

## BUSINESSOWNERS SPECIAL PROPERTY COVERAGE FORM

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 **bold** have special meaning. Refer to Section **H** - Property Definitions.

### A. Coverage

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

#### 1. Covered Property

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

**a.** Buildings, meaning the buildings and structures at the premises described in the Declarations, including:

- (1) Completed additions;
- (2) Fixtures, including outdoor fixtures;
- (3) Permanently installed:
  - (a) Machinery; and
  - (b) Equipment;
- (4) **Your** personal property in apartments or rooms furnished by **you** as landlord;
- (5) Personal property owned by **you** that is used to maintain or service the buildings or structures or the premises, including:
  - (a) Fire extinguishing equipment;
  - (b) Outdoor furniture;
  - (c) Floor coverings; and
  - (d) Appliances used for refrigerating, ventilating, cooking, dishwashing, or laundering;
- (6) If not covered by other insurance:
  - (a) Additions under construction, alterations and repairs to the buildings or structures;
  - (b) Materials, equipment, supplies, and temporary structures, on or within one hundred (100) feet of the described premises, used for making additions, alterations or repairs to the buildings or structures.

**b.** Business Personal Property located in or on the buildings at the described premises or in the open (or in a vehicle) within one hundred (100) feet of the described premises, including:

- (1) Property **you** own that is used in **your** business;
- (2) Property of others that is in **your** care, custody, or control, except as otherwise provided in Loss Payment Property Loss Condition **E.6.d(3)(b)**;
- (3) Tenant's improvements and betterments. Improvements and betterments are fixtures, alterations, installations, or additions:
  - (a) Made a part of the building or structure **you** occupy but do not own;
  - (b) **You** acquired or made at **your** expense but cannot legally remove; and
- (4) Leased personal property for which **you** have a contractual responsibility to insure, unless otherwise provided for under Paragraph **A.1.b.(2)**.

#### 2. Property Not Covered

Covered Property does not include:

- a.** Aircraft, automobiles, motortrucks, and other vehicles subject to motor vehicle registration;

- b. **Money or securities** except as provided in the:
    - (1) Money and Securities Optional Coverage; or
    - (2) Employee Dishonesty Optional Coverage;
  - c. Contraband, or property in the course of illegal transportation or trade;
  - d. Land (including land on which the property is located), water, growing crops, or lawns;
  - e. Outdoor fences, radio, or television antennas (including satellite dishes) and their lead-in wiring, masts, or towers, signs (other than signs attached to buildings), trees, shrubs, or plants, all except as provided in the:
    - (1) Outdoor Property Coverage Extension; or
    - (2) Outdoor Signs Optional Coverage;
  - f. Watercraft (including motors, equipment, and accessories) while afloat.
- 3. Covered Causes Of Loss**
- Risks of Direct Physical Loss unless the loss is:
- a. Excluded in Section B., Exclusions; or
  - b. Limited in Paragraph A.4., Limitations.
- 4. Limitations**
- a. **We** will not pay for loss of or damage to:
    - (1) Steam boilers, steam pipes, steam engines, or steam turbines caused by or resulting from any condition or event inside such equipment. But **we** will pay for loss of or damage to such equipment caused by or resulting from an explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.
    - (2) Hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment, other than an explosion.
    - (3) Property that is missing, but there is no physical evidence to show what happened to the Property, such as shortage disclosed on taking inventory. This limitation does not apply to the Optional Coverage for Money and Securities.
    - (4) Property that has been transferred to a person or to a place outside the described premises on the basis of unauthorized instructions.
  - b. With respect to glass (other than glass building blocks) that is part of the interior of a building or structure, or part of an outdoor sign, **we** will not pay more than five hundred dollars (\$500) for the total of all loss or damage in any one (1) occurrence. Subject to the five hundred dollar (\$500) limit on all loss or damage, **we** will not pay more than one hundred dollars (\$100) for each plate, pane, multiple plate insulating unit, radiant, or solar heating panel, louver, or shutter.  
This Limitation does not apply to loss or damage by the **specified causes of loss**, except vandalism.
  - c. **We** will not pay for loss of or damage to fragile articles such as glassware, statuary, marbles, chinaware, and porcelains, if broken, unless caused by the **specified causes of loss** or building glass breakage. This restriction does not apply to:
    - (1) Glass that is part of the interior of a building or structure;
    - (2) Containers of property held for sale; or
    - (3) Photographic or scientific instrument lenses.
  - d. For loss or damage by theft, the following types of property are covered only up to the limits shown:
    - (1) Two thousand five hundred dollars (\$2,500) for furs, fur garments, and garments trimmed with fur.
    - (2) Two thousand five hundred dollars (\$2,500) for jewelry, watches, watch movements, jewels, pearls, precious and semi-precious stones, bullion, gold, silver, platinum, and other precious alloys or metals. This limit does not apply to jewelry and watches worth one hundred dollars (\$100) or less per item.

(3) Two thousand five hundred dollars (\$2,500) for patterns, dies, molds, and forms.

## 5. Additional Coverages

### a. Debris Removal

(1) 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 one hundred eighty (180) days of the earlier of:

- (a) The date of direct physical loss or damage; or
- (b) The end of the policy period.

(2) The most **we** will pay under this Additional Coverage is twenty-five percent (25%) of:

- (a) The amount **we** pay for the direct physical loss of or damage to Covered Property; plus
- (b) The deductible in this policy applicable to that loss or damage.

But this limitation does not apply to any additional debris removal limit provided in Paragraph (4) below.

(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.

(4) If:

- (a) The sum of direct physical loss or damage and debris removal expense exceeds the Limit of Insurance; or
- (b) The debris removal expense exceeds the amount payable under the twenty-five percent (25%) Debris Removal Coverage limitation in Paragraph (2) above;

**we** will pay up to an additional ten thousand dollars (\$10,000) for each location in any one (1) occurrence under the Debris Removal Additional Coverage.

### b. Preservation Of Property

If it is necessary to move Covered Property from the described premises to preserve it from loss or damage by a Covered Cause of Loss, **we** will pay for any direct physical loss of 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 thirty (30) days after the property is first moved.

### c. 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 one thousand dollars (\$1,000) for **your** liability for fire department service charges:

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

### d. Collapse

(1) **We** will pay for direct physical loss or damage to Covered Property, caused by collapse of a building or any part of a building insured under this policy, if the collapse is caused by one (1) or more of the following:

- (a) The **specified cause of loss** or breakage of building glass, all only as insured against in this policy;
- (b) Hidden decay;
- (c) Hidden insect or vermin damage;
- (d) Weight of people or personal property;
- (e) Weight of rain that collects on a roof;
- (f) Use of defective material or methods in construction, remodeling, or renovation if the collapse occurs during the course of the construction, remodeling, or renovation. However, if the collapse occurs after construction is complete and is caused in part by a cause of loss listed in **d.(1)(a)** through **d.(1)(e)**, **we** will pay for the loss or damage even if use of defective

material or methods in construction, remodeling, or renovation, contributes to the collapse.

