



# **CERTIFIED INSURANCE SERVICE REPRESENTATIVES**

## **Insuring Commercial Property**

The National Alliance  
Online 2021



# **CERTIFIED INSURANCE SERVICE REPRESENTATIVES**

## **Insuring Commercial Property**

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### **A Letter from William J. Hold, CEO**

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Let's take the first step.

William J. Hold, M.B.A., CRM, CISR  
CEO





# The Society of Certified Insurance Service Representatives

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## Section 1

# Fundamentals of Commercial Property Insurance





# INSURING COMMERCIAL PROPERTY

## 2012 EDITION

### FUNDAMENTALS OF COMMERCIAL PROPERTY INSURANCE

#### Learning Objectives

After this section, participants will be able to:

1. Identify the types of commercial property exposed to loss.
2. List parties that could have an insurable interest in the property.
3. Understand the difference between Direct and Indirect Loss.
4. Define actual cash value (ACV), replacement cost, and functional replacement value.
5. Explain the coinsurance formula and given appropriate information, determine an adequate policy limit, and explain how to apply the coinsurance formula after a loss occurs.
6. Define Agreed Value.
7. Identify the difference between specific, schedule, and blanket coverage.
8. List ways to provide coverage for fluctuating business personal property values.
9. Calculate amounts payable under the Value Reporting Form penalty provisions.
10. Explain the structure of the commercial property policy and define its component parts.
11. Identify the rights and responsibilities of the First Named Insured.
12. List Commercial Property Conditions that apply under Commercial Property Conditions CP 00 90.

## I. FUNDAMENTALS OF COMMERCIAL PROPERTY INSURANCE

***Learning Objective #1: Identify the types of commercial property exposed to loss.***

### A. Types of Commercial Property

#### 1. Real Property

- a. Land (generally not the subject of insurance)
- b. Buildings (defined in policy)
- c. Structures (Examples: walls, carports, fences)
- d. Outdoor fixtures (Examples: light poles, benches)

#### 2. Personal Property

##### a. Insured's Personal Property

Examples – equipment, supplies, and materials used to operate the insured's business

##### b. Personal Property of Others (In the Care, Custody, or Control of the Insured)

**Learning Objective #2:** List parties that could have an insurable interest in the property.

## B. Insurable Interest

Parties with an insurable interest have a financial stake or equity in a property. In the instance of commercial property, these parties would be:

1. Owner
2. Mortgage or Lien Holder
3. Lessees or Tenants
4. Signers of Contractual Agreements – certain contracts that might be signed when leasing phone systems, copy machines, or even entire buildings

**Learning Objective #3:** Understand the difference between Direct and Indirect Loss.

## C. Types of Loss

1. Direct (Damage to Tangible Property)
2. **Indirect** (Loss of Business Income and/or Extra Expense Resulting From Loss to Tangible Property)
  - a. On premises damage
  - b. Off premises damage

**EXAMPLE:**

**ACTUAL CASH VALUE VS. REPLACEMENT COST**

Actual Cash Value Coverage	Replacement Cost Coverage
$\$100,000 \text{ Replacement Value}$ $- \underline{20,000 \text{ Depreciation}}$  $\$80,000 \text{ A.C.V.}$	$\$100,000 \text{ Replacement Value}$

**LOSS**

<u>A.C.V.</u>	<u>Replacement Cost</u>
$\$10,000 \text{ Replacement Value at the}$ $\text{Time of Loss}$  $- \underline{2,000 \text{ Depreciation}}$ $\$8,000 \text{ Amount Paid}$	$\$10,000 \text{ Replacement Value at the}$ $\text{Time of Loss}$  $\$10,000 \text{ Amount Paid}$

*This exhibit should be used solely as a guide. Please read the policy.*

**Learning Objective #4:** Define actual cash value (ACV), replacement cost, and functional replacement value.

D. Valuation of Commercial Property

1. Actual Cash Value (ACV)

- a. Traditionally the automatic valuation method found in insurance policies
- b. Cost to replace the premises or item at the time of the loss, minus depreciation due to the fact that the property has been used for a period of time

2. Replacement Cost

- a. Method of valuation commonly used
- b. The amount needed to replace a premises or item with like kind and quality in today's dollars
- c. Depreciation is not considered

3. Functional Replacement Cost

- a. Actual replacement is not feasible or is not desired
- b. Limit of insurance is based on the amount needed to buy or rebuild property that will serve the same purpose as the original property – does not have to be like kind and quality
- c. Addresses the obsolescence problem of old and out-of-date properties

4. Selling Price clause for stock sold, but not delivered
  - The limit of insurance needs to reflect any change in stock valuation due to selling price
5. Value of Tenants Improvements and Betterments if not repaired or replaced by the insured
  - Pro rata based on original cost of construction

#### E. Valued Policy Laws

In a number of states, there is special legislation governing valuation of certain property in the event of a total loss. If the insured's property is totally destroyed by a peril specified in the state law, the amount stated in the Declaration Page is considered to be the value of the property at the time of loss and is payable in full.

***Learning Objective #5:*** Explain the coinsurance formula and given appropriate information, determine an adequate policy limit, and explain how to apply the coinsurance formula after a loss occurs.

#### F. Coinsurance

##### 1. Definition

Coinsurance is the insurance-to-value requirement wherein the insurer stipulates that the insured must carry an amount of insurance equal to a specified percentage of the value of the property. The percentages may be 80%, 90%, and 100%, and either Actual Cash Value or Replacement Cost may be used in valuation of the property.

##### 2. Benefit to the insured

- a. Adequate protection in the event of loss
- b. Lower rate per \$100 of insurance, making it more economical to buy the higher amount required

3. Benefit to the insurer
  - a. Better premium level per risk insured
  - b. Prevents the purchase of insurance for the payment of small maintenance losses
  - c. Insures rate adequacy over time
4. Formula

The Coinsurance Formula is a calculation used to determine the loss payment to an insured, but it is only used when the insured has not complied with the insurance-to-value requirement.

#### Coinsurance Formula

$$\frac{\text{*Insurance Carried}}{\text{**Insurance Required}} \times \text{Loss} = \text{Loss Payment}$$

*\* Insurance Carried is the limit of insurance shown in the policy.*

*\*\* Insurance Required is the value of the property **at the time of the loss** multiplied by the coinsurance percentage shown on the declarations page. If an insured complies with the insurance-to-value requirement, there is no need to use the coinsurance formula, since no penalty will apply.*

**NOTE: Coinsurance has no effect when insurance is carried in the amount required by the coinsurance percentage, i.e., usually 80% of the value or more. In that case, the insurance pays the entire loss, not exceeding the amount of the policy.**

Here is an example where the policyholder is properly insured:

Building Value (at time of loss)	\$100,000 (A)
Coinsurance Clause	80% (B)
Insurance Required (based on Coinsurance Clause, or 80% of the building's value)	\$80,000 (C)
Insurance Carried	\$85,000 (D)
Amount of Loss	\$10,000 (E)

To calculate the loss payment:

- Step 1:** Determine the amount of insurance required by multiplying the value of the property (A) at the time of loss by the coinsurance percentage (B). Amount of insurance required: \$80,000 (C).
- Step 2:** Compare the amount of insurance required (C) with the amount of insurance carried (D).
- Step 3:** Since the insured has met the insurance-to-value requirement, no penalty applies. The policy will pay for the entire loss of \$10,000, minus the deductible.



Here is an example where the policyholder is underinsured:

Building Value (at time of loss)	\$100,000 (A)
Coinsurance Clause	80% (B)
Insurance Required (based on Coinsurance Clause, or 80% of the building's value)	\$80,000 (C)
Insurance Carried	\$40,000 (D)
Amount of Loss	\$10,000 (E)

To calculate the loss payment:

- Step 1:** Determine the amount of insurance required by multiplying the value of the property (A) at the time of loss by the coinsurance percentage (B). Amount of insurance required: \$80,000 (C) or 80% (B) of \$100,000 (A).
- Step 2:** Compare the amount of insurance required (C) with the amount of insurance carried (D).
- Step 3:** Since this insured has not satisfied the insurance to value requirement, the coinsurance formula must be applied.

### Coinsurance Formula

$$\frac{\text{Insurance Carried}}{\text{Insurance Required}} \times \text{Loss} = \text{Loss Payment}$$

### Loss Payment Amount

$$\frac{\$40,000 (D)}{\$80,000 (C)} \times \$10,000 (E) = \$5,000 (D \div C \times E)$$

***Learning Objective #6: Define Agreed Value.***

5. Agreed Value

- “Up front agreement” that both the insured and the insurer agree to a fixed value of the property to be insured
- Suspends the coinsurance clause as long as certain conditions are met

## Notes

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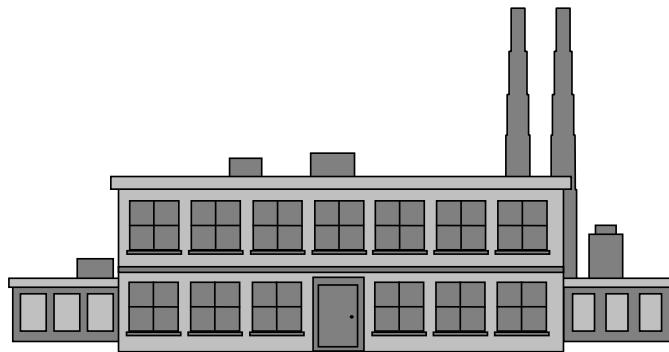
**Learning Objective #7:** *Identify the difference between specific, schedule, and blanket coverage.*

