits of Insurance per “loss occurrence” nor the limit per policy period shown in the Declarations, regardless of whether one or more coverages or Covered Causes of Loss insured by this policy are involved in the “loss occurrence”.
- B.** Each coverage – Coverage **A**, Coverage **B** and Coverage **C** – is provided under this endorsement only if that Coverage(s) is shown in the Declarations and then only with respect to the buildings described in the Declarations or the Schedule of Locations and Values. The coverage provided by this endorsement will not apply unless and until the deductible shown in the Declarations has been satisfied and a claim payment is due to you for a covered loss.

**C. Application Of Coverage(s)**

The Coverage(s) provided by this endorsement apply only if both **C.1.** and **C.2.** are satisfied and are then subject to the qualifications set forth in **C.3.**

1. The ordinance or law:
  - a. Requires the demolition of parts of the undamaged portion of the building at a location described in the Declarations;
  - b. Regulates construction or repair of buildings, or establishes zoning or land use requirements at a location described in the Declarations; and
  - c. Is in force at the time of loss.
  - d. But coverage under this endorsement 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 endorsement.
2.
  - a. **Enforcement Caused By Covered Loss**  
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. **Enforcement Caused By Combination of Covered and Uncovered Loss**  
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 both the covered and uncovered damage results in the enforcement of the ordinance or law.
  - c. **Enforcement Caused By Uncovered Loss**  
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 endorsement even if the building has also sustained covered direct physical damage.

Under no circumstances will this endorsement cover any property which is excluded under this policy.

3. In the situation described in **C.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 endorsement. 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.

(Section H. of this endorsement provides an example of this procedure.)

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 endorsement.

**D. We will not pay under Coverage A, B, or C of this endorsement 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.

**E. 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 the demolition of undamaged parts of the same building.

**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 the demolition of such undamaged property.

**3. Coverage C – Increased Cost of Construction Coverage**

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

- a. Repair or reconstruct damaged portions of that building; and/or
  - b. Reconstruct or remodel undamaged portions of that building, 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:

- c. 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;
- d. We will not pay for the increased cost of construction if the building is not repaired, reconstructed or remodeled.

**F. Loss Payment**

1. All following loss payment provisions are subject to the apportionment procedures set forth in Section C.3. of this endorsement.
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 Replacement Cost Coverage applies and the property is being repaired or replaced, on the same or another premises, we will not pay more than the lesser of:

- (1) The amount you would actually spend to repair, rebuild or reconstruct the building, but not for more than the amount it would cost to restore the building at the same premises and to the same height, floor area, style and comparable quality of the original property insured; or
  - (2) The Limit of Insurance shown in the Declarations as applicable to the covered building.
- b. If Replacement Cost Coverage applies and the property is *not* repaired or replaced, or if the  Replacement Cost Coverage does *not* apply, we will not pay more than the lesser of:
- (1) The actual cash value of the building at the time of loss; or
  - (2) The Limit of Insurance shown in the Declarations as applicable to the covered building.
3. Unless Paragraph **F.5.** applies, 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. Unless Paragraph **F.5.** applies, loss payment under Coverage **C** – Increased Cost of Construction Coverage will be determined as follows:
- a. We will not pay under Coverage **C**:
    - (1) Until the property is actually repaired or replaced, at the same or another premises; and
    - (2) 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:
    - (1) The increased cost of construction at the same premises; or
    - (2) 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:
    - (1) The increased cost of construction at the new premises; or
    - (2) The applicable Limit of Insurance shown for Coverage **C** in the Declarations.
5. If a **Combined** Limit of Insurance is shown for Coverages **B** and **C** in the Declarations, Paragraphs **F.3.** and **F.4.** of this endorsement do not apply with respect to the building that is subject to the Combined Limit, and the following loss payment provisions apply instead:

The most we will pay, for the total of all covered losses for Demolition Cost and Increased Cost of Construction, is the Combined Limit of Insurance shown for Coverages **B** and **C** in the Declarations. Subject to this Combined Limit of Insurance, the following loss payment provisions apply:

- a. For Demolition Cost, we will not pay more than the amount you actually spend to demolish and clear the site of the described premises.
- b. With respect to the Increased Cost of Construction:
  - (1) We will not pay for the increased cost of construction:
    - (a) Until the property is actually repaired or replaced, at the same or another premises; and
    - (b) 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.

(2) 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 for the increased cost of construction is the increased cost of construction at the same premises.

(3) If the ordinance or law requires relocation to another premises, the most we will pay for the increased cost of construction is the increased cost of construction at the new premises.

**G.** Under this endorsement the company 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.

**H.** Example of Proportionate Loss Payment for Ordinance or Law Coverage Losses (procedure as set forth in Section **C.3.** of this endorsement).

Assume:

- Flood is a Covered Cause of Loss; wind is an excluded Cause of Loss.
- The building has a value of \$200,000
- Total direct physical damage to building: \$100,000
- The ordinance or law in this jurisdiction is enforced when building damage equals or exceeds 50% of the building's value
- Portion of direct physical damage that is covered (caused by flood): \$30,000
- Portion of direct physical damage that is not covered (caused by wind): \$70,000
- Loss under Ordinance or Law Coverage **C** of this endorsement: \$60,000

Step 1:

Determine the proportion that the covered direct physical damage bears to the total direct physical damage.

$$\$30,000 \div \$100,000 = .30$$

Step 2:

Apply that proportion to the Ordinance or Law loss.

$$\$60,000 \times .30 = \$18,000$$

In this example, the most the company will pay under this endorsement for the Coverage **C** loss is \$18,000, subject to the applicable Limit of Insurance and any other applicable provisions.

NOTE: The same procedure applies to losses under Coverages **A** and **B** of this endorsement.

**All other terms and conditions remain unchanged.**

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

## **TOTAL FLOOD EXCLUSION**

**This endorsement modifies insurance provided under the following:**

**DIFFERENCE IN CONDITIONS COVERAGE FORM  
EXCESS PROPERTY INSURANCE FORM**

- A.** We will not pay for loss, damage, cost or expense caused directly or indirectly by “flood”. Such loss or damage is excluded regardless of:
1. The cause of the “flood”;
  2. Any other cause or event that contributes concurrently or in any sequence to the loss;
  3. Other causes of the loss; or
  4. Whether such loss or damage arises from an event that occurs suddenly or gradually, or involves isolated or widespread damage.
- B.** We will not pay for loss or damage resulting from waterborne material involved in the “flood”; whether driven by wind or not; or whether caused by natural, external, or man made forces.
- C.** We will not pay for loss or damage due to a “flood” which results from the intentional or negligent act, error, omission, or professional negligence of any party.
- D.** For the purposes of this endorsement,
- “Flood” means a general condition, whether temporary or permanent, of partial or complete inundation of normally dry land areas with water, mud, slurry or other liquid, arising from any of the following:
- a. The overflow or breaking of natural or artificial boundaries or confines of inland or tidal waters;
  - b. The unusual and rapid accumulation or runoff of surface waters from any source or by their spray;
  - c. Waters changing course;
  - d. Waters rising;
  - e. The release or overtopping of water held by a dam, levee, dike, canal or conduit or by any water or flood control device or system, regardless of location, or from breach or failure, by any cause, of any of the foregoing;

However, “flood” does not include inundation arising from tidal wave or tsunami.

This exclusion applies even though the loss or damage is contributed to in any manner by a Covered Cause(s) of Loss which is insured against in this policy.

**All other terms and conditions remain unchanged.**