- (2) If the direct physical loss or damage does not involve collapse of a building or any part of a building, **we** will pay for loss or damage to Covered Property caused by the collapse of personal property only if:

- (a) The personal property which collapses is inside a building insured under this policy; and
- (b) The collapse was caused by a cause of loss listed in **d.(1)(a)** through **d.(1)(f)** above.

- (3) With respect to the following property:

- (a) Awnings;
- (b) Gutters and downspouts;
- (c) Yard fixtures;
- (d) Outdoor swimming pools;
- (e) Piers, wharves, and docks;
- (f) Beach or diving platforms or appurtenances;
- (g) Retaining walls; and
- (h) Walks, roadways, and other paved surfaces;

if the collapse is caused by a cause of loss listed in **d.(1)(b)** through **d(1)(f)**, **we** will pay for loss or damage to that property only if such loss or damage is a direct result of the collapse of a building insured under this policy and the property is Covered Property under this policy.

- (4) Collapse does not include settling, cracking, shrinkage, bulging, or expansion.

**e. Water Damage, Other Liquids, Powder, Or Molten Materials Damage**

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

**We** will not pay the cost to repair any defect that caused the loss or damage; but **we** will pay the cost to repair or replace damaged parts of fire extinguishing equipment if the damage:

- (1) Results in discharge of any substance from an automatic fire protection system; or
- (2) Is directly caused by freezing.

**f. Business Income**

**(1) Business Income**

**We** will pay for the actual loss of Business Income **you** sustain due to the necessary suspension of **your operations** during the **period of restoration**. The suspension must be caused by direct physical loss of or damage to property at the described premises. The loss or damage must be caused by or result from a Covered Cause or Loss. With respect to loss of or damage to personal property in the open or personal property in a vehicle, the described premises include the area within one hundred (100) feet of the site at which the described premises are located.

With respect to the requirements set forth in the preceding paragraph, if **you** occupy only part of the site at which the described premises are located, **your** premises means:

- (a) The portion of the building which **you** rent, lease, or occupy; and
- (b) Any area within the building or on the site at which the described premises are located, if that area services, or is used to gain access to, the described premises.

**We** will only pay for loss of Business Income that **you** sustain during the **period of restoration** and that occurs within twelve (12) consecutive months after the date of direct physical loss or damage. **We** will only pay for ordinary payroll expenses for sixty (60) days following the date of direct physical loss or damage.

Business Income means the:

- (i) Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred if no physical loss or damage had occurred, but not including any Net Income that would likely have been earned as a result of an increase in the volume of business

due to favorable business conditions caused by the impact of the Covered Cause of Loss on customers or on other businesses; and

(ii) Continuing normal operating expenses incurred, including payroll.

Ordinary payroll expenses mean payroll expenses for all **your** employees except:

- (a) Officers;
- (b) Executives;
- (c) Department Managers;
- (d) Employees under contract; and
- (e) Additional Exemptions shown in the Declarations as:
  - (i) Job Classifications; or
  - (ii) Employees.

Ordinary payroll expenses include:

- (a) Payroll;
- (b) Employee benefits, if directly related to payroll;
- (c) FICA payments **you** pay;
- (d) Union dues **you** pay; and
- (e) Workers' compensation premiums.

**(2) Extended Business Income**

If the necessary suspension of **your operations** produces a Business Income loss payable under this policy, **we** will pay for the actual loss of Business Income **you** incur during the period that:

- (a) Begins on the date property except finished stock is actually repaired, rebuilt, or replaced and **operations** are resumed; and
- (b) Ends on the earlier of:
  - (i) The date **you** could restore **your operations**, with reasonable speed, to the level which would generate the Business Income amount that would have existed if no direct physical loss or damage had occurred; or
  - (ii) Thirty (30) consecutive days after the date determined in **(2)(a)** above.

However, Extended Business Income does not apply to loss of Business Income incurred as a result of unfavorable business conditions caused by the impact of the Covered Cause of Loss in the area where the described premises are located.

Loss of Business Income must be caused by direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss.

This Additional Coverage is not subject to the Limits of Insurance.

**g. Extra Expense**

- (1)** We will pay necessary Extra Expense **you** incur during the **period of restoration** that **you** would not have incurred if there had been no direct physical loss or damage to property at the described premises. The loss or damage must be caused by or result from a Covered Cause of Loss. With respect to loss of or damage to personal property in the open or personal property in a vehicle, the described premises include the area within one hundred (100) feet of the site at which the described premises are located.

With respect to the requirements set forth in the preceding paragraph, if **you** occupy only part of the site at which the described premises are located, **your** premises means:

- (a) The portion of the building which **you** rent, lease, or occupy; and
- (b) Any area within the building or on the site at which the described premises are located, if that area services, or is used to gain access to, the described premises.

- (2)** Extra Expense means expense incurred:

- (a) To avoid or minimize the suspension of business and to continue **operations**:
  - (i) At the described premises; or

- (ii) At replacement premises or at temporary locations, including relocation expenses, and costs to equip and operate the replacement or temporary locations.
- (b) To minimize the suspension of business if **you** cannot continue **operations**.
- (c) To:
  - (i) Repair or replace any property; or
  - (ii) Research, replace, or restore the lost information on damaged **valuable papers and records**:

to the extent it reduces the amount of loss that otherwise would have been payable under this Additional Coverage or Additional Coverage **f. Business Income**.

**We** will only pay for Extra Expense that occurs within twelve (12) consecutive months after the date of direct physical loss or damage. This Additional Coverage is not subject to the Limits of Insurance.

#### **h. Pollutant Clean Up 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 one hundred eighty (180) days of the earlier of:

- (1) The date of direct physical loss or damage; or
- (2) The end of the policy period.

The most **we** will pay for each location under this Additional Coverage is ten thousand dollars (\$10,000) for the sum of all such expenses arising out of Covered Causes of Loss occurring during each separate twelve (12) month period of this policy.

#### **i. Civil Authority**

**We** will pay for the actual loss of Business Income **you** sustain and necessary Extra Expense caused by action of civil authority that prohibits access to the described premises due to direct physical loss of or damage to property, other than at the described premises, caused by or resulting from any Covered Cause of Loss.

The coverage for Business Income will begin seventy-two (72) hours after the time of that action and will apply for a period of up to three (3) consecutive weeks after coverage begins.

The coverage for necessary Extra Expense will begin immediately after the time of that action and ends:

- (1) Three (3) consecutive weeks after the time of that action; or
- (2) When **your** Business Income coverage ends;

whichever is later.

The definitions of Business Income and Extra Expense contained in the Business Income and Extra Expense Additional Coverages also apply to this Civil Authority Additional Coverage. The Civil Authority Additional Coverage is not subject to the Limits of Insurance.

