



BUILDERS RISK COVERAGE FORM

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 F. Definitions.

A. Coverage

We will pay for direct physical loss of or damage to Covered Property from any of the Covered Causes of Loss.

1. Covered Property

a. Covered Property means:

(1) The following property provided such property is intended to be permanently in or on any "commercial structure" or one to four family dwelling, private garage or other structure that will be used to service the "commercial structure" or one to four family dwelling described in the Declarations:

- (a) Your property including building materials and supplies used for construction;
- (b) Curbing, paving, fences and outdoor fixtures;
- (c) Trees, shrubs, plants and lawns installed by you or on your behalf;
- (d) Property belonging to others for which you are legally liable;

(2) Foundations of a building or structure described in the Declarations while in the course of construction; and

(3) Completed single family dwelling built or assembled on site which is used as a model home when reported to us as such with an amount shown.

b. Coverage Begins

We will pay for direct physical loss of or damage from the time you are legally liable for the Covered Property on or after the effective date of this policy in accordance with the other terms and conditions of this policy.

c. Coverage Ceases

The insurance provided by this policy will end when one of the following first occurs:

- (1) This policy expires or is cancelled;
- (2) The Covered Property is accepted by the purchaser;
- (3) Your interest in the property ceases;
- (4) You abandon the construction with no intention to complete it;
- (5) Unless we specify otherwise in writing, 90 days after initial occupancy of the Covered Property unless that building is being:
 - (a) Used as a model home;
 - (b) Remodeled and is a single family dwelling; or
 - (c) Used as a "model home leaseback".

(6) When the Covered Property is leased to or rented to others:

- (a) For a single family dwelling, when the building is leased or rented to others;
- (b) For a two, three or four family dwelling when 50% or more of the units in the structure are leased or rented to others;
- (c) For a "commercial structure", when 75% or more of the square footage space is leased to or rented to others.

This does not apply to pre-leases established prior to construction.

(7) When permanent property insurance applies.

2. Property Not Covered

Covered Property does not include:

- a. Existing buildings or structures to which improvements, alterations, repairs or renovations are being made, unless we specify otherwise in writing;
- b. Land (including land on which the property is located) or water;
- c. Contractors tools and equipment;
- d. Buildings or structures in the course of construction that are more than 30% complete prior to the inception date of this policy unless we specify otherwise in writing; or
- e. Plans, blueprints, drawings, renderings, specifications or other contract documents or models except as provided under the Additional Coverages

3. Covered Causes Of Loss

Covered Causes of Loss means all causes of Direct Physical Loss Or Damage to Covered Property except those causes of loss listed in the Exclusions.

4. Additional Coverages

a. Collapse

- (1) For the purpose of this Additional Coverage **a. Collapse**, Abrupt Collapse means an abrupt falling down or caving in of a building or any part of a building with the result that the building or part of the building cannot be occupied for its intended purpose.
- (2) We will pay for direct physical loss or damage to Covered Property, caused by Abrupt Collapse of a building or any part of a building that is insured under this policy if such collapse is caused by one or more of the following:
 - (a) Building decay that is hidden from view, unless the presence of such decay is known to you prior to collapse;
 - (b) Insect or vermin damage that is hidden from view, unless the presence of such damage is known to you prior to collapse;
 - (c) Use of defective material or methods in construction, remodeling or renovation if the Abrupt Collapse occurs during the course of the construction, remodeling or renovation;

- (d) Fire; lightning; explosion; windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire-extinguishing equipment; falling objects; weight of snow, ice or sleet; breakage of building glass or the accidental discharge or leakage of water or steam as the direct result of the breaking apart or cracking of a plumbing, heating, air conditioning or other system or appliance (other than a sump system including its related equipment and parts), that is located on the described premises and contains water or steam; but only if the causes of loss are otherwise covered under this policy;
- (e) Weight of people or personal property; or
- (f) Weight of rain that collects on a roof.