G. Methods of Writing Commercial Property Coverage

1. Specific Insurance
  - a. One location
  - b. A fixed amount of insurance applies separately to each item insured

**EXAMPLE 1**

**A Commercial Building**



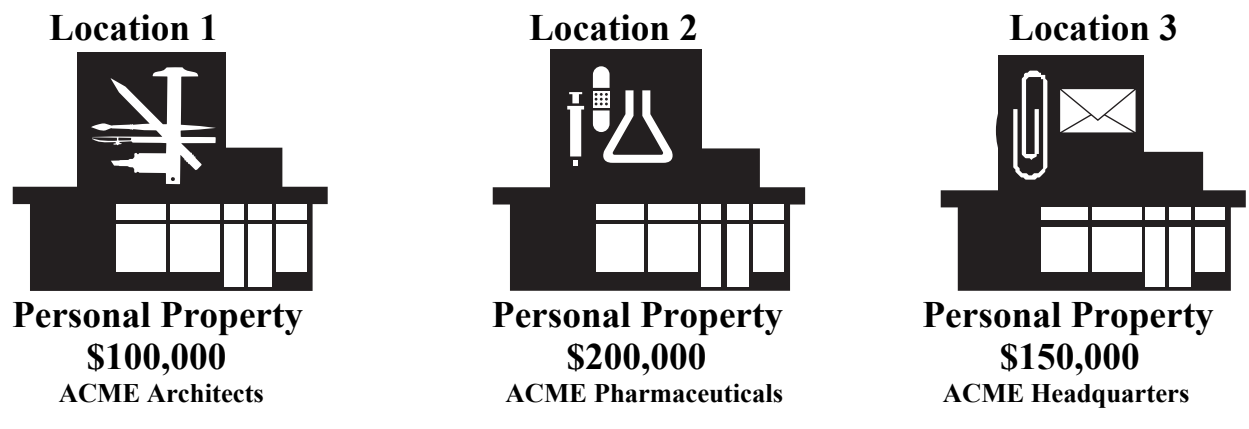
**Building is insured for \$500,000**

2. Schedule Insurance

- a. Two or more locations
- b. A specific limit applies to each type of property at each location

## EXAMPLE 2

### One type of property at multiple locations



**Schedule – List each location separately with a valuation limit for each location**

**On the Declaration Page it would be listed similar to this:**

**Location 1: \$100,000**  
**Location 2: \$200,000**  
**Location 3: \$150,000**

*This exhibit should be used solely as a guide.*

3. Blanket Insurance




a. Explanation (CLM Rule 34-B)

Blanket insurance is one limit of insurance applying to two or more insured items. The total blanket limit is available to pay losses regardless of what type of property is involved or what location is involved.

- 1) One type of property in more than one separately rated building, or

**EXAMPLE 3**

**One type of property at multiple locations**

Location 1	Location 2	Location 3
		
<b>Personal Property</b> <b>\$100,000</b> ACME Architects	<b>Personal Property</b> <b>\$200,000</b> ACME Pharmaceuticals	<b>Personal Property</b> <b>\$150,000</b> ACME Headquarters

---

**Schedule – As shown in example 2, list each location separately with a valuation limit for each location**

**Blanket – One limit written to apply to all three locations**

**On the Declaration page it would look similar to this:**

**One Limit: \$450,000**

**Or if the insured chose 90% coinsurance, it would look similar to this:**

**One Limit: \$405,000**

*This exhibit should be used solely as a guide.*

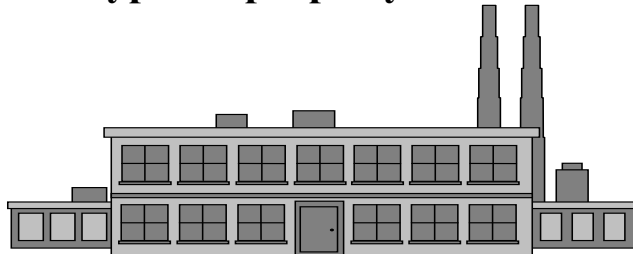
- 2) Two or more types of property in one or more separately rated buildings

b. Examples (CLM Rule 34-B) of types of property are

- 1) Building
- 2) Personal Property of the named insured
- 3) Personal property of others in the care, custody, or control of the named insured, and
- 4) Tenant's improvements and betterments

## EXAMPLE 4

### Two types of property at one location



**Building - \$100,000**

**Business Personal Property - \$50,000**

---

**Schedule – \$100,000 Building Limit**  
**\$50,000 Business Personal Property Limit**

**Blanket – \$150,000 Total Limit Applies**  
**Or at 90% coinsurance: \$135,000**

*This exhibit should be used solely as a guide.*

## **LOSS EXAMPLE**

### **HOW MARGIN CLAUSE APPLIES**

- Buildings #1 through #3 are covered under a Blanket Limit of Insurance of \$4,500,000.
- The combined value of these three buildings at the time of loss is \$5,000,000.
- There is a Coinsurance requirement of 90% ( $.90 \times \$5,000,000 = \$4,500,000$ ); therefore no Coinsurance penalty.

**Value of Building #1 on Statement of Values – \$1,000,000**

**Margin Clause Percentage – 110%**

**Maximum Loss Payable Building #1 – \$1,100,000 ( $\$1,000,000 \times 1.10$ )**

**Amount of Loss to Building #1 – \$1,200,000**

**Deductible – \$10,000**

**Step (1): Amount of loss minus Deductible**  
**( $\$1,200,000 - \$10,000 = \$1,190,000$ )**

**Step (2): Since \$1,190,000 is more than the maximum loss payable, we will pay \$1,100,000.**

**Pays \$1,100,000**

*This exhibit should be used solely as a guide.*



c. Requirements

- 1) A minimum coinsurance of 90% generally is required
- 2) A Statement of Values listing each location and all items to be covered must be signed
- 3) Same Causes of Loss must apply to all property

d. Advantages

- 1) The total amount is available to pay for a loss at any one location. Insured can apply insurance where needed.
- 2) Coinsurance applies to the total blanket limit
- 3) Insured has up to 100% insurance at each location, but only has to carry 90% insurance to value
- 4) Takes care of contents' values that could fluctuate among buildings or locations

e. Disadvantages



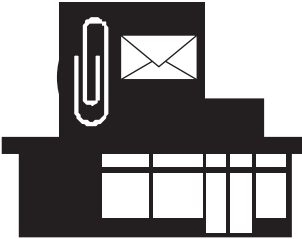
- 1) An annual signed Statement of Values is required
- 2) Possible underwriting restrictions (Example: the building is in poor condition)
- 3) Can cost more (5% surcharge in rate for some Causes of Loss)
- 4) Some properties cannot be blanketed
- 5) Limitation on Loss Settlement – Blanket Insurance (Margin Clause) Endorsement CP 12 32 may apply

f. Loss examples

## LOSS EXAMPLE:

### BLANKET

#### Personal Property Valuation

Location 1	Location 2	Location 3
		
<b>Personal Property</b> <b>\$100,000</b> ACME Architects	<b>Personal Property</b> <b>\$200,000</b> ACME Pharmaceuticals	<b>Personal Property</b> <b>\$150,000</b> ACME Headquarters

**Schedule – List each location separately with a valuation limit for each location using 80% coinsurance**

**Blanket – One limit written to apply to all three locations;  
\$450,000 at 100% OR  
\$405,000 at 90%**

**Problem – Inter-store Transfers**

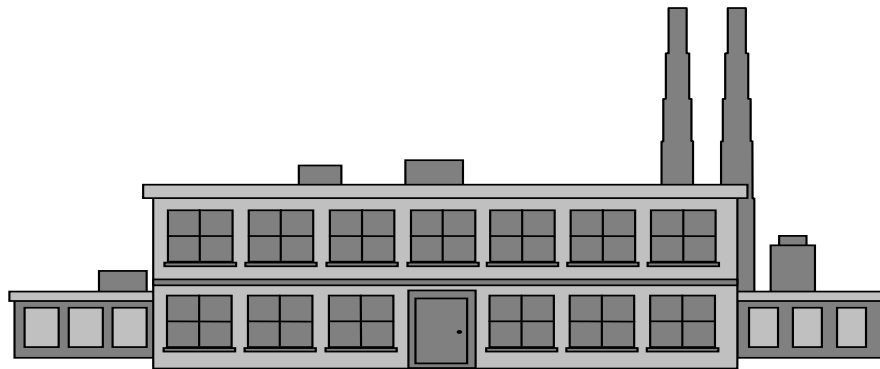
<b>Loss:</b>	<b>Location 2:</b>	<b>\$245,000</b>
	<b>Schedule Pays</b>	<b>\$200,000</b>
	<b>Blanket Pays</b>	<b>\$245,000</b>

*This exhibit should be used solely as a guide.*

## LOSS EXAMPLE

### BLANKET

#### ONE LOCATION ONLY



**Building – \$100,000**

**Business Personal Property – \$50,000**

**Schedule – \$100,000 Building Limit  
\$50,000 Business Personal Property Limit**

**Blanket – \$150,000 Total Limit Applies**

**Loss – \$60,000 Building  
\$60,000 Business Personal Property**

**Schedule Pays \$110,000**

**Blanket Pays \$120,000**

*This exhibit should be used solely as a guide.*

POLICY NUMBER:

COMMERCIAL PROPERTY  
CP 12 30 06 95

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

## PEAK SEASON LIMIT OF INSURANCE

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM  
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM  
STANDARD PROPERTY POLICY

### SCHEDULE\*

Prem. No.	Bldg. No.	Covered Property	Peak Season	
			Additional Limit of Insurance	Period From To

The Limit of Insurance on covered personal property is increased to include the amount shown in the Schedule:

- A.** At the described location(s); and
- B.** Only from 12:01 A.M. Standard Time of the first day to 12:01 A.M. Standard Time of the last day of the applicable period(s) shown in the Schedule.

\* Information required to complete this Schedule, if not shown on this endorsement, will be shown in the Declarations.

CP 12 30 06 95

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Page 1 of 1 ☐

**Learning Objective #8:** List ways to provide coverage for fluctuating business personal property values.

## H. Methods of Handling Fluctuations in Values

### 1. Blanket Insurance

### 2. Peak Season Endorsement (CP 12 30)

#### a. Description of coverage

This form automatically increases the insured's business personal property limit for specified periods to take care of seasonal increases in values

#### b. Limitations

- 1) Beginning and ending dates of the increased limits are very specific
- 2) Insured's business personal property exposure may not exactly match the increased amounts contained in the endorsement
- 3) Same Causes of Loss - Not Broader Coverage

**NOTE: On endorsement ending date the limits are reduced to the original amount. The policyholder may be underinsured if there are still excess property values at risk.**

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**  
**VALUE REPORTING FORM**

**PAGE 3**

**C. PREMIUM ADJUSTMENT.** For Covered Property to which this endorsement applies:

1. The premium charged at the inception of each policy year is an advance premium. We will determine the final premium for this insurance after the policy year, or expiration, based on the average of your reports of value.
2. Based on the difference between the advance premium and the final premium, for each policy year, we will:
  - a. Charge additional premium; or
  - b. Return excess premium.

The due date for any additional premium is the date shown as the due date on the bill.