#### **j. Money Orders And Counterfeit Paper Currency**

**We** will pay for loss due to the good faith acceptance of:

- (1) Any U.S. or Canadian post office, express company, or national or state (or Canadian) chartered bank money order that is not paid upon presentation to the issuer; or
- (2) Counterfeit United States or Canadian paper currency;

in exchange for merchandise, **money**, or services or as part of a normal business transaction.

The most **we** will pay for any loss under this Additional Coverage is one thousand dollars (\$1,000).

#### **k. Forgery And Alteration**

- (1) **We** will pay for loss resulting directly from forgery or alteration of, any check, draft, promissory note, bill of exchange or similar written promise of payment in **money**, that **you** or **your** agent has issued, or that was issued by someone who impersonates **you** or **your** agent.

- (2) If **you** are sued for refusing to pay the check, draft, promissory note, bill of exchange or similar written promise of payment in **money**, on the basis that it has been forged or altered, and **you**

have **our** written consent to defend against the suit, **we** will pay for any reasonable legal expenses that **you** incur in that defense.

- (3) The most **we** will pay for any loss, including legal expenses, under this Additional Coverage is two thousand five hundred dollars (\$2,500).

**I. Increased Cost of Construction**

- (1) This Additional Coverage applies only to buildings insured on a replacement cost basis.
- (2) In the event of damage by a Covered Cause of Loss to a building that is Covered Property, **we** will pay the increased costs incurred to comply with enforcement of an ordinance or law in the course of repair, rebuilding, or replacement of damaged parts of that property, subject to the limitations stated in I.(3) through I.(9) of this Additional Coverage.
- (3) The ordinance or law referred to in I.(2) of 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.
- (4) Under this Additional Coverage, **we** will not pay any costs due to an ordinance or law that:
- (a) **You** were required to comply with before the loss, even when the building was undamaged; and
  - (b) **You** failed to comply with.
- (5) Under this Additional Coverage, **we** will not pay any costs associated with the enforcement of an 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**.
- (6) The most **we** will pay under this Additional Coverage, for each described building insured under this Coverage Form, is five thousand dollars (\$5,000).  
The amount payable under this Additional Coverage is additional insurance.
- (7) With respect to this Additional Coverage:
- (a) **We** will not pay for the Increased Cost of Construction:
- (i) Until the property is actually repaired or replaced, at the same or another premises; and
  - (ii) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not to exceed two (2) years. **We** may extend this period in writing during the two (2) 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 for the Increased Cost of Construction is the increased cost of construction at the same premises.
- (c) 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.
- (8) This Additional Coverage is not subject to the terms or the Ordinance or Law Exclusion, to the extent that such Exclusion would conflict with the provisions of this Additional Coverage.
- (9) The costs addressed in the Loss Payment Property Loss Condition in this Coverage Form do not include the increased cost attributable to enforcement of an ordinance or law. The amount payable under this Additional Coverage, as stated in I.(6) of this Additional Coverage, is not subject to such limitation.

**m. Exterior Building Glass**

- (1) **We** will pay for direct physical loss of or damage to glass, including lettering or ornamentation, that is part of the exterior of a covered building or structure at the described premises. The glass must be owned by **you**, or owned by others but in **your** care, custody, or control. **We** will also pay for necessary:
- (a) Expenses incurred to put up temporary plates or board up openings;
  - (b) Repair or replacement of encasing frames; and
  - (c) Expenses incurred to remove or replace obstructions.
- (2) Paragraph A.3., Covered Causes Of Loss and Section B. Exclusions do not apply to this Additional Coverage, except for:

- (a) Paragraph **B.1.b.** Earth Movement;
  - (b) Paragraph **B.1.c.** Governmental Action;
  - (c) Paragraph **B.1.d.** Nuclear Hazard;
  - (d) Paragraph **B.1.f.** War and Military Action; and
  - (e) Paragraph **B.1.g.** Water.
- (3) **We** will not pay for loss or damage caused by or resulting from:
- (a) Wear and tear;
  - (b) Hidden or latent defect;
  - (c) Corrosion; or
  - (d) Rust.
- (4) The most **we** pay under this Additional Coverage is the Building Limit of Insurance shown in the Declarations.
- However, if **you** are a tenant and no Limit of Insurance is shown in the Declarations for Building property, the most **we** will pay under this Additional Coverage is the Tenant's Exterior Building Glass Limit of Insurance shown in the Declarations.

## **6. Coverage Extensions**

In addition to the Limits of Insurance, **you** may extend the insurance provided by this policy as provided below.

Except as otherwise provided, the following Extensions apply to property located in or on the building described in the Declarations or in the open (or in a vehicle) within one hundred (100) feet of the described premises, unless a higher Limit of Insurance is shown in the Declarations.

### **a. Personal Property At Newly Acquired Premises**

- (1) **You** may extend the insurance that applies to Business Personal Property to apply to that property at any premises **you** acquire.
- The most **we** will pay for loss or damage under this Extension is one hundred thousand dollars (\$100,000) at each premises.
- (2) Insurance under this Extension for each newly acquired premises will end when any of the following first occurs:
- (a) This policy expires;
  - (b) Thirty (30) days expire after **you** acquire or begin construction at the new premises; or
  - (c) **You** report values to **us**.
- We** will charge **you** additional premium for values reported from the date **you** acquire the premises.

### **b. Personal Property Off Premises**

**You** may extend the insurance that applies to Business Personal Property to apply to covered Business Personal Property, other than **money** and **securities, valuable papers and records** or accounts receivable, while it is in the course of transit or temporarily at a premises **you** do not own, lease, or operate. The most **we** will pay for loss or damage under this Extension is five thousand dollars (\$5,000).

### **c. Outdoor Property**

**You** may extend the insurance provided by this policy to apply to **your** outdoor fences, radio, and television antennas (including satellite dishes), signs (other than signs attached to buildings), trees, shrubs, and plants, including debris removal expense, caused by, or resulting from any of the following causes of loss:

- (1) Fire;
- (2) Lightning
- (3) Explosion
- (4) Riot or Civil Commotion; or
- (5) Aircraft.



The most **we** will pay for loss or damage under this Extension is two thousand five hundred dollars (\$2,500), but not more than five hundred dollars (\$500) for any one (1) tree, shrub, or plant.

**d. Personal Effects**

**You** may extend the insurance that applies to Business Personal Property to apply to personal effects owned by **you**, **your** officers, **your** partners, or **your** employees. This extension does not apply to:

- (1) Tools or equipment used in **your** business; or
- (2) Loss or damage by theft.

The most **we** will pay for loss or damage under this Extension is two thousand five hundred dollars (\$2,500) at each described premises.