This Additional Coverage does not increase the Limits of Insurance provided in this policy.

b. Scaffolding, Construction Forms And Temporary Structures

- (1) We will pay for direct physical loss or damage which is caused by or results from a Covered Cause of Loss, to scaffolding, construction forms and temporary structures, including fully enclosed office and fully enclosed tool trailers, but only while they are at a construction site you have reported to us. The most we will pay under this Additional Coverage is the amount shown in the Supplemental Declarations for Scaffolding, Construction Forms And Temporary Structures.
- (2) We will also pay for the cost of re-erection of the scaffolding if the loss or damage of the scaffolding is caused by or results from a Covered Cause of Loss. The most we will pay under this Additional Coverage is the amount shown in the Supplemental Declarations for Re-erection Of Scaffolding.

No deductible applies to this Additional Coverage.

c. Debris Removal

- (1) We will pay your expenses 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 the direct physical loss or damage.
- (2) 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.

If the total of the actual debris removal expense plus the amount we pay for direct physical loss or damage exceeds the Limit of Insurance on the Covered Property that has sustained loss or damage, we will pay up to the additional amount shown in the Supplemental Declaration for Debris Removal.

- (3) This Additional Coverage does not apply to costs to:
 - (a) Extract "pollutants" from land or water; or
 - (b) Remove, restore or replace polluted land or water.

No deductible applies to this Additional Coverage.

d. Discharge From Sewer, Drain Or Sump

We will pay for direct physical loss or damage to Covered Property, caused by or resulting from discharge of water or waterborne material from a sewer, drain or sump located on the described premises, provided such discharge is not induced by flood or flood-related conditions. There is no coverage if sump pump failure is caused by or results from failure of power.

For the purpose of this Coverage, the term drain includes a roof drain and related fixtures.

However, we will not pay the cost of repairing or replacing a sewer, drain, sump, sump pump or any related parts or equipment.

The most we will pay under this Additional Coverage is the amount shown in the Supplemental Declarations for Discharge From Sewer, Drain Or Sump.

No deductible applies to this Additional Coverage.

e. Fire Department Service Charge

When the fire department is called to save or protect Covered Property from a Covered Cause of Loss, we will pay up to the amount shown in the Supplemental Declarations for Fire Department Service Charge. Such limit is the most we will pay regardless of the number of responding fire departments or fire units, and regardless of the number or type of services performed.

This Additional Coverage applies to your liability for fire department service charges:

- (1) Assumed by contract or agreement prior to loss; or
- (2) Required by local ordinance.

No deductible applies to this Additional Coverage.

f. Valuable Papers And Records

We will pay for direct physical loss or damage to "valuable papers and records" that you own, or that are in your care, custody or control caused by or resulting from a Covered Cause of Loss. If there are duplicates, the "valuable papers and records" will be valued at the cost of replacement with blank materials of substantial identical type. This Additional Coverage includes the cost to research, replace or restore the lost information on "valuable papers and records" for which duplicates do not exist.

This Coverage does not apply to "valuable papers and records" in storage away from the premises shown in the Declarations.

The most we will pay under this Additional Coverage is the amount shown in the Supplemental Declarations for Valuable Papers And Records.

No deductible applies to this Additional Coverage.

g. Pollutant Cleanup And Removal

We will pay your expense to extract "pollutants" from land or water at the described premises if the discharge, dispersal, seepage, migration, release or escape of the "pollutants" is caused by or results from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the date on which the Covered Cause of Loss occurs.

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

The most we will pay under this Additional Coverage amount shown in the Supplemental Declaration for Pollutant Cleanup And Removal for the sum of all covered expenses arising out of Covered Causes of Loss occurring during each separate 12-month period of this policy.

No deductible applies to this Additional Coverage.

h. Ordinance or Law – Direct Damage

The ordinance or law referred to in this Additional Coverage is an ordinance or law that regulates the construction or repair of buildings or establishes zoning or land use requirements at the described premises, and is in force at the time of loss.

(1) Coverage For Loss To The Undamaged Portion Of The Building

With respect to the building that has sustained direct physical loss or damage caused by or resulting from a Covered Cause of Loss, we will pay under this Additional Coverage for the loss in value of the undamaged portion of the building as a consequence of a requirement to comply with an ordinance or law that requires demolition of undamaged parts of the same building.

Coverage for loss or damage to the undamaged portion of the building is included within the applicable Limit of Insurance for that construction site location.

(2) Demolition Cost Coverage

With respect to the building that has sustained direct physical loss or damage caused by or resulting from a Covered Cause of Loss, we will pay the cost to demolish and clear the site of undamaged parts of the same building, as a consequence of a requirement to comply with an ordinance or law that requires demolition of such undamaged property.