**PAGE 4**

4. **"Reporting Period"** means the period of time for which new reports of value are due, as shown by a symbol in the Declarations. If the symbol is:
  - a. DR (Daily), reports must show values as of each day, but the "reporting period" ends on the last day of the month.
  - b. WR (Weekly), reports must show values as of the last day of each week; but the "reporting period" ends on the last day of the month.
  - c. MR (Monthly), reports must show values as of the last day of the month; and the "reporting period" ends on the last day of each month.
  - d. QR (Quarterly), reports must show values as of the last day of each month; but the "reporting period" ends on the last day of:
    - (1) March;
    - (2) June;
    - (3) September; and
    - (4) December.
  - e. PR (Policy Year), reports must show values as of the last day of each month; but the "reporting period" ends on the policy anniversary date.

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**Learning Objective #9:** Calculate amounts payable under the Value Reporting Form penalty provisions.

3. Value Reporting Form (CP 13 10)

a. Description of coverage

The Value Reporting Form is intended for insureds whose personal property values fluctuate unpredictably in time and amount

b. Eligible property

- 1) Insured's merchandise and stock
- 2) Insured's business personal property
- 3) Property of others in the insured's care

c. The insured sets the policy limit on the Declarations Page to reflect the year's highest projected values

d. Provisional premium

- 1) Initial premium is an "advance" premium based on 75% of the policy limit (the year's highest projected values)
- 2) Insured submits periodic reports of actual values

**NOTE: Insured must be willing and able to make accurate reports.**

- a) Daily – DR – values computed daily but reported to insurer monthly
- b) Weekly – WR – values computed weekly but reported to insurer monthly
- c) Monthly – MR – most common
- d) Quarterly – QR
- e) Policy year – PR

**NOTE: Many companies do not offer the Policy year option.**

- 3) Final premium is calculated after policy expiration. The insurer averages out the reports and charges a final premium based on the average amount at risk.
- 4) Additional/return premium

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.  
VALUE REPORTING FORM****PAGE 1****B. REPORTING PROVISIONS.** For Covered Property to which this endorsement applies:**1. Reports of Values**

- a. You must file a report with us following each "reporting period" and at expiration, in accordance with **b.** or **c.** below, showing the values of Covered Property separately at each location. Each report must show the values that existed on the dates required by the "reporting period"; these dates are the report dates.
- b. If this policy is a renewal of a value reporting form policy we previously issued, you must file a report with us within 30 days of the end of each "reporting period" and at expiration.
- c. If coverage was not previously issued by us on a value reporting form basis and:
  - (1) Reporting Period symbol DR (Daily), WR (Weekly) or MR (Monthly) is shown in the Declarations, you must:
    - (a) File the first report with us within 60 days of the end of the first "reporting period"; and
    - (b) File the second report with us within 30 days of the end of the second "reporting period", concurrent with submission of the first report; and
    - (c) File each subsequent report with us within 30 days of the end of each subsequent "reporting period" and at expiration.

**PAGE 2****2. Full Reporting**

The COINSURANCE Additional Condition is replaced by the following:

**COINSURANCE**

If your report of values for a location where loss or damage occurs, for the last "reporting period" before loss or damage, shows less than the full value of the Covered Property at that location on the report dates,

we will pay only a proportion of the loss. The proportion of loss payable, prior to application of the deductible, will not be greater than the proportion determined by:

- (1) The values you reported for the location where the loss or damage occurred, divided by
- (2) The value of the Covered Property at that location on the report dates.

**3. Reports in Excess of Limit of Insurance**

If the values you report exceed the Limit of Insurance:

- a. We will determine final premium based on all the values you report, less "specific insurance";
- b. In the event of loss or damage, we will not pay more than the Limit of Insurance applicable to the Covered Property.

**4. Failure to Submit Reports**

If at the time of loss or damage you have failed to submit:

- a. The first required report of values:
  - (1) We will not pay more than 75% of the amount we would otherwise have paid; and
  - (2) We will only pay for loss or damage at locations shown in the Declarations.
- b. Any required report of values after the first required report:
  - (1) We will not pay more for loss or damage at any location than the values you last reported for that location; and
  - (2) We will only pay for loss or damage at locations reported in your last report filed before the loss.

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CP 13 10 04 02



e. Insured's Obligations

- 1) Submitting timely periodic reports to insurer
- 2) Providing the insurer with honest and accurate reports
- 3) Submitting reports within 30 days of the end of each reporting period.

**Exception:** On a **NEW** policy, the insured has 60 days from the end of the first reporting period to submit the first report.

NOTE: As long as the insured makes timely and accurate reports, the policy limit is available to pay losses throughout the term of the policy.

f. Four Types of Penalties

- 1) Under Report – Full reporting provision
- 2) Excess Report – Reports in excess of the limit
- 3) Failure to submit first report – If the first report is late, the policy will pay 75% of the amount that would have otherwise been paid; (this percentage may vary in some states)
- 4) Failure to submit subsequent reports – If the insured stops making reports, the policy will pay no more than the amount reported on the insured's last report

The table below reviews the four situations that could arise and the consequences to the insured should a loss occur. Please note that the limit of insurance in this example is \$100,000 and anything paid to the insured is calculated at the time of loss.

<b>Under Report</b>	<b>Excess Report</b>	<b>Failure to submit first report</b>	<b>Failure to submit subsequent reports</b>
Insurer pays the percentage reported	Insurer pays the policy limit	Insurer pays 75% of amount that otherwise would have been paid	Insurer pays the last reported value
Example	Example	Example	Example
Reported: \$40,000	Reported: \$125,000	No report	Last reported value: \$82,000
Actual Values at the time of the report: \$80,000			
Loss: \$60,000	Loss: \$125,000	Loss: \$80,000	Loss: \$100,000
Policy pays:	Policy pays: \$100,000	Policy pays: \$60,000 (75% of \$80,000)	Policy pays: \$82,000
$\$40,000 \div \$80,000 \times$			
$\$60,000 = \$30,000$			

g. Advantages

- 1) Insured only pays for actual values at risk
- 2) Company receives premium for actual value

h. Disadvantages

- 1) Paperwork intensive
- 2) Insured pays penalties if reports are late or are inaccurate

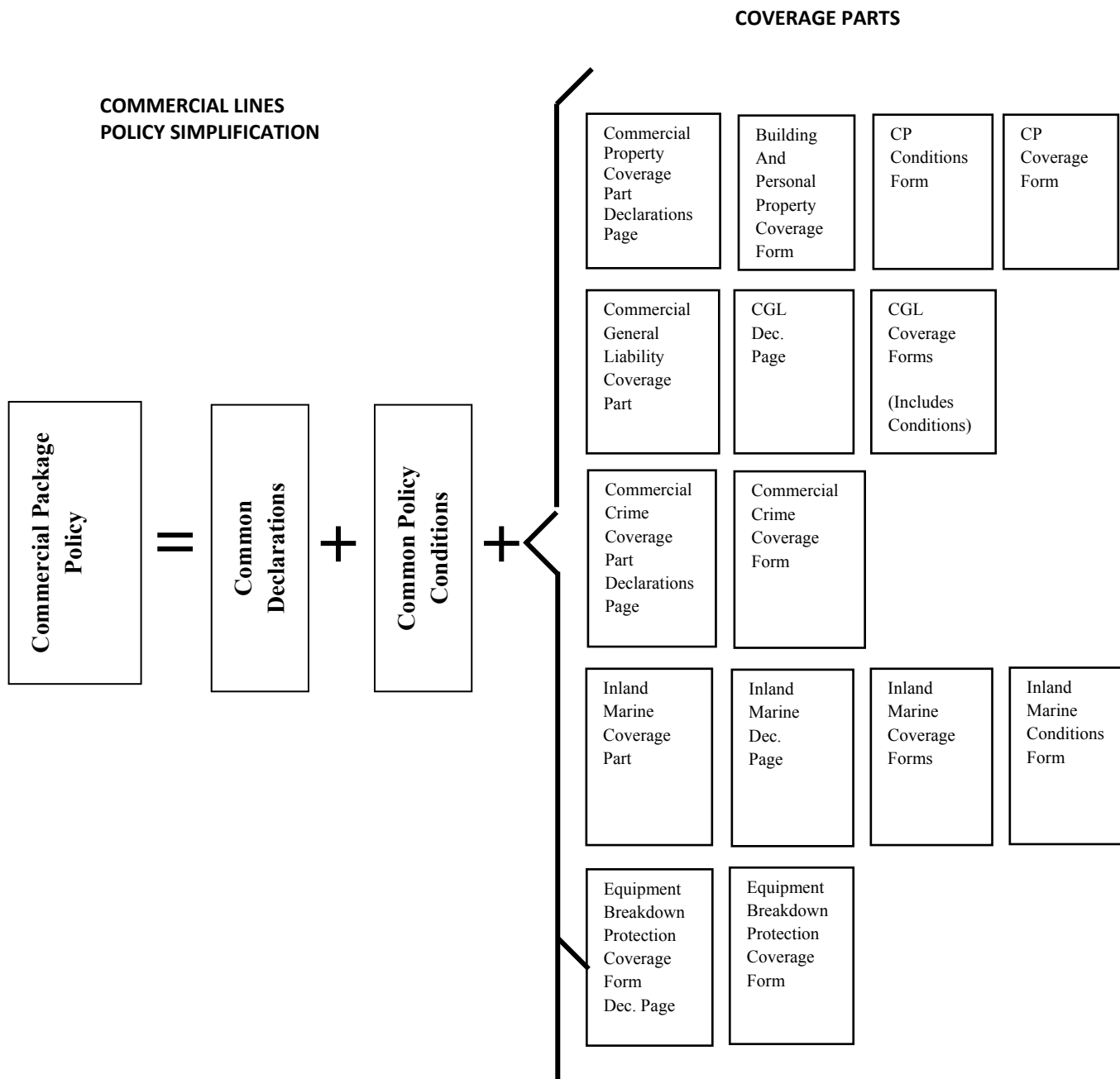
## Notes

[illegible]

## COMPONENTS OF THE COMERCIAL PROPERTY POLICY (CPP)

The simplified commercial lines forms are arranged in various “coverage parts.” Each coverage part applies to a single line of insurance.