**e. Valuable Papers and Records**

- (1) **You** may extend the insurance that applies to Business Personal Property to apply to 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. This Coverage Extension includes the cost to research lost information on **valuable papers and records** for which duplicates do not exist.

- (2) This Coverage Extension does not apply to:

- (a) Property held as samples or for delivery after sale;
- (b) Property in storage away from the premises shown in the Declarations.

- (3) The most **we** will pay under this Coverage Extension for loss or damage to **valuable papers and records** in any one (1) occurrence at the described premises is five thousand dollars (\$5,000), unless a higher Limit of Insurance for **valuable papers and records** is shown in the Declarations. For **valuable papers and records** not at the described premises, the most **we** will pay is two thousand five hundred dollars (\$2,500).

- (4) Section **B. Exclusions** of this Coverage Form does not apply to this Coverage Extension except for:

- (a) Paragraph **B.1.c.** Governmental Action;
- (b) Paragraph **B.1.d.** Nuclear Hazard;
- (c) Paragraph **B.1.f.** War and Military Action;
- (d) Paragraph **B.2.f.** Dishonesty;
- (e) Paragraph **B.2.g.** False Pretense;
- (f) Paragraph **B.3.**; and
- (g) The Accounts Receivable and **Valuable Papers and Records** Exclusions.

**f. Accounts Receivable**

- (1) **You** may extend the insurance that applies to Business Personal Property to apply to accounts receivable. **We** will pay:

- (a) All amounts due from **your** customers that **you** are unable to collect;
- (b) Interest charges on any loan required to offset amounts **you** are unable to collect pending **our** payment of these amounts;
- (c) Collection expenses in excess of your normal collection expenses that are made necessary by loss or damage; and
- (d) Other reasonable expenses that **you** incur to re-establish **your** records of accounts receivable; that result from direct physical loss or damage by any Covered Cause of Loss to **your** records of accounts receivable.

- (2) The most **we** will pay under this Coverage Extension for loss or damage in any one (1) occurrence at the described premises is ten thousand (\$10,000), unless a higher Limit of Insurance for accounts receivable is shown in the Declarations.

For accounts receivable not at the described premises, the most **we** will pay is five thousand dollars (\$5,000).

- (3) Section **B. Exclusions** of this Coverage Form does not apply to this Coverage Extension except for:

- (a) Paragraph **B.1.c.**, **Governmental Action**;

- (b) Paragraph B.1.d., Nuclear Hazard;
- (c) Paragraph B.1.f., War And Military Action;
- (d) Paragraph B.2.f., Dishonesty;
- (e) Paragraph B.2.g., False Pretense;
- (f) Paragraph B.3., and
- (g) The Accounts Receivable and Valuable Papers And Records Exclusions.

## 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.

### a. Ordinance Or Law

The enforcement of any ordinance or law:

- (1) Regulating the construction, use or repair of any property; or
- (2) Requiring the tearing down of any property, including the cost of removing its debris.

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

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

### b. Earth Movement

- (1) Any earth movement (other than sinkhole collapse), such as an earthquake, landslide, mine subsidence or earth sinking, rising, or shifting. But if earth movement results in fire or explosion, we will pay for the loss or damage caused by that fire or explosion.
- (2) 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.

All volcanic eruptions that occur within any one hundred sixty-eight (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 of or damage to Covered Property.

### 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 loss or damage caused by that fire.

### e. Power Failure

The failure of power or other utility service supplied to the described premises, however caused, if the failure occurs away from the described premises.

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

**f. War And Military Action**

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

**g. Water**

- (1) Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;
- (2) Mudslide or mudflow;
- (3) Water that backs up or overflows from a 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.

But if Water, as described in **B.1.g.(1)** through **B.1.g.(4)**, results in fire, explosion, or sprinkler leakage, **we** will pay for the loss or damage caused by that fire, explosion, or sprinkler leakage.

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

**a. Electrical Apparatus**

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

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

**b. Consequential Losses**

Delay, loss of use, or loss of market.

**c. Smoke, Vapor, Gas**

Smoke, vapor, or gas from agricultural smudging or industrial operations.

**d. Steam Apparatus**

Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by **you**, or operated under **your** control. But if explosion of steam boilers, steam pipes, steam engines, or steam turbines results in fire or combustion explosion, **we** will pay for the loss or damage caused by that fire or combustion explosion. **We** will also pay for loss or damage caused by or resulting from 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.

**e. Frozen Plumbing**

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.

**f. Dishonesty**

Dishonest or criminal acts by **you**, anyone else with an interest in the property, or any of **your** or their partners, employees, directors, trustees, authorized representatives, or anyone to whom **you** entrust the property for any purpose:

- (1) Acting alone or in collusion with others;

(2) Whether or not occurring during the hours of employment.

This exclusion does not apply to acts of destruction by **your** employees; but theft by employees is not covered.

With respect to accounts receivable and **valuable papers and records**, this exclusion does not apply to carriers for hire.

**g. False Pretense**

Voluntary parting with any property by **you** or anyone else to whom **you** have entrusted the property if induced to do so by any fraudulent scheme, trick, device, or false pretense.

**h. Exposed Property**

Rain, snow, ice, or sleet to personal property in the open.

**i. Collapse**

Collapse, except as provided in the Additional Coverage for Collapse. But if collapse results in a Covered Cause of Loss, **we** will pay for the loss or damage caused by that Covered Cause of Loss.

**j. Pollution**

**We** will not pay for loss or damage caused by or resulting from the discharge, dispersal, seepage, migration, release or escape of **pollutants** unless the discharge, dispersal, seepage, migration, release, or escape is itself caused by any of the **specified causes of loss**. But if the discharge, dispersal, seepage, migration, release or escape of **pollutants** results in a **specified cause of loss**, **we** will pay for the loss or damage caused by that **specified cause of loss**.

**k. Other Types Of Loss**

(1) Wear and tear;

(2) Rust, corrosion, fungus, decay, deterioration, hidden or latent defect, or any quality in property that causes it to damage or destroy itself;

(3) Smog;

(4) Settling, cracking, shrinking, or expansion;

(5) Nesting or infestation, or discharge or release of waste products or secretions, by insects, birds, rodents, or other animals;

(6) Mechanical breakdown, including rupture or bursting caused by centrifugal force; or

(7) The following causes of loss to personal property:

(a) Dampness or dryness of atmosphere;

(b) Changes in or extremes of temperature; or

(c) Marring or scratching.

But if an excluded cause of loss that is listed in **B.2.k.(1)** through **B.2.k.(7)** results in **specified cause of loss** or building glass breakage, **we** will pay for the loss or damage caused by that **specified cause of loss** or building glass breakage.

3. **We** will not pay for loss or damage caused by or resulting from any of the following **B.3.a.** through **B.3.c.** But if an excluded cause of loss that is listed in **B.3.a.** through **B.3.c.** results in a Covered Cause of Loss, **we** will pay for the loss or damage caused by that Covered Cause of Loss.