The most we will pay under the Demolition Cost Coverage is the amount you actually spend to demolish and clear the site of the described building or the amount shown in the Supplemental Declarations, whichever is less.

(3) Increased Cost Of Construction Coverage

With respect to the building that has sustained direct physical loss or damage caused by or resulting from a Covered Cause of Loss, 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 a requirement to comply with an ordinance or law that requires demolition of such undamaged property.

However:

- (i)** This coverage applies only if the restored or remodeled property is intended for similar occupancy as the current property, unless such occupancy is not permitted by zoning or land use ordinance or law. If the ordinance or law requires relocation to another site, we will pay the increased cost of construction at the new site.
- (ii)** We will not pay for the increased cost of construction if the building is not repaired, reconstructed or remodeled.

The most we will pay under the Increased Cost Of Construction Coverage is the amount of loss or damage or the amount shown in the Supplemental Declarations, whichever is less.

(4) Combined Aggregate

The most we will pay for the total of all covered losses for Demolition Cost and Increased Cost Of Construction in any one occurrence is the amount shown in the Supplemental Declarations for Combined Aggregate for Demolition Cost and Increased Cost Of Construction.

(5) Exclusions

We will not pay under any Coverage described in paragraphs **(1)**, **(2)**, or **(3)** for:

- (a)** The enforcement of or compliance with any ordinance or law which requires 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 “fungi”, wet or dry rot or virus, bacterium or other microorganism; or
- (b)** Any costs associated with the enforcement of or compliance with an ordinance or law which requires you 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”, “fungi”, wet or dry rot or virus, bacterium or other microorganism.

Further, in the event this policy is endorsed to provide coverage for existing buildings or structures or this policy covers renovation, remodeling, or other work being done on such buildings or structures, this Additional Coverage shall not apply to such buildings or structures.

i. Preservation Of Property

If it is necessary to move Covered Property from the described premises or from the location reported to us to preserve it from loss or damage by a Covered Cause of Loss, we will pay for any direct physical loss or damage to that property:

- (1) While it is being moved or while temporarily stored at another location; and
- (2) Only if the loss or damage occurs within 30 days after the property is first moved.

This Additional Coverage does not increase the Limits of Insurance provided in this policy.

j. Reward Payments

In the event of covered loss or damage as a result of arson, theft or vandalism, we will reimburse you, if we agree that such reward and the reward amount is appropriate, up to the amount shown in the Supplemental Declarations for Reward Payments, for amounts you offer, and subsequently pay, as a reward to anyone other than you, your officers, partners, directors, employees, or any family member(s) of such individuals, or any employee of a law enforcement agency or any employee of a business engaged in property protection, or any person(s) involved in the crime, as a reward for information leading to:

- (1) The arrest and conviction of any person(s) responsible for the arson, theft or vandalism loss; or
- (2) The recovery of the stolen property.

k. Property At A Temporary Storage Location

- (1) We will pay for direct physical loss or damage caused by a Covered Cause of Loss to Covered Property while temporarily in storage at a location other than a location which you have reported to us.
- (2) We will not pay under this Additional Coverage for property in storage if the property has not been specifically allocated to or otherwise identified with a covered building or structure.
- (3) The most we will pay for this Additional Coverage is the amount shown in the Supplemental Declarations for Property At A Temporary Storage Location.

l. Property in Transit

We will pay for direct physical loss or damage caused by a Covered Cause of Loss to Covered Property while in the course of transit, subject to the provisions of the Coverage Territory Condition. At the time this Policy expires property in transit shall be held covered until such property in transit has been duly delivered and accepted at place of final destination or until your interest in such property in transit ceases, whichever occurs first.

The most we will pay for this Additional Coverage is the amount shown in the Supplemental Declarations for Property In Transit.

m. Expediting Expense

We will pay the reasonable expenses and costs for overtime, night work, work on public holidays, express freight, including air freight, all incurred solely to expedite the repair or reconstruction of Covered Property which has sustained physical loss or damage caused by a Covered Cause of Loss.

Expediting expenses do not include any expenses or costs incurred to expedite work on parts of the Covered Property which have not sustained loss or damage.