### CONTENTS OF THE COMMERCIAL PACKAGE POLICY



**Learning Objective #10:** *Explain the structure of the commercial property policy and define its component parts.*

## II. THE COMMERCIAL PROPERTY POLICY

### A. Structure of the Policy

1. Common Policy Declarations
2. Common Policy Conditions
3. Coverage Parts
  - a. Commercial Property coverage part
  - b. Commercial General Liability coverage part

POLICY NUMBER:

IL DS 00 09 08

## COMMON POLICY DECLARATIONS

COMPANY NAME AREA	PRODUCER NAME AREA
NAMED INSURED: _____	
MAILING ADDRESS: _____	
POLICY PERIOD: FROM _____ TO _____ AT 12:01 A.M. STANDARD TIME AT YOUR MAILING ADDRESS SHOWN ABOVE	
BUSINESS DESCRIPTION	_____

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

THIS POLICY CONSISTS OF THE FOLLOWING COVERAGE PARTS FOR WHICH A PREMIUM IS INDICATED. THIS PREMIUM MAY BE SUBJECT TO ADJUSTMENT.	
	<b>PREMIUM</b>
CAPITAL ASSETS PROGRAM (OUTPUT POLICY) COVERAGE PART	\$ _____
COMMERCIAL AUTOMOBILE COVERAGE PART	\$ _____
COMMERCIAL GENERAL LIABILITY COVERAGE PART	\$ _____
COMMERCIAL INLAND MARINE COVERAGE PART	\$ _____
COMMERCIAL LIABILITY UMBRELLA	\$ _____
COMMERCIAL PROPERTY COVERAGE PART	\$ _____
CRIME AND FIDELITY COVERAGE PART	\$ _____
EMPLOYMENT-RELATED PRACTICES LIABILITY COVERAGE PART	\$ _____
EQUIPMENT BREAKDOWN COVERAGE PART	\$ _____
FARM COVERAGE PART	\$ _____
LIQUOR LIABILITY COVERAGE PART	\$ _____
MEDICAL PROFESSIONAL LIABILITY COVERAGE PART	\$ _____
POLLUTION LIABILITY COVERAGE PART	\$ _____
	\$ _____
	<b>TOTAL: \$ _____</b>
Premium shown is payable: \$ _____ at inception. \$ _____	

IL DS 00 09 08

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Page 1 of 2 ☐

## B. Common Policy Declarations (IL DS 00 09 08)

### 1. Named Insured

The name of the person(s) or organization(s) being insured in the policy

### 2. Policy Period

The time span the coverage is in effect

NOTE: All policies begin at 12:01 A.M. Standard Time at the insured's <b>mailing</b> address.
---

### 3. Business Description

### 4. Coverage Parts

Indicated by a premium being charged

### 5. Forms Applicable

## COMMON POLICY CONDITIONS

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

### A. Cancellation

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

### B. Changes

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

### C. Examination Of Your Books And Records

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

### D. Inspections And Surveys

1. We have the right to:
  - a. Make inspections and surveys at any time;

- b. Give you reports on the conditions we find; and

- c. Recommend changes.

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

- a. Are safe or healthful; or

- b. Comply with laws, regulations, codes or standards.

3. Paragraphs 1. and 2. of this condition apply not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.

4. Paragraph 2. of this condition does not apply to any inspections, surveys, reports or recommendations we may make relative to certification, under state or municipal statutes, ordinances or regulations, of boilers, pressure vessels or elevators.

### E. Premiums

The first Named Insured shown in the Declarations:

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

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

Your rights and duties under this policy may not be transferred without our written consent except in the case of death of an individual named insured.

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.



C. Common Policy Conditions (IL 00 17 11 98)

***Learning Objective #11: Identify the rights and responsibilities of the First Named Insured.***

1. Cancellation

Conditions under which the policy may be cancelled

a. First named insured

- 1) The only person the insurance company will accept a policy cancellation request from
- 2) The insurer is obligated to notify should it decide to cancel the policy
- 3) Receives any premium refund due when a policy is cancelled
- 4) Only person the insurer will accept requests for policy changes
- 5) Responsible for paying the premium
- 6) Receive refund of a portion of the premium due to any policy changes

b. Each state has its own regulations concerning insurance policy cancellation; usually modified by state amendatory endorsements

## COMMON POLICY CONDITIONS

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

### A. Cancellation

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

### B. Changes

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

### C. Examination Of Your Books And Records

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

### D. Inspections And Surveys

1. We have the right to:
  - a. Make inspections and surveys at any time;

- b. Give you reports on the conditions we find; and

- c. Recommend changes.

2. We are not obligated to make any inspections, surveys, reports or recommendations and any such actions we do undertake relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. And we do not warrant that conditions:
  - a. Are safe or healthful; or
  - b. Comply with laws, regulations, codes or standards.

3. Paragraphs 1. and 2. of this condition apply not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.

4. Paragraph 2. of this condition does not apply to any inspections, surveys, reports or recommendations we may make relative to certification, under state or municipal statutes, ordinances or regulations, of boilers, pressure vessels or elevators.

### E. Premiums

The first Named Insured shown in the Declarations:

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

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

Your rights and duties under this policy may not be transferred without our written consent except in the case of death of an individual named insured.

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

2. Changes

Only the First Named Insured has the right to request changes.

3. Examination of Books and Records

Insurer may review a company's books and records for up to three years after the policy period.

4. Inspections and Surveys

The insurance company that insures a business may inspect the covered premises. The inspection is for **insurability**, and does not guarantee that the premises are safe, healthful, or comply with any organization's or government's standards.

5. Premiums

The First Named Insured is responsible for paying premiums. The First Named Insured also receives any premium refund due.

6. Transfer of Rights and Duties Under This Policy

An insured may not transfer the insurance policy to a new owner unless the insurance company gives written consent.

<b>NOTE: Insured can sell their business but they cannot sell their insurance.</b>
--

## COMMERCIAL PROPERTY COVERAGE PART DECLARATIONS PAGE

POLICY NO. \_\_\_\_\_ EFFECTIVE DATE \_\_\_\_/\_\_\_\_/\_\_\_\_ ☐ "X" If Supplemental  
Declarations Is Attached

**NAMED INSURED**

**DESCRIPTION OF PREMISES**

Prem. No.	Bldg. No.	Location, Construction And Occupancy
--------------	--------------	--------------------------------------

**COVERAGES PROVIDED** Insurance At The Described Premises Applies Only For Coverages For Which  
A Limit Of Insurance Is Shown

Prem. No.	Bldg. No.	Coverage	Limit Of Insurance	Covered Causes Of Loss	Coinsurance*	Rates
--------------	--------------	----------	-----------------------	---------------------------	--------------	-------

\*If Extra Expense Coverage, Limits On Loss Payment

**OPTIONAL COVERAGES** Applicable Only When Entries Are Made In The Schedule Below

Prem. No.	Bldg. No.	Expiration Date	Agreed Value	Replacement Cost (X)
			Cov. Amount	Building Pers. Including Prop. "Stock"

Inflation Guard (%)	*Monthly Limit Of	Maximum Period	*Extended Period
Bldg. Pers. Prop.	Indemnity (Fraction)	Of Indemnity (X)	Of Indemnity (Days)

\*Applies to Business Income Only

**MORTGAGEHOLDERS**

Prem. No.	Bldg. No.	Mortgageholder Name And Mailing Address
--------------	--------------	---

**DEDUCTIBLE**

\$500. Exceptions:

**FORMS APPLICABLE**

To All Coverages:

To Specific Premises/Coverages:

Prem. No.	Bldg. No.	Coverages	Form Number
--------------	--------------	-----------	-------------

D. Commercial Property Coverage Part Declarations Page  
(CP DS 00 10 00)

1. Named Insured
2. Premises Description – States the building’s address and gives a description of the business
3. Coverages Provided
  - a. Limits of insurance
  - b. Covered Causes of Loss
  - c. Coinsurance percentage
4. Optional Direct Damage Coverages (“Trigger Options”)  
**On the Building and Personal Property Coverage Form, there is no coverage for these unless an entry is made on the Declaration Page**
  - a. Agreed Value
  - b. Inflation Guard
  - c. Replacement Cost
  - d. Extension of Replacement Cost to Personal Property of Others
5. Mortgage Holders
6. Standard \$500 Deductible in most states
  - a. Lower options
  - b. Higher options
7. Forms Applicable – Any form that applies is listed in this area of the Declarations Page; usually listed by form number rather than title

**COMMERCIAL PROPERTY**

**COMMERCIAL PROPERTY CONDITIONS**  
**(CP 00 90)**

This Coverage Part is subject to the following conditions, the Common Policy Conditions and applicable Loss Conditions and Additional Conditions in Commercial Property Coverage Forms.

**PAGE 1**

**A. CONCEALMENT, MISREPRESENTATION OR FRAUD**

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

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

**B. CONTROL OF PROPERTY**

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

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

**C. INSURANCE UNDER TWO OR MORE COVERAGES**

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

**D. LEGAL ACTION AGAINST US**

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

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

**E. LIBERALIZATION**

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

**F. NO BENEFIT TO BAILEE**

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

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CP 00 90 07 88

**Learning Objective #12:** List Commercial Property Conditions that apply under Commercial Property Conditions CP 00 90.

E. Commercial Property Conditions (CP 00 90)

1. Concealment, Misrepresentation or Fraud

Allows the company to void the contract if any insured **intentionally** conceals or misrepresents a material fact, regarding the coverage, the covered property, or a claim.

2. Control of Property

An act by a person **NOT** under the named insureds direction or control will not affect the insurance. If a breach of a policy condition occurs at a different location than the loss, the location of the loss will not be affected.

3. Insurance Under Two or More Coverages

If there is coverage under more than one section of this policy, only one payment for the loss will be made.

4. Legal Action Against Us

In order to bring legal action against the insurance company, the insured(s) must have been in compliance with the policy conditions and the action has to be brought within 2 years of the date of loss.

5. Liberalization

Extends the broadened features of a revised policy edition that becomes effective during the policy period, to persons who are already insured under the issued version of this policy; there must be no additional premium attributable to the broadened features in order for this provision to apply.

6. No Benefit to Bailee

If the insured's property is damaged while in the custody of a bailee, the policy protects the insured – not the bailee.

**COMMERCIAL PROPERTY**

**COMMERCIAL PROPERTY CONDITIONS**  
**(CP 00 90)(Continued)**

**PAGE 1**

**G. OTHER INSURANCE**

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

**H. POLICY PERIOD, COVERAGE TERRITORY**

Under this Coverage Part:

1. We cover loss or damage commencing:
  - a. During the policy period shown in the Declarations; and
  - b. Within the coverage territory.
2. The coverage territory is:
  - a. The United States of America (including its territories and possessions);
  - b. Puerto Rico; and
  - c. Canada.