**a. Weather Conditions**

Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in Paragraph 1 above to produce the loss or damage.

**b. Acts Or Decisions**

Acts or decisions, including the failure to act or decide, of any person, group, organization, or governmental body.

**c. Negligent Work**

Faulty, inadequate, or defective:

(1) Planning, zoning, development, surveying, siting;

(2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;

- (3) Materials used in repair, construction, renovation, or remodeling; or
  - (4) Maintenance;
- of part or all of any property on or off the described premises.

#### 4. Business Income And Extra Expense Exclusions

We will not pay for:

- a. Any Extra Expense, or increase of Business Income loss, caused by or resulting from:
  - (1) Delay in rebuilding, repairing, or replacing the property or resuming **operations**, due to interference at the location of the rebuilding, repair or replacement by strikers or other persons; or
  - (2) Suspension, lapse or cancellation of any license, lease, or contract. But if the suspension, lapse, or cancellation is directly caused by the suspension of **operations**, we will cover such loss that affects **your** Business Income during the **period of restoration**.
- b. Any other consequential loss.

#### 5. Accounts Receivable And Valuable Papers And Records Exclusions

The following additional exclusions apply to the Accounts Receivable and **Valuable Papers And Records** Coverage Extensions:

- a. We will not pay for loss or damage caused by or resulting from electrical or magnetic injury, disturbance, or erasure of electronic recordings that is caused by or results from:
  - (a) Programming errors or faulty machine instructions;
  - (b) Faulty installation or maintenance of data processing equipment or component parts;But we will pay for direct loss or damage caused by lightning.
- b. Applicable to **Valuable Papers and Records** only:

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

  - (1) Errors or omissions in processing or copying. But if errors or omissions in processing or copying result in fire or explosion, we will pay for the direct loss or damage caused by the fire or explosion.
  - (2) Wear and tear, gradual deterioration, or latent defect.
- c. Applicable to Accounts Receivable only:

We will not pay for:

  - (1) Loss or damage caused by or resulting from alteration, falsification, concealment, or destruction of records of accounts receivable done to conceal the wrongful giving, taking, or withholding of **money, securities**, or other property.

This exclusion applies only to the extent of the wrongful giving, taking, or withholding.
  - (2) Loss or damage caused by or resulting from bookkeeping, accounting, or billing errors or omissions.
  - (3) Any loss or damage that requires any audit or records or any inventory computation to prove its factual existence.

#### C. Limits Of Insurance

- 1. The most we will pay for loss or damage in any one (1) occurrence is the applicable Limit of Insurance shown in the Declarations.
- 2. The most we will pay for loss of or damage to outdoor signs attached to buildings is one thousand dollars (\$1,000) per sign in any one (1) occurrence.
- 3. The limits applicable to the Coverage Extensions and the Fire Department Service Charge and Pollutant Clean Up and Removal Additional Coverages are in addition to the Limits of Insurance.
- 4. **Building Limit – Automatic Increase**
  - a. The Limit of Insurance for Buildings will automatically increase by the annual percentage shown in the Declarations.
  - b. The amount of increase will be:
    - (1) The Building limit that applied on the most recent of the policy inception date, the policy anniversary date, or any other policy change amending the Building limit, times

- (2) The percentage of annual increase shown in the Declarations, expressed as a decimal (example: eight percent (8%) is .08), times
- (3) The number of days since the beginning of the current policy year or the effective date of the most recent policy change amending the Building limit, divided by three hundred sixty-five (365).

**Example**

If: The applicable Building limit is one hundred thousand dollars (\$100,000). The annual percentage increase is eight percent (8%). The number of days since the beginning of the policy year (or last policy change) is one hundred forty-six (146).

The amount of increase is

$$\$100,000 \times .08 \times 146 \div 365 = \$3,200.$$

**5. Business Personal Property Limit – Seasonal Increase**

- a. The Limit of Insurance for Business Personal Property will automatically increase by twenty-five percent (25%) to provide for seasonal variations.
- b. This increase will apply only if the Limit of Insurance shown for Business Personal Property in the Declarations is at least one hundred percent (100%) of **your** average monthly values during the lesser of:
  - (1) The twelve (12) months immediately preceding the date the loss or damage occurs; or
  - (2) The period of time **you** have been in business as of the date the loss or damage occurs.

**D. Deductibles**

1. **We** will not pay for loss or damage in any one (1) occurrence until the amount of loss or damage exceeds the Deductible shown in the Declarations. **We** will then pay the amount of loss or damage in excess of the Deductible up to the applicable Limit of Insurance.
2. Regardless of the amount of the Deductible, the most **we** will deduct from any loss or damage under all of the following Optional Coverages and the Additional Coverage - Exterior Building Glass in any one (1) occurrence is the Optional Coverage/Exterior Building Glass Deductible shown in the Declarations:
  - a. Money and Securities;
  - b. Employee Dishonesty;
  - c. Interior Glass; and
  - d. Outdoor Signs.

But this Optional Coverage/Exterior Building Glass Deductible will not increase the Deductible shown in the Declarations. This Deductible will be used to satisfy the requirements of the Deductible in the Declarations.
3. No deductible applies to the following Additional Coverages:
  - a. Fire Department Service Charge;
  - b. Business Income;
  - c. Extra Expense; and
  - d. Civil Authority.

**E. Property Loss Conditions**

**1. Abandonment**

There can be no abandonment of any property to **us**.

**2. Appraisal**

If **we** and **you** disagree on 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 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. 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 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) 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 sixty (60) days after **our** request. **We** will supply **you** with the necessary forms.
- (8) Cooperate with **us** in the investigation or settlement of the claim.
- (9) Resume all or part of **your operations** as quickly as possible.

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.

### 4. Legal Action Against Us

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

- a. There has been full compliance with all of the terms of this insurance; and
- b. The action is brought within two (2) years after the date on which the direct physical loss or damage occurred.

### 5. Limitation – Electronic Media And Records

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

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

Electronic Media and Records are:

- (1) Electronic data processing, recording or storage media such as films, tapes, discs, drums, or cells;
- (2) Data stored on such media; or
- (3) Programming records used for electronic data processing or electronically controlled equipment.

Example No. 1:

A Covered Cause of loss damages a computer on June 1. It takes until September 1 to replace the computer, and until October 1 to restore the data that was lost when the damage occurred. **We** will only pay for the Business Income loss sustained during the period June 1 - September 1. Loss during the period September 2 - October 1 is not covered.

Example No. 2:

A Covered Cause of Loss results in the loss of data processing programming records on August 1. The records are replaced on October 15. **We** will only pay for the Business Income loss sustained during the period August 1 - September 29 (Sixty [60] consecutive days). Loss during the period September 30 - October 15 is



not covered.