The most we will pay for this Additional Coverage is the amount shown in the Supplemental Declarations for Expediting Expense.

n. Limited Coverage For "Fungi", Wet Rot And Dry Rot

- (1)** The coverage described in Paragraphs **(2)** and **(5)** only applies when "fungi", or wet or dry rot is the result of one or more of the Covered Causes of Loss, except fire or lightning, that occur 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 the time of the occurrence.
- (2)** We will pay for loss or damage to Covered Property by "fungi", or wet or dry rot. As used in this Limited Coverage, the term loss or damage means:
 - (a)** Direct physical loss or damage to Covered Property caused by "fungi", or wet or dry rot, including the cost of removal of the "fungi", or wet or dry rot;
 - (b)** The cost to tear out and replace any part of the building or other property as needed to gain access to the "fungi", or wet or dry rot; 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 "fungi", or wet or dry rot is present.
- (3)** The Limit of Insurance for this coverage is shown in the Supplemental Declarations and is the most we will pay for loss or damage to Covered Property. Regardless of the number of claims, this Limit of Insurance is the most we will pay for the total of all loss or damage arising out of all occurrences of Covered Causes of Loss (other than fire or lightning) which take place in a 12-month period (starting with the beginning of the present annual policy period). With respect to a particular occurrence of loss which results in "fungi", or wet or dry rot, we will not pay more than the Limit of Insurance for this coverage shown in the Supplemental Declarations even if the "fungi", or wet or dry rot 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 Limit of Insurance on any Covered Property. If a particular occurrence results in loss or damage by "fungi", or wet or dry rot, and other loss or damage, we will not pay more, for the total of all loss or damage, than the applicable Limit of Insurance on the affected Covered Property.

If there is covered loss or damage to Covered Property, not caused by "fungi", or wet or dry rot, loss payment will not be limited by the terms of this Limited Coverage, except to the extent that "fungi", or wet or dry rot causes an increase in the loss. Any such increase in the loss will be subject to the terms of this Limited Coverage.
- (5)** The following (5)(a) or (5)(b), applies only if Business Income and/or Extra Expense Coverage applies and only if the "suspension" of "operations" satisfies all terms and conditions of the Business Income And Extra Expense Coverage endorsement.
 - (a)** If the loss which resulted in "fungi", or wet or dry rot does not in itself necessitate a "suspension" of "operations" but such "suspension" is necessary due to loss or damage to property caused by "fungi", or wet or dry rot, then our payment under Business Income and/or Extra Expense is limited to the amount of loss and/or expense sustained in a period of not more than 30 days, or the number of days shown in the Declarations. The days need not be consecutive.
 - (b)** If a covered "suspension" of "operations" was caused by loss or damage other than "fungi", or wet or dry rot but remediation of "fungi", or wet or dry rot prolongs the "period of restoration", we will pay for loss and/or expense sustained during the delay (regardless of when such a delay occurs during the "period of restoration"), but such coverage is limited to 30 days, or the number of days shown in the Declarations. The days need not be consecutive.

o. "Soft Costs"

We will pay the actual “soft costs” arising out of the “delay period” to the extent such expenses are actually and necessarily incurred by you to enable you to begin your operations in the manner originally planned. The “soft costs” must be incurred during the “delay period” and such “delay period” must be caused by or result from direct physical loss or damage by a Covered Cause of Loss:

- (1) at or within 100 feet of the premises shown in the Declarations; or
- (2) while in transit.

The most we will pay under this Additional Coverage is the amount shown in the Supplemental Declarations for Soft Costs.

B. Exclusions

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

a. Ordinance Or Law

- (1) The enforcement of or compliance with any ordinance or law:
 - (a) Regulating the construction, use or repair of any property, or
 - (b) Requiring the tearing down of any property, including the cost of removing its debris.
- (2) This exclusion applies whether the loss or damage results from:
 - (a) An ordinance or law that is enforced even if the property has not been damaged; or
 - (b) 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 or damage to that property.
- (3) This exclusion does not apply to the extent that coverage is provided in the Additional Coverage **h. Ordinance or Law – Direct Damage.**

b. Earth Movement

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

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

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

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

- (a) Airborne volcanic blast or airborne shock waves;
- (b) Ash, dust or particulate matter; or
- (c) Lava flow.