**PAGE 2**

**I. TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US**

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

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

This will not restrict your insurance.

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**CP 00 90 07 88**



## 7. Other Insurance

If there is any other insurance on this property with another insurance company, this policy will pay its share of the covered loss or damage proportionately.

If the other insurance is primary, this policy will pay only for the amount of covered loss or damage in **excess** of the amount due from the other company, but not more than the applicable limit.

## 8. Policy Period, Coverage Territory

Policy period – Covered loss or damage must occur within the time period shown in the declarations in order for the policy to respond

Coverage territory – In Commercial Property forms, the coverage territory is specifically defined as:

**US, including its territories and possessions, Puerto Rico, and Canada.**

**COMMERCIAL PROPERTY**

**COMMERCIAL PROPERTY CONDITIONS**  
**(CP 00 90)(Continued)**

**PAGE 1**

**G. OTHER INSURANCE**

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

**H. POLICY PERIOD, COVERAGE TERRITORY**

Under this Coverage Part:

1. We cover loss or damage commencing:
  - a. During the policy period shown in the Declarations; and
  - b. Within the coverage territory.
2. The coverage territory is:
  - a. The United States of America (including its territories and possessions);
  - b. Puerto Rico; and
  - c. Canada.

**PAGE 2**

**I. TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US**

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

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

This will not restrict your insurance.

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**CP 00 90 07 88**

9. Transfer of Rights of Recovery Against Others to Us

- a. Once an insurer has paid for a loss, it is granted the right to recover the money from another party or entity that might have caused the loss
- b. The insured may waive its rights against another party in writing
  - 1) Prior to a loss
  - 2) After a loss if that party is
    - a) An insured
    - b) A business owned or controlled by the named insured
    - c) A business that owns or controls the named insured
    - d) A named insured's tenant

## SUMMARY OF LEARNING OBJECTIVES

By now you should be able to:

1. Identify the types of commercial property exposed to loss.
2. List parties that could have an insurable interest in the property.
3. Understand the difference between Direct and Indirect Loss.
4. Define actual cash value (ACV), replacement cost, and functional replacement value.
5. Explain the coinsurance formula and given appropriate information, determine an adequate policy limit, and explain how to apply the coinsurance formula after a loss occurs.
6. Define Agreed Value.
7. Identify the difference between specific, schedule, and blanket coverage.
8. List ways to provide coverage for fluctuating business personal property values.
9. Calculate amounts payable under the Value Reporting Form penalty provisions.
10. Explain the structure of the commercial property policy and define its component parts.
11. Identify the rights and responsibilities of the First Named Insured.
12. List Commercial Property Conditions that apply under Commercial Property Conditions CP 00 90.



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## Section 2

# Building and Personal Property Coverage Form



# INSURING COMMERCIAL PROPERTY

## Learning Objectives

### BUILDING AND PERSONAL PROPERTY COVERAGE FORM

After this section, participants will be able to:

1. Identify the types of property covered and property not covered by the Building and Personal Property Coverage Form.
2. Describe the Additional Coverages and the Coverage Extensions provided by the Building and Personal Property Coverage Form.
3. Explain how vacancy affects coverage and the loss payment under the Building and Personal Property Coverage Form.
4. Define the rights of mortgage holders as provided in Commercial Property Coverage Forms.
5. Describe the Optional Coverages that may be “activated” from the Declarations of the Building and Personal Property Coverage Form.

## BUILDING AND PERSONAL 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 quotation marks have special meaning. Refer to Section H. Definitions.

### PAGE 1

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

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

- (1) Completed additions;
- (2) Fixtures, including outdoor fixtures;
- (3) Permanently installed:
  - (a) Machinery; and
  - (b) Equipment;

(4) Personal property owned by you that is used to maintain or service the building or structure or its premises, including:

- (a) Fire-extinguishing equipment;
- (b) Outdoor furniture;
- (c) Floor coverings; and
- (d) Appliances used for refrigerating, ventilating, cooking, dishwashing or laundering;

(5) If not covered by other insurance:

- (a) Additions under construction, alterations and repairs to the building or structure;
- (b) Materials, equipment, supplies and temporary structures, on or within 100 feet of the described premises, used for making additions, alterations or repairs to the building or structure.

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CP 00 10 10 12



## F. BUILDING AND PERSONAL PROPERTY COVERAGE FORM (CP 00 10)

***Learning Objective #1:*** Identify the types of property covered and property not covered by the Building and Personal Property Coverage Form.

2

1. Covered Property
  - a. Building
    - 1) The structure
    - 2) Completed additions
    - 3) Fixtures including outdoor fixtures
    - 4) Permanently installed machinery and equipment
    - 5) Certain types of personal property used to maintain or service the building. These items include:
      - a) Fire extinguishing equipment
      - b) Outdoor furniture
      - c) Floor coverings, such as hardwood floors
      - d) Appliances used for refrigerating, ventilating, cooking, dishwashing, and laundering
    - 6) If not already covered by other insurance:
      - a) Additions under construction
      - b) Building materials within 100 feet of premises

**TIP:** The above is an extensive list. When setting the limits of insurance, your insured needs to take into account all of the above listed items to prevent a possible coinsurance penalty.

# BUILDING AND PERSONAL PROPERTY COVERAGE FORM (CONTINUED)

PAGE 1

PAGE 2

**b. Your Business Personal Property** consists of the following property located in or on the building or structure described in the Declarations or in the open (or in a vehicle) within 100 feet of the building or structure or within 100 feet of the premises described in the Declarations, whichever distance is greater:

- (1) Furniture and fixtures;
- (2) Machinery and equipment;
- (3) "Stock";
- (4) All other personal property owned by you and used in your business;
- (5) Labor, materials or services furnished or arranged by you on personal property of others;
- (6) Your use interest as tenant in improvements and betterments. Improvements and betterments are fixtures, alterations, installations or additions:
  - (a) Made a part of the building or structure you occupy but do not own; and
  - (b) You acquired or made at your expense but cannot legally remove;
- (7) Leased personal property for which you have a contractual responsibility to insure, unless otherwise provided for under Personal Property Of Others.

**c. Personal Property Of Others** that is:

- (1) In your care, custody or control; and
- (2) Located in or on the building or structure described in the Declarations or in the open (or in a vehicle) within 100 feet of the building or structure or within 100 feet of the premises described in the Declarations, whichever distance is greater.

However, our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

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CP 00 10 10 12

b. Business Personal Property

Covered while located in or on the building or structure described in the Declarations and also while it is in the open (or in a vehicle) within 100 feet of the building or structure or within 100 feet of the described premises, whichever is greater

- 1) Furniture and fixtures
- 2) Machinery and equipment
- 3) Stock
- 4) Any other property **owned** by the named insured and used in the business
- 5) Labor, material, or services furnished or arranged on personal property of others
- 6) Use interest in tenants' improvements
- 7) Leased personal property for which the named insured has a **contractual** responsibility to insure

c. Personal Property of Others

- 1) In the care, custody, or control of the insured

**AND**

- 2) Located in or on the building or structure described in the Declarations or in the open (or in a vehicle) within 100 feet of the building or structure or within 100 feet of the described premises, whichever is greater

**NOTE: A special sublimit applies to personal property of others. This will be discussed under coverage extensions later in the notebook.**

**Warning: When setting limits of insurance, consider all of the above!**

**BUILDING AND PERSONAL PROPERTY  
COVERAGE FORM (CONTINUED)**

**PAGE 2**

**2. Property Not Covered**

Covered Property does not include:

- a. Accounts, bills, currency, food stamps or other evidences of debt, money, notes or securities. Lottery tickets held for sale are not securities;
- b. Animals, unless owned by others and boarded by you, or if owned by you, only as "stock" while inside of buildings;
- c. Automobiles held for sale;
- d. Bridges, roadways, walks, patios or other paved surfaces;
- e. Contraband, or property in the course of illegal transportation or trade;
- f. The cost of excavations, grading, backfilling or filling;
- g. Foundations of buildings, structures, machinery or boilers if their foundations are below:
  - (1) The lowest basement floor; or
  - (2) The surface of the ground, if there is no basement;
- h. Land (including land on which the property is located), water, growing crops or lawns (other than lawns which are part of a vegetated roof);
- i. Personal property while airborne or waterborne;
- j. Bulkheads, pilings, piers, wharves or docks;
- k. Property that is covered under another coverage form of this or any other policy in which it is more specifically described, except for the excess of the amount due (whether you can collect on it or not) from that other insurance;
- l. Retaining walls that are not part of a building;
- m. Underground pipes, flues or drains;
- n. Electronic data, except as provided under the Additional Coverage, Electronic Data. Electronic data means information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The term computer programs, referred to in the foregoing description of electronic data, means a

set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data. This paragraph n., does not apply to your "stock" of prepackaged software, or to electronic data which is integrated in and operates or controls the building's elevator, lighting, heating, ventilation, air conditioning or security system.

- o. The cost to replace or restore the information on valuable papers and records, including those which exist as electronic data. Valuable papers and records include but are not limited to proprietary information, books of account, deeds, manuscripts, abstracts, drawings and card index systems. Refer to the Coverage Extension for Valuable Papers And Records (Other Than Electronic Data) for limited coverage for valuable papers and records other than those which exist as electronic data.
- p. Vehicles or self-propelled machines (including aircraft or watercraft) that:
  - (1) Are licensed for use on public roads; or
  - (2) Are operated principally away from the described premises.

This paragraph does not apply to:

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

**PAGE 3**

- q. The following property while outside of buildings:
  - (1) Grain, hay, straw or other crops;
  - (2) Fences, radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers, trees, shrubs or plants (other than trees, shrubs or plants which are "stock" or are part of a vegetated roof), all except as provided in the Coverage Extensions.