## 6. Loss Payment

In the event of loss or damage covered by this policy:

- a. 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;
  - (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 **d.(1)(e)** below.
- b. **We** will give notice of **our** intentions within thirty (30) days after **we** receive the sworn proof of loss.
- c. **We** will not pay **you** more than **your** financial interest in the Covered Property.
- d. Except as provided in (2) through (8) below, **we** will determine the value of Covered Property as follows:
  - (1) At replacement cost without deduction for depreciation, subject to the following:
    - (a) If, at the time of loss, the Limit of Insurance on the lost or damaged property is eighty percent (80%) or more of the full replacement cost of the property immediately before the loss, **we** will pay the cost to repair or replace, after application of the deductible and without deduction for depreciation, but not more than the least of the following amounts:
      - (i) The Limit of Insurance under this policy that applies to the lost or damaged property;
      - (ii) The cost to replace, on the same premises, the lost or damaged property with other property:
        - i. Of comparable material and quality; and
        - ii. Used for the same purpose;or
      - (iii) The amount that **you** actually spend that is necessary to repair or replace the lost or damaged property.
    - (b) If, at the time of loss, the Limit of Insurance applicable to the lost or damaged property is less than eighty percent (80%) of the full replacement cost of the property immediately before the loss, **we** will pay the greater of the following amounts, but not more than the Limit of Insurance that applies to the property:
      - (i) The actual cash value of the lost or damaged property; or
      - (ii) A proportion of the cost to repair or replace the lost or damaged property, after application of the deductible and without deduction for depreciation. This proportion will equal the ratio of the applicable Limit of Insurance to eighty percent (80%) of the cost of repair or replacement.
    - (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 on a replacement cost basis if **you** notify **us** of **your** intent to do so within one hundred eighty (180) days after the loss or damage.
    - (d) **We** will not pay on a replacement cost basis for any loss or damage:
      - (i) Until the lost or damaged property is actually repaired or replaced; and
      - (ii) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage.
    - (e) 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.
  - (2) If the **Actual Cash Value – Buildings** option applies, as shown in the Declarations, Paragraph (1) above does not apply to Buildings. Instead, **we** will determine the value of Buildings at actual cash value.



- (3) The following property at actual cash value:
- (a) Used or second-hand merchandise held in storage or for sale;
  - (b) Property of others, but this property is not covered for more than the amount for which **you** are liable, plus the cost of labor, materials or services furnished or arranged by **you** on personal property of others;
  - (c) Household contents, except personal property in apartments or rooms furnished by **you** as landlord;
  - (d) Manuscripts;
  - (e) Works of art, antiques, or rare articles, including etchings, pictures, statuary, marbles, bronzes, porcelains, and bric-a-brac.
- (4) Glass at the cost of replacement with safety glazing material if required by law.
- (5) Tenants' Improvements and Betterments at:
- (a) Replacement cost if **you** make repairs promptly.
  - (b) A proportion of **your** original cost if **you** do not make repairs promptly. **We** will determine the proportionate value as follows:
    - (i) Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and
    - (ii) Divide the amount determined in (i) 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.
  - (c) Nothing if others pay for repairs or replacement.
- (6) **Valuable papers and records**, including those which exist on electronic or magnetic media (other than prepackaged software programs), at the cost of:
- (a) Blank materials for reproducing the records; and
  - (b) Labor to transcribe or copy the records.
- This condition does not apply to **valuable papers and records** that are actually replaced or restored.
- (7) Applicable only to the Optional Coverages:
- (a) **Money** at its face value; and
  - (b) **Securities** at their value at the close of business on the day the loss is discovered.
- (8) Applicable only to Accounts Receivable:
- (a) If **you** cannot accurately establish the amount of accounts receivable outstanding as of the time of loss or damage:
    - (i) **We** will determine the total of the average monthly amounts of accounts receivable for the twelve (12) months immediately preceding the month in which the loss or damage occurs; and
    - (ii) **We** will adjust that total for any normal fluctuations in the amount of accounts receivable for the month in which the loss or damage occurred or for any demonstrated variance from the average for that month.
  - (b) The following will be deducted from the total amount of accounts receivable, however that amount is established:
    - (i) The amount of the accounts for which there are no loss or damage;
    - (ii) The amount of the accounts that **you** are able to reestablish or collect;
    - (iii) An amount to allow for probable bad debts that **you** are normally unable to collect; and
    - (iv) All unearned interest and service charges.
- e. **Our** payment for loss of or damage to personal property of others will only be for the account of the owners of the property. **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 thirty (30) days after **we** receive the sworn proof of loss, provided **you** have complied with all of the terms of this policy, and
  - (1) **We** have reached agreement with **you** on the amount of loss; or
  - (2) An appraisal award has been made.

#### 7. Recovered Property

If either **you** or **we** recover any property after loss settlement, that party must give the other prompt notice. At **your** option, **you** may retain the property. But then **you** must 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.

#### 8. Resumption Of Operations

**We** will reduce the amount of **your**:

- a. Business Income loss, other than Extra Expense, to the extent **you** can resume **your operations**, in whole or in part, by using damaged or undamaged property (including merchandise or stock) at the described premises or elsewhere.
- b. Extra Expense loss to the extent **you** can return **operations** to normal and discontinue such Extra Expense.

#### 9. Vacancy

##### a. Description Of Terms

(1) As used in this Vacancy Condition, the term building and the term vacant have the meanings set forth in (1)(a) and (1)(b) below:

(a) When this policy is issued to a tenant, and with respect to that tenant's interest in Covered Property, building means the unit or suite rented or leased to the tenant. Such building is vacant when it does not contain enough business personal property to conduct customary operations.

(b) When this policy is issued to the owner of a building, building means the entire building. Such building is vacant when seventy percent (70%) or more of its total square footage:

- (i) Is not rented; or
- (ii) Is not used to conduct customary operations.

(2) Buildings under construction or renovation are not considered vacant.

##### b. Vacancy Provisions

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

(1) **We** will not pay for any loss or damage caused by any of the following even if they are Covered Causes of Loss:

- (a) Vandalism;
- (b) Sprinkler leakage, unless **you** have protected the system against freezing;
- (c) Building glass breakage;
- (d) Water damage;
- (e) Theft; or
- (f) Attempted theft.

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

#### F. Property General Conditions

##### 1. 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 Coverage Form at any one (1) 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.

## **2. Mortgageholder**

- a. The term **mortgageholder** includes trustee.
- b. **We** will pay for covered loss of or damage to buildings or structures to each mortgageholder shown in the Declarations in their order of precedence, as interests may appear.
- c. The mortgageholder has the right to receive loss payment even if the mortgageholder 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 mortgageholder will still have the right to receive loss payment if the mortgageholder:
  - (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 sixty (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 mortgageholder.