With respect to coverage for Volcanic Action as set forth in **(5)(a)**, **(5)(b)** and **(5)(c)**, all volcanic eruptions that occur within any 168-hour period will constitute a single occurrence.

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

This exclusion applies regardless of whether any of the above, in Paragraphs **(1)** through **(5)**, is caused by an act of nature or is otherwise caused.

c. Governmental Action

Seizure or destruction of property by order of governmental authority.

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

d. Nuclear Hazard

Nuclear reaction or radiation, or radioactive contamination, however caused. But if nuclear reaction or radiation, or radioactive contamination results in fire we will pay for the direct loss or damage caused by that fire if the fire would be covered under this policy.

e. War And Military Action

- (1)** War, including undeclared or civil war;
- (2)** Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
- (3)** Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

f. Water

- (1)** Flood, surface water or waves (including tidal wave and tsunami), tides, tidal waves, overflow of any body of water or their spill, all whether driven by wind or not (including storm surge);
- (2)** Mudslide or mudflow;
- (3)** Water that backs up or overflows or is otherwise discharged from a sewer, drain, sump, sump pump or related equipment except as provide in Additional Coverage **d. Discharge From Sewer, Drain Or Sump**; or
- (4)** Water under the ground surface pressing on, or flowing or seeping through:
 - (a)** Foundations, walls, floors or paved surfaces;
 - (b)** Basements, whether paved or not; or
 - (c)** Doors, windows or other openings.
- (5)** Waterborne material carried or otherwise moved by any of the water referred to in Paragraph **(1)**, **(3)** or **(4)**, or material carried or otherwise moved by mudslide or mudflow.

This exclusion applies regardless of whether any of the above, in Paragraphs **(1)** through **(5)**, is caused by an act of nature or is otherwise caused. An example of a situation to which this exclusion applies is the situation where a dam, levee, seawall or other boundary or containment system fails in whole or in part, for any reason, to contain the water.

But if any of the above, as described in **f.(1)** through **f.(5)**, results in fire, explosion or sprinkler leakage, we will pay for the loss or damage caused by that fire, explosion or sprinkler leakage (if sprinkler leakage is a Covered Cause of Loss).

g. Fungi, Wet Rot And Dry Rot

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

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

This exclusion does not apply:

- (1)** When "fungi", or wet or dry rot results from fire or lightning; or
- (2)** To the extent that coverage is provided in the Additional Coverage **n. Limited Coverage For "Fungi", Wet Rot And Dry Rot** with respect to loss or damage by a cause of loss other than fire or lightning.

h. Virus, Bacterium Or Other Microorganism

Any virus, bacterium or other microorganism that induces or is capable of inducing physical distress, illness or disease.

However, this exclusion does not apply to loss or damage caused by or resulting from "fungi", wet rot or dry rot. Such loss or damage is addressed in the previous exclusion.

The terms of this exclusion, or the inapplicability of this exclusion to a particular loss, does not serve to create coverage for any loss that would otherwise be excluded under this policy.

This exclusion applies to all coverage under all forms and endorsements that comprise this policy, including but not limited to forms or endorsements that cover business income, extra expense or action of civil authority.

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

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

- a.** Theft from any unattended vehicle unless at the time of theft its windows, doors and compartments were closed and locked and there are visible signs that the theft was the result of forced entry.

But this exclusion does not apply to property in the custody of a carrier for hire.

- b.** Delay, loss of use, loss of market, performance penalties, penalties for non-completion, delay in completion or non-compliance with contract conditions or any other consequential loss. This does not include "profit".

- c.** Unexplained disappearance.

- d.** Shortage found upon taking inventory.

- e.** Dishonest or criminal act committed by:

- (1)** You, any of your partners, employees, directors, trustees, or authorized representatives;
- (2)** A manager or a member if you are a limited liability company;
- (3)** Anyone else with an interest in the property, or their employees or authorized representatives; or
- (4)** Anyone else to whom the property is entrusted for any purpose.

This exclusion applies whether or not such persons are acting alone or in collusion with other persons or such acts occur during the hours of employment.

This exclusion does not apply to Covered Property that is entrusted to others who are carriers for hire or to acts of destruction by your employees. Theft by employees is not covered.