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## 2. Property Not Covered

There are seventeen classes of property that are excluded. The reason these types of property are excluded is that other coverage is more appropriate, usually accompanied by an additional premium charge

The following chart summarizes the property not included, and the forms available to purchase coverage:

TYPE OF PROPERTY NOT COVERED	HOW TO BUY COVERAGE BACK	NOT INSURABLE
Accounts, bills, currency, food stamps or other evidences of debt, money, notes or securities.	Commercial Crime Coverage Forms	
Animals, unless “boarded” or “your stock”	CP 1410 Additional Covered Property, or Inland Marine Coverage Forms	
Autos held for sale	Garage Forms	
Bridges, roadways, walks, patios or other paved surfaces	CP 1410 Additional Covered Property, or Inland Marine Coverage Forms	
Contraband, illegal transportation/trade	N/A	XXXXXXX
Excavations, grading, backfilling or filling	CP 1410 Additional Covered Property	
Foundations of buildings, structures, machinery	CP 1410 Additional Covered Property	
Land, water, growing crops or lawns (other than lawns which are part of a vegetated roof)	Crops or lawns – Inland Marine Coverage Forms	
Airborne or waterborne personal property	Inland Marine Coverage Forms, or Ocean Marine Coverage Forms	
Bulkheads, pilings, piers, wharves or docks	CP 1410 Additional Covered Property, or Inland Marine Coverage Forms	
Property covered elsewhere	BPP Form pays excess	
Retaining walls	CP 1410 Additional Covered Property	
Underground pipes flues or drains	CP 1410 Additional Covered Property	
Electronic data (except stock of prepackaged software or electronic data which is integrated into the building operational systems)	CP 0430 E-Commerce or Inland Marine Coverage Forms	
Research, replace, restore information on valuable papers and records	Valuable Papers & Records CP Form, or Inland Marine Coverage Forms	
Vehicles or self propelled machines...	CP 1410 Additional Covered Property	
Certain outdoor property	Fences – CP 1410 Additional Covered Property Trees – CP 1430 Outdoor Trees, Shrubs & Plants Antennas – CP 1450 Radio or TV Antennas, or Inland Marine Coverage Forms	

<b>Warning</b>	<b>The value of these items should not be included in the limits of insurance unless they have been covered under <u>CP 14 10</u>.</b>
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## 3. Covered Causes of Loss

This is covered in Section 4 of the outline

## BUILDING AND PERSONAL PROPERTY COVERAGE FORM (CONTINUED)

PAGE 3

### 4. Additional Coverages

#### a. Debris Removal

- (1) Subject to Paragraphs (2), (3) and (4), we will pay your expense to remove debris of Covered Property and other debris that is on the described premises, when such debris 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 of direct physical loss or damage.
- (2) Debris Removal does not apply to costs to:
- (a) Remove debris of property of yours that is not insured under this policy, or property in your possession that is not Covered Property;
  - (b) Remove debris of property owned by or leased to the landlord of the building where your described premises are located, unless you have a contractual responsibility to insure such property and it is insured under this policy;
  - (c) Remove any property that is Property Not Covered, including property addressed under the Outdoor Property Coverage Extension;
- (3) Subject to the exceptions in Paragraph (4), the following provisions apply:
- (a) The most we will pay for the total of direct physical loss or damage plus debris removal expense is the Limit of Insurance applicable to the Covered Property that has sustained loss or damage.
  - (b) Subject to (a) above, the amount we will pay for debris removal expense is limited to 25% of the sum of the deductible plus the amount that we pay for direct physical loss or damage to the Covered Property that has sustained loss or damage. However, if no Covered Property has sustained direct physical loss or damage, the most we will pay for removal of debris of other property (if such removal is covered under this Additional Coverage) is \$5,000 at each location.

- (4) We will pay up to an additional \$25,000 for debris removal expense, for each location, in any one occurrence of physical loss or damage to Covered Property, if one or both of the following circumstances apply:

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

Therefore, if (4)(a) and/or (4)(b) apply, our total payment for direct physical loss or damage and debris removal expense may reach but will never exceed the Limit of Insurance on the Covered Property that has sustained loss or damage, plus \$25,000.

#### (5) Examples

The following examples assume that there is no Coinsurance penalty.

#### Example #1

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

The debris removal expense is less than 25% of the sum of the loss payable plus the deductible. The sum of the loss payable and the debris removal expense (\$49,500 + \$10,000=\$59,500) is less than the Limit of Insurance. Therefore the full amount of debris removal expense is payable in accordance with the terms of Paragraph (3).

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4. Additional Coverages

a. Debris Removal

- 1) Debris removal of covered property and other debris on the described premises
- 2) Damaged by covered cause of loss during policy period
- 3) Pollutant cleanup from land or water is excluded
- 4) 25% X (Amount paid for damage to the covered property + the policy deductible)
- 5) Under certain circumstances this will also include debris removal of other property that is on the premises (If no covered property has direct damage this will be limited to \$5,000)
- 6) If the direct damage plus the debris removal expense exceeds the policy limit, or if the 25% debris removal limitation is not enough, the policy will pay up to an additional \$25,000 per location for debris removal expenses

## BUILDING AND PERSONAL PROPERTY COVERAGE FORM (CONTINUED)

### PAGE 4

#### Example 2

Limit of Insurance:	\$	90,000
Amount of Deductible:	\$	500
Amount of Loss:	\$	80,000
Amount of Loss Payable:	\$	79,500
		(\$80,000 – \$500)
Debris Removal Expense:	\$	40,000
Debris Removal Expense Payable		
Basic Amount:	\$	10,500
Additional Amount:	\$	25,000

The basic amount payable for debris removal expense under the terms of Paragraph (3) is calculated as follows: \$80,000 (\$79,500 + \$500) x .25 = \$20,000, capped at \$10,500. The cap applies because the sum of the loss payable (\$79,500) and the basic amount payable for debris removal expense (\$10,500) cannot exceed the Limit of Insurance (\$90,000).

#### 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 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.

#### 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 \$1,000 unless a higher limit is shown in the Declarations. 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.

### PAGE 5

#### d. 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 180 days of the date on which the Covered Cause of Loss occurs.

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

The most we will pay under this Additional Coverage for each described premises is \$10,000 for the sum of all covered expenses arising out of Covered Causes of Loss occurring during each separate 12 -month period of this policy.

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- b. Preservation of property
  - 1) If a covered premises is threatened by a covered cause of loss at the described premises
  - 2) It may be necessary to move covered property to prevent further damage
  - 3) Coverage protects the property while it is being moved or while it is temporarily stored at another location for up to thirty days
  - 4) Covers ANY direct physical loss or damage
  - 5) NOT ADDITIONAL INSURANCE
- c. Fire department service charge
  - 1) Liability for fire department service charges
  - 2) Limit of \$1,000 unless a higher limit is shown on the declaration
  - 3) No deductible
  - 4) ADDITIONAL INSURANCE
- d. Pollutant clean up and removal
  - 1) At the described premises
  - 2) Covers extraction of pollutants from land or water
  - 3) Release must be caused by covered cause of loss
  - 4) Time limit (reported within 180 days of loss)
  - 5) Limit of \$10,000 per location annual aggregate
  - 6) ADDITIONAL INSURANCE

## BUILDING AND PERSONAL PROPERTY COVERAGE FORM (CONTINUED)

### PAGE 5

#### e. Increased Cost Of Construction

- (1) This Additional Coverage applies only to buildings to which the Replacement Cost Optional Coverage applies.
- (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 the minimum standards 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 e.(3) through e.(9) of this Additional Coverage.
- (3) The ordinance or law referred to in e.(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 for:
  - (a) The enforcement of 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 "fungus", wet or dry rot or bacteria; or
  - (b) Any costs associated with the enforcement of or compliance with 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", "fungus", wet or dry rot or bacteria.
- (6) The most we will pay under this Additional Coverage, for each described building insured under this Coverage Form, is \$10,000 or 5% of the Limit of Insurance applicable to that building, whichever is less. If a damaged building is covered under a blanket Limit of

Insurance which applies to more than one building or item of property, then the most we will pay under this Additional Coverage, for that damaged building, is the lesser of: \$10,000 or 5% times the value of the damaged building as of the time of loss times the applicable coinsurance percentage.

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 years. We may extend this period in writing during the two years.

### PAGE 6

- (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, subject to the provisions of e.(6) of this Additional Coverage, 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, subject to the provisions of e.(6) of this Additional Coverage, is the increased cost of construction at the new premises.
- (8) This Additional Coverage is not subject to the terms of 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 and Valuation Conditions and the Replacement Cost Optional Coverage, in this Coverage Form, do not include the increased cost attributable to enforcement of or compliance with an ordinance or law. The amount payable under this Additional Coverage, as stated in e.(6) of this Additional Coverage, is not subject to such limitation.

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e. Increased Cost of Construction

- 1) This only applies to buildings insured on a Replacement Cost Basis
- 2) Coverage applies only to the repair, rebuilding, or replacement of damaged parts of the building
- 3) Designed to respond in some measure to the situation when a building code requires some upgrades but not major construction changes
- 4) Limit of \$10,000 or 5% of the limit of insurance applicable to that building, (whichever is less)
- 5) ADDITIONAL INSURANCE

## BUILDING AND PERSONAL PROPERTY COVERAGE FORM (CONTINUED)

PAGE 6

**f. Electronic Data**

- (1) Under this Additional Coverage, electronic data has the meaning described under Property Not Covered, Electronic Data. This Additional Coverage does not apply to your "stock" of prepackaged software, or to electronic data which is integrated in and operates or controls the building's elevator, lighting, heating, ventilation, air conditioning or security system.
- (2) Subject to the provisions of this Additional Coverage, we will pay for the cost to replace or restore electronic data which has been destroyed or corrupted by a Covered Cause of Loss. To the extent that electronic data is not replaced or restored, the loss will be valued at the cost of replacement of the media on which the electronic data was stored, with blank media of substantially identical type.
- (3) The Covered Causes of Loss applicable to Your Business Personal Property apply to this Additional Coverage, Electronic Data, subject to the following:
  - (a) If the Causes Of Loss – Special Form applies, coverage under this Additional Coverage – Electronic Data is limited to the "specified causes of loss" as defined in that form, and Collapse as set forth in that form.
  - (b) If the Causes Of Loss – Broad Form applies, coverage under this Additional Coverage, Electronic Data includes Collapse as set forth in that form.
  - (c) If the Causes Of Loss Form is endorsed to add a Covered Cause of Loss, the additional Covered Cause of Loss does not apply to the coverage provided under this Additional Coverage, Electronic Data.

- (d) The Covered Causes of Loss include a virus, harmful code or similar instruction introduced into or enacted on a computer system (including electronic data) or a network to which it is connected, designed to damage or destroy any part of the system or disrupt its normal operation. But there is no coverage for loss or damage caused by or resulting from manipulation of a computer system (including electronic data) by any employee, including a temporary or leased employee, or by an entity retained by you or for you to inspect, design, install, modify, maintain, repair or replace that system.