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

- e. If **we** pay the mortgageholder for any loss or damage and deny payment to **you** because of **your** acts or because **you** have failed to comply with the terms of this policy:
  - (1) The mortgageholder's rights under the mortgage will be transferred to **us** to the extent of the amount **we** pay; and
  - (2) The mortgageholder's right to recover the full amount of the mortgageholder's claim will not be impairedAt **our** option, **we** may pay to the mortgageholder the whole principal on the mortgage plus any accrued interest. In this event, **your** mortgage and note will be transferred to **us** and **you** will pay **your** remaining mortgage debt to **us**.
- f. If **we** cancel this policy, **we** will give written notice to the mortgageholder at least:
  - (1) Ten (10) days before the effective date of cancellation if **we** cancel for **your** nonpayment of premium; or
  - (2) Thirty (30) days before the effective date of cancellation if **we** cancel for any other reason.
- g. If **we** elect not to renew this policy, **we** will give written notice to the mortgageholder at least ten (10) days before the expiration date of this policy.

## **3. No Benefit To Bailee**

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

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

Under this form:

- a. **We** cover loss or damage commencing:
  - (1) During the policy period shown in the Declarations; and
  - (2) Within the coverage territory or, with respect to property in transit, while it is between points in the coverage territory.
- b. The coverage territory is:
  - (1) The United States of America (including its territories and possessions);
  - (2) Puerto Rico; and
  - (3) Canada.

## **G. Optional Coverages**

If shown as applicable in the Declarations, the following Optional Coverages also apply. These coverages are subject to the terms and conditions applicable to property coverage in this policy, except as provided below.

## 1. Outdoor Signs

- a. **We** will pay for direct physical loss of or damage to all outdoor signs at the described premises:
  - (1) Owned by **you**; or
  - (2) Owned by others but in **your** care, custody, or control.
- b. Paragraph **A.3. Covered Causes of Loss**, and Section **B. Exclusions**, do not apply to this Optional Coverage, except for:
  - (1) Paragraph **B.1.c. Governmental Action**;
  - (2) Paragraph **B.1.d. Nuclear Hazard**; and
  - (3) Paragraph **B.1.f. War And Military Action**
- c. **We** will not pay for loss or damage caused by or resulting from:
  - (1) Wear and tear;
  - (2) Hidden or latent defect;
  - (3) Rust;
  - (4) Corrosion; or
  - (5) Mechanical breakdown.
- d. The most **we** will pay for loss or damage in any one (1) occurrence is the Limit of Insurance for Outdoor Signs shown in the Declarations.
- e. The provisions of this Optional Coverage supersede all other references to outdoor signs in this policy.

## 2. Interior Glass

- a. **We** will pay for direct physical loss of or damage to items of glass that are permanently affixed to the interior walls, floors or ceilings of a covered building or structure at the described premises, provided each item is:
  - (1) Described in the Declarations as covered under this Optional Coverage; and
  - (2) Located in the basement or ground floor level of the building or structure, unless the Declarations show that this Optional Coverage is applicable to interior glass at all floors; and
  - (3) Owned by **you**, or owned by others but in **your** care, custody, or control.
- b. **We** will also pay for necessary:
  - (1) Expenses incurred to put up temporary plates or board up openings;
  - (2) Repair or replacement of encasing frames; and
  - (3) Expenses incurred to remove or replace obstructions.
- c. Paragraph **A.3., Covered Causes Of Loss**, and Section **B., Exclusions**, do not apply to this Optional Coverage, except for:
  - (1) Paragraph **B.1.c. Governmental Action**;
  - (2) Paragraph **B.1.d. Nuclear Hazard**; and
  - (3) Paragraph **B.1.f. War And Military Action**.
- d. **We** will not pay for loss or damage caused by or resulting from:
  - (1) Wear and tear;
  - (2) Hidden or latent defect;
  - (3) Corrosion; or
  - (4) Rust.
- e. This Optional Coverage supersedes all limitations in this policy that apply to interior glass.

## 3. Money And Securities

- a. **We** will pay for loss of **money** and **securities** used in **your** business while at a bank or savings institution, within **your** living quarters or the living quarters of **your** partners or any employee having use and custody of the property, at the described premises, or in transit between any of these places, resulting directly from:
  - (1) Theft, meaning any act of stealing;

- (2) Disappearance; or
    - (3) Destruction.
  - b. In addition to the Limitations and Exclusions applicable to property coverage, **we** will not pay for loss:
    - (1) Resulting from accounting or arithmetical errors or omissions;
    - (2) Due to the giving or surrendering of property in any exchange or purchase; or
    - (3) Of property contained in any **money** - operated device unless the amount of **money** deposited in it is recorded by a continuous recording instrument in the device.
  - c. The most **we** will pay for loss in any one (1) occurrence is:
    - (1) The limit shown in the Declarations for Inside the Premises for **money** and **securities** while:
      - (a) In or on the described premises; or
      - (b) Within a bank or savings institution; and
    - (2) The limit shown in the Declarations for Outside the Premises for **money** and **securities** while anywhere else.
  - d. All loss:
    - (1) Caused by one (1) or more persons; or
    - (2) Involving a single act or series of related acts;is considered one (1) occurrence.
  - e. **You** must keep records of all **money** and **securities** so **we** can verify the amount of any loss or damage.
4. **Employee Dishonesty**
- a. **We** will pay for direct loss of or damage to Business Personal Property and **money** and **securities** resulting from dishonest acts committed by any of **your** employees acting alone or in collusion with other persons (except **you** or **your** partner) with the manifest intent to:
    - (1) Cause **you** to sustain loss or damage; and also
    - (2) Obtain financial benefit (other than salaries, commissions, fees, bonuses, promotions, awards, profit sharing, pensions, or other employee benefits earned in the normal course of employment) for:
      - (a) Any employee; or
      - (b) Any other person or organization.
  - b. **We** will not pay for loss or damage:
    - (1) Resulting from any dishonest or criminal act that **you** or any of **your** partners commit whether acting alone or in collusion with other persons.
    - (2) The only proof of which as to its existence or amount is:
      - (a) An inventory computation; or
      - (b) A profit and loss computation.
  - c. The most **we** will pay for loss or damage in any one (1) occurrence is the Limit of Insurance for Employee Dishonesty shown in the Declarations.
  - d. All loss or damage:
    - (1) Caused by one (1) or more persons; or
    - (2) Involving a single act or series of related acts;is considered one (1) occurrence.
  - e. **We** will pay only for loss or damage **you** sustain through acts committed or events occurring during the policy period. Regardless of the number of years this policy remains in force or the number of premiums paid, no Limit of Insurance cumulates from year to year or period to period.
  - f. This Optional Coverage does not apply to any employee immediately upon discovery by:
    - (1) **You**; or
    - (2) Any of **your** partners, officers or directors not in collusion with the employee; of any dishonest act committed by that employee before or after being hired by **you**.