- f. Artificially generated electrical, magnetic or electromagnetic energy that damages, disturbs, disrupts or otherwise interferes with any:

- (1) Electrical or electronic wire, device, appliance, system or network; or
- (2) Device, appliance, system or network utilizing cellular or satellite technology.

For the purpose of this exclusion, electrical, magnetic or electromagnetic energy includes, but is not limited to, electrical current, including arcing; electrical charge produced or conducted by a magnetic or electromagnetic field; pulse of electromagnetic energy; electromagnetic waves or microwaves.

But if artificially generated electrical, magnetic or electromagnetic energy, as described above, results in fire, we will pay for the direct loss or damage caused by that fire if the fire would be covered under this policy.

- g. Voluntary parting with any property by you or anyone entrusted with the property, induced to do so by any fraudulent scheme, trick, device or false pretense.
- h. Unauthorized instructions to transfer property to any person or to any place.
- i. Neglect of an insured to use all reasonable means to save and preserve property from further damage at and after the time of loss.
- j. Collapse, except as provided in the Additional Coverages, **Collapse**.
- k. (1) Wear and tear;
(2) Rust or other corrosion, decay, deterioration, hidden or latent defect or any quality in property that causes it to damage or destroy itself;
(3) Settling, cracking, shrinking or expansion;
(4) Insects, vermin or rodents, or
(5) Dampness or dryness or changes in or extremes of temperature.
- l. Water, other liquids, powder or molten material that leaks or flows from plumbing, heating, air conditioning or other equipment (except fire protective systems) caused by or resulting from freezing, unless:
 - (1) You do your best to maintain heat in the building or structure; or
 - (2) You drain the equipment and shut off the supply if the heat is not maintained.
- m. Rain, snow, ice or sleet to Covered Property in the open. This does not apply to Covered Property in the custody of a carrier for hire.
- n. Mechanical breakdown.
- o. "Hot testing".

- 3. We will not pay for loss or damage caused by or resulting from any of the following. But if loss or damage by a Covered Cause of Loss results, we will pay for the loss or damage caused by that Covered Cause of Loss.

- a. Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in Paragraph 1. to produce the loss or damage.
- b. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.
- c. Faulty, inadequate or defective:
 - (1) Planning, zoning, development, surveying, siting;
 - (2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;

(3) Materials used in repair, construction, renovation or remodeling; or

(4) Maintenance;

of part or all of any property wherever located.

d. Discharge, dispersal, seepage, migration, release or escape of "pollutants" except as provided in the Additional Coverage **g. Pollutant Cleanup And Removal.**

C. Limits Of Insurance

The most we will pay for loss or damage to any one building or structure is the lesser of the Limit of Insurance shown in the Declarations for that one building or structure or the "total estimated completed value" that was reported to us for that one building or structure.

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

Payments under the following Additional Coverages will not increase the applicable Limit of Insurance:

1. Collapse;
2. Debris Removal; but if the sum of direct physical loss or damage and debris removal expense exceeds the Limit of Insurance, we will pay up to an additional amount in the Supplemental Declarations in any one occurrence under the Additional Coverage **c. Debris Removal.**
3. Preservation Of Property; or
4. Limited Coverage For "Fungi", Wet Rot And Dry Rot.

The limits applicable to all other Additional Coverages are in addition to the Limits of Insurance.

D. Deductible

We will not pay for loss or damage in any one occurrence until the amount of the adjusted loss or damage before applying the applicable Limit of Insurance exceeds the Deductible shown in the Declarations. We will then pay the amount of the adjusted loss or damage in excess of the Deductible, up to the applicable Limit of Insurance.

E. Builders Risk Conditions

The following conditions apply in addition to the **Commercial Inland Marine Conditions** and the **Common Policy Conditions**:

1. Coverage Territory

(a) We cover property wherever located within:

- (1) The United States of America (including its territories and possessions);
- (2) Puerto Rico; and
- (3) Canada.

(b) We also cover property in transit within and between points in Paragraph (a) except imports or exports while ocean marine insurance coverage applies. Paragraph (b) is subject to the amount shown in the Supplemental Declarations for Property In Transit.

2. Coinsurance

We will not pay the full amount of any loss or damage if the reported value of the Covered Property at the time and location of the loss or damage is less than the "total estimated completed value".