PAGE 7

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

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f. Electronic Data

- 1) Clarifies what is considered Electronic Data
- 2) Pays cost to replace or restore Electronic Data which has been destroyed or corrupted by a covered Cause of Loss
- 3) Causes of Loss limited to Named Perils regardless of the Causes of Loss Form attached
- 4) Limited to \$2,500 in any one policy year

## BUILDING AND PERSONAL PROPERTY COVERAGE FORM (CONTINUED)

PAGE 7

### 5. Coverage Extensions

Except as otherwise provided, the following Extensions apply to property located in or on the building described in the Declarations or in the open (or in a vehicle) within 100 feet of the described premises.

If a Coinsurance percentage of 80% or more or a Value Reporting period symbol, is shown in the Declarations, you may extend the insurance provided by this Coverage Part as follows:

#### a. Newly Acquired Or Constructed Property

##### (1) Buildings

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

- (a) Your new buildings while being built on the described premises; and
- (b) Buildings you acquire at locations, other than the described premises, intended for:
  - (i) Similar use as the building described in the Declarations; or
  - (ii) Use as a warehouse.

The most we will pay for loss or damage under this Extension is \$250,000 at each building.

##### (2) Your Business Personal Property

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

The most we will pay for loss or damage under this Extension is \$100,000 at each building.

#### (b) This Extension does not apply to:

- (i) Personal property of others that is temporarily in your possession in the course of installing or performing work on such property; or
- (ii) Personal property of others that is temporarily in your possession in the course of your manufacturing or wholesaling activities.

#### (3) Period Of Coverage

With respect to insurance provided under this Coverage Extension for Newly Acquired Or Constructed Property, coverage will end when any of the following first occurs:

- (a) This policy expires;
- (b) 30 days expire after you acquire the property or begin construction of that part of the building that would qualify as covered property; or
- (c) You report values to us.

We will charge you additional premium for values reported from the date you acquire the property or begin construction of that part of the building that would qualify as covered property.

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5. Coverage Extensions

- a. Increase existing amounts of insurance
- b. Activated in one of two ways:
  - 1) Declaration Page must show the presence of 80% or higher coinsurance

**OR**

- 2) The Declaration Page must show a Value Reporting symbol

**NOTE: These extensions apply only if a coinsurance percentage of 80% (or more) or a Value Reporting symbol is shown on the Declarations.**

**COMPLIANCE with coinsurance is NOT a requirement!**

- c. Loss must be caused by a covered cause of loss
- d. Additional insurance unless otherwise indicated
- e. Coinsurance does not apply to these extensions
- f. Seven extensions
  - 1) Newly acquired or constructed property
    - a) The limit is for eligible buildings not more than \$250,000 per building
    - b) The limit for eligible business personal property is not more than \$100,000 at each building
    - c) Limited to the first of the following:
      - i. The policy expiration date
      - ii. 30 days from the start of construction of covered property
      - iii. The time the location is reported to the company

**BUILDING AND PERSONAL PROPERTY  
COVERAGE FORM (CONTINUED)**

PAGE 8

**b. Personal Effects And Property Of Others**

You may extend the insurance that applies to Your Business Personal Property to apply to:

- (1) Personal effects owned by you, your officers, your partners or members, your managers or your employees. This extension does not apply to loss or damage by theft.
- (2) Personal property of others in your care, custody or control.

The most we will pay for loss or damage under this Extension is \$2,500 at each described premises. Our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

**c. Valuable Papers And Records (Other Than Electronic Data)**

- (1) You may extend the insurance that applies to Your Business Personal Property to apply to the cost to replace or restore the lost information on valuable papers and records for which duplicates do not exist. But this Extension does not apply to valuable papers and records which exist as electronic data. Electronic data has the meaning described under Property Not Covered, Electronic Data.
- (2) If the Causes Of Loss – Special Form applies, coverage under this Extension is limited to the "specified causes of loss" as defined in that form, and Collapse as set forth in that form.
- (3) If the Causes Of Loss – Broad Form applies, coverage under this Extension includes Collapse as set forth in that form.

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

**d. Property Off-premises**

- (1) You may extend the insurance provided by this Coverage Form to apply to your Covered Property while it is away from the described premises, if it is:
  - (a) Temporarily at a location you do not own, lease or operate;
  - (b) In storage at a location you lease, provided the lease was executed after the beginning of the current policy term; or
  - (c) At any fair, trade show or exhibition.
- (2) This Extension does not apply to property:
  - (a) In or on a vehicle; or
  - (b) In the care, custody or control of your salespersons, unless the property is in such care, custody or control at a fair, trade show or exhibition.
- (3) The most we will pay for loss or damage under this Extension is \$10,000.

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2) Personal effects and property of others

Limit of \$2,500 per premises

The insurance will also include coverage for personal effects owned by the insured or the officers, partners, members, managers or employees of the insured and for personal property of others in the insured's care, custody or control.

3) Valuable papers and records (other than Electronic Data)

Limit of \$2,500 per premises

4) Property located off-premises

- a) Limit of \$10,000
- b) Insured's covered property only
- c) Temporary locations not owned, leased, or operated by the insured
- d) Property at a storage location leased mid-term
- e) Property at a fair, a trade show, or an exhibition
- f) This coverage does not apply to property:
  - i. In or on a vehicle
  - ii. In the care of a salespersons, unless at fair, trade show, or exhibition

**BUILDING AND PERSONAL PROPERTY  
COVERAGE FORM (CONTINUED)**

**PAGE 8**

**e. Outdoor Property**

You may extend the insurance provided by this Coverage Form to apply to your outdoor fences, radio and television antennas (including satellite dishes), trees, shrubs and plants (other than trees, shrubs or plants which are "stock" or are part of a vegetated roof), including debris removal expense, caused by or resulting from any of the following causes of loss if they are Covered 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 \$1,000, but not more than \$250 for any one tree, shrub or plant. These limits apply to any one occurrence, regardless of the types or number of items lost or damaged in that occurrence.

**PAGE 9**

Subject to all aforementioned terms and limitations of coverage, this Coverage Extension includes the expense of removing from the described premises the debris of trees, shrubs and plants which are the property of others, except in the situation in which you are a tenant and such property is owned by the landlord of the described premises.

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5) Outdoor property

- a) Fences, radio, and television antennas (including satellite dishes), trees, shrubs, and plants (other than trees, shrubs or plants that are “stock” or part of a vegetated roof)
- b) Regardless of Cause of Loss applicable to the policy, payment is limited to damage caused by these five named perils:
  - i. Fire
  - ii. Lightning
  - iii. Explosion
  - iv. Riot or civil commotion
  - v. Aircraft
- c) Limit of \$1,000 per occurrence, but not more than \$250 for one tree, shrub or plant. Debris removal is included in these limits.

# **BUILDING AND PERSONAL PROPERTY COVERAGE FORM (CONTINUED)**

PAGE 9

**f. Non-owned Detached Trailers**

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

- (a) The trailer is used in your business;
- (b) The trailer is in your care, custody or control at the premises described in the Declarations; and
- (c) You have a contractual responsibility to pay for loss or damage to the trailer.

(2) We will not pay for any loss or damage that occurs:

- (a) While the trailer is attached to any motor vehicle or motorized conveyance, whether or not the motor vehicle or motorized conveyance is in motion;
- (b) During hitching or unhitching operations, or when a trailer becomes accidentally unhitched from a motor vehicle or motorized conveyance.

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

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

Each of these Extensions is additional insurance. The Additional Condition, Coinsurance, does not apply to these Extensions.

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6) Non-owned detached trailers

- a) Limit of \$5,000  
(May show higher limit on Declaration Page)
- b) Conditions
  - i. Used in your business
  - ii. Covered at the described premises while in your care, custody, or control
  - iii. Must be contractually responsible
  - iv. Subject to cause of loss form applicable to Business Personal Property
- c) There is no coverage if the non-owned trailer is attached to any vehicle or during hitching or unhitching
- d) Excess over any other insurance covering the non-owned trailer, whether collectible or not

# **BUILDING AND PERSONAL PROPERTY COVERAGE FORM (CONTINUED)**

PAGE 9

**g. Business Personal Property  
Temporarily In Portable Storage Units**

(1) You may extend the insurance that applies to Your Business Personal Property to apply to such property while temporarily stored in a portable storage unit (including a detached trailer) located within 100 feet of the building or structure described in the Declarations or within 100 feet of the premises described in the Declarations, whichever distance is greater.

(2) If the applicable Covered Causes of Loss form or endorsement contains a limitation or exclusion concerning loss or damage from sand, dust, sleet, snow, ice or rain to property in a structure, such limitation or exclusion also applies to property in a portable storage unit.

(3) Coverage under this Extension:

(a) Will end 90 days after the business personal property has been placed in the storage unit;

(b) Does not apply if the storage unit itself has been in use at the described premises for more than 90 consecutive days, even if the business personal property has been stored there for 90 or fewer days as of the time of loss or damage.

(4) Under this Extension, the most we will pay for the total of all loss or damage to business personal property is \$10,000 (unless a higher limit is indicated in the Declarations for such Extension) regardless of the number of storage units. Such limit is part of, not in addition to, the applicable Limit of Insurance on Your Business Personal Property. Therefore, payment under this Extension will not increase the applicable Limit of Insurance on Your Business Personal Property.

(5) This Extension does not apply to loss or damage otherwise covered under this Coverage Form or any endorsement to this Coverage Form or policy, and does not apply to loss or damage to the storage unit itself.

Each of these Extensions is additional insurance unless otherwise indicated. The Additional Condition, Coinsurance, does not apply to these Extensions.

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- 7) Business personal property temporarily in portable storage units
- a) Limit of \$10,000 for Business Personal Property temporarily stored in a portable storage unit at or within 100 feet of the describe premises
  - b) A higher limit may be selected if shown on the Declaration Page
  - c) This amount is the most that will be paid regardless of the number of storage units
  - d) Coverage is limited to no more than 90 days from when storage unit was first put in use

## BUILDING AND PERSONAL PROPERTY COVERAGE FORM (CONTINUED)

**PAGE 9**

**B. Exclusions And Limitations**

See applicable Causes Of Loss Form as shown in the Declarations.