- g.** We will pay only for covered loss or damage discovered no later than one (1) year from the end of the policy period.
- h.** If **you** (or any predecessor in interest) sustained loss or damage during the period of any prior insurance that **you** could have recovered under that insurance except that the time within which to discover loss or damage had expired, **we** will pay for it under this Optional Coverage, provided:
  - (1)** This Optional Coverage became effective at the time of cancellation or termination of the prior insurance; and
  - (2)** The loss or damage would have been covered by this Optional Coverage had it been in effect when the acts or events causing the loss or damage were committed or occurred.
- i.** The insurance under Paragraph **h.** above is part of, not in addition to, the Limit of Insurance applying to this Optional Coverage and is limited to the lesser of the amount recoverable under:
  - (1)** This Optional Coverage as of its effective date; or
  - (2)** The prior insurance had it remained in effect.

**5. Mechanical Breakdown**

- a.** We will pay for direct damage to Covered Property caused by an Accident to an Object. The Object must be:
  - (1)** Owned by **you** or in **your** care, custody, or control; and
  - (2)** At the described premises.
- b.** Accident means a sudden and accidental breakdown of the Object or a part of the Object. At the time the breakdown occurs, it must manifest itself by physical damage to the Object that necessitates repair or replacement.
- c.** None of the following is an Accident:
  - (1)** Depletion, deterioration, corrosion, or erosion;
  - (2)** Wear and tear;
  - (3)** Leakage at any valve, fitting, shaft seal, gland packing, joint or connection;
  - (4)** Breakdown of any vacuum tube, gas tube, or brush;
  - (5)** Breakdown of any electronic computer or electronic data processing equipment;
  - (6)** Breakdown of any structure or foundation supporting the Object or any of its parts;
  - (7)** The functioning of any safety or protective device; or
  - (8)** The explosion of gases or fuel within the furnace of any Object or within the flues or passages through which the gases of combustion pass.
- d.** Object means any of the following equipment:
  - (1)** Boiler and Pressure Vessels:
    - (a)** Steam heating boilers and condensate return tanks used with them;
    - (b)** Hot water heating boilers and expansion tanks used with them;
    - (c)** Hot water supply boilers;
    - (d)** Other fired or unfired vessels used for maintenance or service of the described premises but not used for processing or manufacturing;
    - (e)** Steam boiler piping, valves, fittings, traps, and separators, but only if they:
      - (i)** Are on **your** premises or between parts of **your** premises;
      - (ii)** Contain steam or condensate of steam; and
      - (iii)** Are not part of any other vessel or apparatus;
    - (f)** Feed water piping between any steam boiler and a feed pump or injector.
  - (2)** Air Conditioning Units - Any air conditioning unit that has a capacity of sixty thousand (60,000) Btu or more, including:
    - (a)** Inductors, convectors, and coils that make use of a refrigerant and form part of a cooling, humidity control, or space heating system;
    - (b)** Interconnecting piping, valves, and fittings containing only a refrigerant, water, brine, or other

- solution;
- (c) Vessels heated directly or indirectly that:
  - (i) Form part of an absorption type system; and
  - (ii) Function as a generator, regenerator, or concentrator;
- (d) Compressors, pumps, fans, and blowers used solely with the system together with their driving electric motors; and
- (e) Control equipment used solely with the system.
- e. Object does not mean:
  - (1) As Boiler and Pressure Vessels:
    - (a) Equipment that is not under internal vacuum or internal pressure other than weight of contents;
    - (b) Boiler settings;
    - (c) Insulating or refractory material; or
    - (d) Electrical. Reciprocating, or rotating apparatus within or forming a part of the boiler or vessel.
  - (2) As Air Conditioning Units, any:
    - (a) Vessel, cooling tower, reservoir, or other source of cooling water for a condenser or compressor, or any water piping leading to or from that source; or
    - (b) Wiring or piping leading to or from the unit.
- f. **We** will not pay for an Accident to any Object while being tested.
- g. **Suspension**  
 Whenever an Object is found to be in, or exposed to, a dangerous condition. any of **our** representatives may immediately suspend the insurance against loss from an Accident to that Object. This can be done by delivering or mailing a written notice of suspension to:
  - (1) **Your** last known address; or
  - (2) The address where the Object is located.
 If **we** suspend **your** insurance, **you** will get a pro rata refund of premium. But the suspension will be effective even if **we** have not yet made or offered a refund.

#### H. Property Definitions

- 1. **Money** means:
  - a. Currency, coins, and bank notes in current use and having a face value; and
  - b. Travelers checks, register checks and money orders held for sale to the public.
- 2. **Operations** means **your** business activities occurring at the described premises.
- 3. **Period of restoration** means the period of time that:
  - a. Begins:
    - (1) Seventy-two (72) hours after the time of direct physical loss or damage for Business Income Coverage; or
    - (2) Immediately after the time of direct physical loss or damage for Extra Expense Coverage; caused by or resulting from any Covered Cause of Loss at the described premises; and
  - b. Ends on the earlier of:
    - (1) The date when the property at the described premises should be repaired, rebuilt, or replaced with reasonable speed and similar quality; or
    - (2) The date when business is resumed at a new permanent location.

**Period of restoration** does not include any increased period required due to the enforcement of any ordinance or law that:

  - (1) Regulates the construction, use or repair, or requires the tearing down of any property; or
  - (2) 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**.

The expiration date of this policy will not cut short the **period of restoration**.

4. **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.
5. **Securities** means negotiable and nonnegotiable instruments or contracts representing either **money** or other property and includes:
  - a. Tokens, tickets, revenue, and other stamps (whether represented by actual stamps or unused value in a meter) in current use; and
  - b. Evidences of debt issued in connection with credit or charge cards, which cards are not issued by **you**; but does not include **money**.
6. **Specified causes of loss** means the following:

Fire; lightning; explosion, windstorm, or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; falling objects: weight of snow, ice, or sleet; water damage.

  - a. Sinkhole collapse means the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or dolomite. This cause of loss does not include:
    - (1) The cost of filling sinkholes; or
    - (2) Sinking or collapse of land into manmade underground cavities.
  - b. Falling objects does not include loss of or damage to:
    - (1) Personal property in the open; or
    - (2) The interior of a building or structure, or property inside a building or structure, unless the roof or an outside wall of the building or structure is first damaged by a falling object.
  - c. Water damage means accidental discharge or leakage of water or steam as the direct result of the breaking apart or cracking of any part of a system or appliance (other than a sump system including its related equipment and parts) containing water or steam.
7. **Valuable papers and records** means inscribed, printed, or written:
  - a. Documents;
  - b. Manuscripts; and
  - c. Records;including abstracts, books, deeds, drawings, films, maps, or mortgages.

But **valuable papers and records** does not mean:

  - a. **Money** or **securities**;
  - b. Converted Data;
  - c. Programs or instructions used in **your** data processing operations, including the materials on which the data is recorded.