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

(a) Divide the reported value by the "total estimated completed value";

(b) Multiply the total amount of loss or damage, before the application of any deductible, by the percentage determined in Step **(a)**; and

(c) Subtract the deductible from the figure determined in Step **(b)**.

We will pay the amount determined in Step **(c)** or the applicable Limit of Insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

If there is a loss or damage to Covered Property and the cost to repair or replace such property is less than or equal to \$25,000, we will adjust the loss or damage without regard to this Coinsurance Condition.

3. Mortgagees

a. The term mortgagee includes trustee.

b. We will pay for covered loss of or damage to buildings or structures to each mortgagee shown on a Certificate of Insurance issued by the current Agent of Record.

c. The mortgagee has the right to receive loss payment even if the mortgagee has started foreclosure or similar action on the building or structure.

d. If we deny your claim because of your acts or because you have failed to comply with the terms of this policy, the mortgagee will still have the right to receive loss payment if the mortgagee:

(1) Pays any premium due under this policy at our request if you have failed to do so;

(2) Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so; and

(3) Has notified us of any change in ownership, occupancy or substantial change in risk known to the mortgagee.

All of the terms of this policy will then apply directly to the mortgagee.

e. If we pay the mortgagee for any loss or damage and deny payment to you because of your acts or because you have failed to comply with the terms of this policy:

(1) The mortgagee's rights under the mortgage will be transferred to us to the extent of the amount we pay; and

(2) The mortgagee's right to recover the full amount of the mortgagee's claim will not be impaired.

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

f. If we cancel this policy, we will give written notice to the mortgagee at least:

(1) 10 days before the effective date of cancellation if we cancel for your nonpayment of premium; or

(2) 30 days before the effective date of cancellation if we cancel for any other reason.

g. We will not notify the mortgagee if you cancel this policy or coverage ends for any reason other than if we cancel the policy.

4. Liberalization Clause

If we adopt any revision which would broaden the coverage under this policy without additional premium within 60 days prior to or during the policy period, your policy will automatically provide the broadened coverage as of the date the revision is effective in your state.

5. Interest Of Subcontractors, Sub-Subcontractors, Suppliers

We cover the interest which your subcontractors, your sub-subcontractors and your suppliers have in the Covered Property, but only while such property is situated at a construction site you have reported to us. This condition does not impair any right of subrogation we would otherwise have.

6. Unintentional Failure To Disclose Hazards

Your failure to disclose all hazards existing as of the inception date of the policy shall not affect the coverage afforded by this policy, provided such failure to disclose all hazards is not intentional and the hazard is reported to us as soon as practicable after you learn about it.

7. Calculation of Premium

The premium shown in the Declarations was computed based on rates in effect at the time the policy was issued. On each renewal, continuation, or anniversary of the effective date of this policy, we will compute the premium in accordance with our rates and rules then in effect.

F. Definitions

1. "Commercial structure" means any structure other than a one to four family dwelling.
2. "Delay period" means the period of time between the scheduled date of completion and the actual date on which operations or use and occupancy can begin with the exercise of due diligence and dispatch.
3. "Fungi" means any type or form of fungus, including mold or mildew and any mycotoxins, spores, scents or by-products produced or released by fungi.
4. "Hot testing" means any start-up, commissioning or other form of testing making use of any feedstock, including operational tests and performance tests performed in conjunction with "hot testing". "Hot testing" includes the examination, experiment or trial of Covered Property such as ovens, boilers, turbines, generators, pumps, process equipment or equipment of a similar nature to prove their ability or function. "Hot testing" does not include the start-up and testing of building systems such as sprinkler systems, plumbing, piping systems, gas lines, air conditioning lines, elevators, or escalators.
5. "Model home leaseback" means a dwelling purchased from you and is then leased back to you by the purchaser, to be used by you as a model home until the purchaser occupies the dwelling as a residence.
6. "Pollutants" means any solid, liquid, gaseous, or thermal irritant or contaminant including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes material to be recycled, reconditioned or reclaimed.
7. "Profit" means the difference between the selling price of the land and completed structure and your cost of the land and the completed structure. If you do not have a signed contract for the sale of the completed structure and land, the allowance for "profit" will not exceed 20%.
8. "Soft Costs" means reasonable expenditures which are necessarily incurred during the "delay period" that would not have been incurred by you if the "delay period" had not occurred, consisting of the following:
 - a. Interest upon money borrowed to finance the contract work (Interim Interest Expense);
 - b. Realty taxes and ground rents, if any;
 - c. Advertising and promotional expenses necessarily incurred;
 - d. Costs of additional commissions incurred upon renegotiating leases;
 - e. Architects, engineers and consultant fees;
 - f. Project administration expense;
 - g. Legal and accounting fees; and
 - h. Insurance premiums; and

- i. Other similar costs you incur over and above the costs that you normally would have incurred in course of construction.
- 9. "Total estimated completed value" means all costs associated with the building and designing of the Covered Property including labor, materials and overhead business expenses incurred due to the construction of a dwelling or structure and if included, "profit".
- 10. "Valuable papers and records" means inscribed, printed or written documents, manuscripts or records, including abstracts, books, deeds, drawings, films, maps or mortgages.

But "valuable papers and records" does not mean money or securities, converted data, programs or instructions used in your data processing operations, including the materials on which the data is recorded.

COMMERCIAL INLAND MARINE CONDITIONS

The following conditions apply in addition to the **E. Builders Risk Conditions** and the **Commercial Policy Conditions**:

LOSS CONDITIONS

A. Abandonment

There can be no abandonment of any property to us.

B. Appraisal

If we and you disagree on the value of the property 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:

- 1. Pay its chosen appraiser; and
- 2. Bear the other expenses of the appraisal and umpire equally.

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

C. Duties In The Event Of Loss

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 Limit 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.
- 5. You will not, except at your own cost, voluntarily make a payment, assume any obligation, or incur any expense without our consent.
- 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. 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.
8. Send us a signed, sworn proof of loss containing the information we request to settle the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.
9. Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or suit.
10. Cooperate with us in the investigation or settlement of the claim.

D. Insurance Under Two Or More Coverages

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

E. Loss Payment

1. We will give notice of our intentions within 30 days after we receive the sworn proof of loss.
2. We will not pay you more than your financial interest in the Covered Property.
3. 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 claim against us for the owners' property. We will not pay the owners more than their financial interest in the Covered Property.
4. We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.
5. 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 the terms of this policy and:
 - a. We have reached agreement with you on the amount of the loss; or
 - b. An appraisal award has been made.
6. We will not be liable for any part of a loss that has been paid or made good by others.

F. Other Insurance

1. 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 Limit of Insurance under this policy bears to the Limits of Insurance of all insurance covering on the same basis.
2. If there is other insurance covering the same loss or damage, other than that described in 1. above, we will pay only for the amount of covered loss or damage in excess of the amount due from that other insurance, whether you can collect on it or not. But we will not pay more than the applicable Limit of Insurance.

G. Pair, Sets Or Parts

1. Pair Or Set

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

- a. Repair or replace any part to restore the pair or set to its value before the loss or damage; or
- b. Pay the difference between the value of the pair or set before and after the loss or damage.

2. 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.

H. 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 Limit of Insurance.

I. Reinstatement Of Limit After Loss

The Limit of Insurance will not be reduced by the payment of any claim, except for total loss or damage of a scheduled item, in which event we will refund the unearned premium on that item.

J. 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:

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

This will not restrict your insurance.

GENERAL CONDITIONS

A. Concealment, Misrepresentation Or Fraud

This policy is void in any case of fraud, intentional concealment or misrepresentation of a material fact, by you or any other insured, at any time, concerning:

1. This policy;
2. The Covered Property;
3. Your interest in the Covered Property; or
4. A claim under this policy.

B. Control Of Property

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

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

C. Legal Action Against Us

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

1. There has been full compliance with all the terms of this policy; and
2. The action is brought within 2 years after you first have knowledge of the direct loss or damage.

D. No Benefit To Bailee

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

E. Policy Period, Coverage Territory

We cover loss or damage commencing:

1. During the policy period shown in the Declarations; and
2. Within the coverage territory.

F. Valuation

The value of property will be the least of the following amounts:

1. The actual cash value of that property;
2. The cost of reasonably restoring that property to its condition immediately before loss or damage; or
3. The cost of replacing that property with substantially identical property.

In the event of loss or damage, the value of property will be determined as of the time of loss or damage.

SPECIMEN