**C. Limits Of Insurance**

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

The most we will pay for loss or damage to outdoor signs whether or not the sign is attached to a building is \$2,500 per sign in any one occurrence.

The amounts of insurance stated in the following Additional Coverages apply in accordance with the terms of such coverages and are separate from the Limit(s) of insurance show in the Declarations for any other coverage;

1. Fire Department Service Charge;
2. Pollutant Clean-up And Removal;
3. Increased Cost Of Construction; and
4. Electronic Data.

Payments under the Preservation Of Property Additional Coverage will not increase the applicable Limit of Insurance.

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**D. Deductible**

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

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

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## G. Exclusions

(These will be found on the applicable Causes of Loss form)

## H. Limits of Insurance

1. Declarations Limit – the most an insurer will pay in the event of a loss is listed on the Declarations Page
2. \$2,500 Maximum per attached or detached outdoor sign in any one occurrence

CP 14 40 Outdoor Signs endorsement used to increase the limit

3. Additional Limit of Insurance
  - a. Fire department service charge
  - b. Pollutant clean up and removal
4. Preservation of property – not Additional Insurance

## I. Deductible

1. The standard is \$500 in most states

**Warning: For state-specific information on deductibles, check your Commercial Lines Manual Fire Division (five) Rules and your State Exception Pages.**

2. Other deductibles are available when accompanied by appropriate premium adjustments
3. The deductible will be applied only once per occurrence

## BUILDING AND PERSONAL PROPERTY COVERAGE FORM (CONTINUED)

PAGE 11

### 4. Loss Payment

- a. In the event of loss or damage covered by this Coverage Form, at our option, we will either:
  - (1) Pay the value of lost or damaged property;
  - (2) Pay the cost of repairing or replacing the lost or damaged property, subject to **b.** below;
  - (3) Take all or any part of the property at an agreed or appraised value; or
  - (4) Repair, rebuild or replace the property with other property of like kind and quality, subject to **b.** below.

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

- b. The cost to repair, rebuild or replace does not include the increased cost attributable to enforcement of or compliance with any ordinance or law regulating the construction, use or repair of any property.
- c. We will give notice of our intentions within 30 days after we receive the sworn proof of loss.
- d. We will not pay you more than your financial interest in the Covered Property.
- e. We may adjust losses with the owners of lost or damaged property if other than you. If we pay the owners, such payments will satisfy your claims against us for the owners' property. We will not pay the owners more than their financial interest in the Covered Property.

- f. We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.
- g. We will pay for covered loss or damage within 30 days after we receive the sworn proof of loss, if you have complied with all of the terms of this Coverage Part and:
  - (1) We have reached agreement with you on the amount of loss; or
  - (2) An appraisal award has been made.

PAGE 12

- h. A party wall is a wall that separates and is common to adjoining buildings that are owned by different parties. In settling covered losses involving a party wall, we will pay a proportion of the loss to the party wall based on your interest in the wall in proportion to the interest of the owner of the adjoining building. However, if you elect to repair or replace your building and the owner of the adjoining building elects not to repair or replace that building, we will pay you the full value of the loss to the party wall, subject to all applicable policy provisions including Limits of Insurance, the Valuation and Coinsurance Conditions and all other provisions of this Loss Payment Condition. Our payment under the provisions of this paragraph does not alter any right of subrogation we may have against any entity, including the owner or insurer of the adjoining building, and does not alter the terms of the Transfer Of Rights Of Recovery Against Others To Us Condition in this policy.

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## J. Loss Conditions – Some Important Provisions

### 1. Loss Payment

- a. The payment option always belongs to the **insurer**
- b. Options
  - 1) Pay the value of damaged property
  - 2) Pay the amount to repair or replace
  - 3) If there is property left, the insurer can take the property at an agreed or appraised value
  - 4) Repair the damaged property or replace it with like kind
- c. Value determination is subject to the applicable valuation condition or any provision which amends or supersedes it
- d. Insurer will not pay the insured more than the insured's financial interest in the damaged or destroyed property at the time of loss

**BUILDING AND PERSONAL PROPERTY  
COVERAGE FORM (CONTINUED)**

PAGE 12

**6. 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 or general lessee of a building, building means the entire building. Such building is vacant unless at least 31% of its total square footage is:
- (i) Rented to a lessee or sub-lessee and used by the lessee or sub-lessee to conduct its customary operations; and/or
- (ii) Used by the building owner 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 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 15%.

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**Learning Objective #3:** Explain how vacancy affects coverage and the loss payment under the Building and Personal Property Coverage Form.

2. Vacancy – More Than 60 Consecutive Days prior to a loss

a. Definition

- 1) Tenant – unit or suite does not contain enough business personal property to conduct customary operations
- 2) Building Owner or General Lessee – building is vacant unless at least 31% of the entire building's total square footage is used to conduct customary operations
- 3) Buildings under renovation are not considered vacant

**NOTE: Some states require that this definition be modified to conform to the state amendatory endorsements.**

b. No coverage for six Causes of Loss

- 1) Vandalism
- 2) Sprinkler leakage
- 3) Building glass breakage
- 4) Water damage
- 5) Theft
- 6) Attempted theft

**NOTE: Fire not excluded**

c. Loss payment reduced by 15% for all other covered causes of loss

## BUILDING AND PERSONAL PROPERTY COVERAGE FORM (CONTINUED)

PAGE 12

### 7. Valuation

We will determine the value of Covered Property in the event of loss or damage as follows:

- a. At actual cash value as of the time of loss or damage, except as provided in b., c., d., and e. below.
- b. If the Limit of Insurance for Building satisfies the Additional Condition, Coinsurance, and the cost to repair or replace the damaged building property is \$2,500 or less, we will pay the cost of building repairs or replacement.

e. Tenants' Improvements and Betterments at:

- (1) Actual cash value of the lost or damaged property if you make repairs promptly.
- (2) A proportion of your original cost if you do not make repairs promptly. We will determine the proportionate value as follows:
  - (a) Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and
  - (b) Divide the amount determined in (a) above by the number of days from the installation of improvements to the expiration of the lease.

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

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

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The cost of building repairs or replacement does not include the increased cost attributable to enforcement of or compliance with any ordinance or law regulating the construction, use or repair of any property.

However, the following property will be valued at the actual cash value even when attached to the building:

- (1) Awnings or floor coverings;
- (2) Appliances for refrigerating, ventilating, cooking, dishwashing or laundering; or
- (3) Outdoor equipment or furniture.
- c. "Stock" you have sold but not delivered at the selling price less discounts and expenses you otherwise would have had.
- d. Glass at the cost of replacement with safety-glazing material if required by law.

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### 3. Valuation

#### a. Actual Cash Value

This is the valuation method that is used unless the insured selects another option on the Declarations Page

#### b. Replacement cost for small building losses

- 1) If the building limit of insurance satisfies the coinsurance requirement
- 2) The loss is \$2,500 or less
- 3) Does not include the following property even when attached to the building (valued at ACV):
  - a) Awning or floor coverings
  - b) Appliances for refrigerating, ventilating, cooking, dishwashing, or laundering
  - c) Outdoor equipment or furniture

#### c. Any stock sold, but not delivered will be assessed at selling price

#### d. Glass at replacement cost

Includes the cost of upgrading to glass with safety glazing material, if the law requires it

#### e. Tenants' Improvements and Betterments

Valuation is based on Actual Cash Value if promptly repaired or a portion of the original cost if not promptly repaired

**BUILDING AND PERSONAL PROPERTY  
COVERAGE FORM (CONTINUED)**

PAGE 13

**F. Additional Conditions**

The following conditions apply in addition to the Common Policy Conditions and the Commercial Property Conditions.

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

**1. Coinsurance**

If a Coinsurance percentage is shown in the Declarations, the following condition applies.

- a. We will not pay the full amount of any loss if the value of Covered Property at the time of loss times the Coinsurance percentage shown for it in the Declarations is greater than the Limit of Insurance for the property.

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

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

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## K. Additional Conditions

### 1. Coinsurance

Was covered in depth in Section I – this is the area of the policy that coinsurance is introduced

## BUILDING AND PERSONAL PROPERTY COVERAGE FORM (CONTINUED)

PAGE 14

### 2. Mortgageholders

- 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 Coverage Part, the mortgageholder will still have the right to receive loss payment if the mortgageholder:
  - (1) Pays any premium due under this Coverage Part 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 mortgageholder.

All of the terms of this Coverage Part 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 Coverage Part:

- (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 impaired.

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

- f. If we cancel this policy, we will give written notice to the mortgageholder 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. If we elect not to renew this policy, we will give written notice to the mortgageholder at least 10 days before the expiration date of this policy.

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***Learning Objective #4: Define the rights of mortgage holders as provided in Commercial Property Coverage Forms.***

2. Mortgageholder's Clause
  - a. Paid in the order of precedence
  - b. Mortgageholder's obligations if the insurer denies coverage to the insured for failing to comply with the terms of the Coverage Part
    - 1) Premium payment, if due
    - 2) Files a signed sworn statement of loss
    - 3) Notification to insurer of any change in ownership or occupancy
  - c. Mortgageholder's rights
    - 1) Cancellation
      - a) Insurer will give 10 days written notice for non-payment of premium
      - b) Insurer will give 30 days written notice for any other reason
    - 2) Non-renewal – insurer will give written notice at least 10 days prior to the policy's expiration date

**NOTE: Remember to look at your State Amendatory endorsements for the cancellation and non-renewal clauses. The number of days may vary from state to state.**

## BUILDING AND PERSONAL PROPERTY COVERAGE FORM (CONTINUED)

**PAGE 14**

**G. Optional Coverages**

If shown as applicable in the Declarations, the following Optional Coverages apply separately to each item.

**1. Agreed Value**

- a. The Additional Condition, Coinsurance, does not apply to Covered Property to which this Optional Coverage applies. We will pay no more for loss of or damage to that property than the proportion that the Limit of Insurance under this Coverage Part for the property bears to the Agreed Value shown for it in the Declarations.

**2. Inflation Guard**

- a. The Limit of Insurance for property to which this Optional Coverage applied will automatically increase by the annual percentage shown in the Declarations.
- b. The amount of increase will be:
  - (1) The Limit of Insurance that applied on the most recent of the policy inception date, the policy anniversary date, or any other policy change amending the Limit of Insurance, times
  - (2) The percentage of annual increase shown in the Declarations, expressed as a decimal (example: 8% is .08), times
  - (3) The number of days since the beginning of the current policy year or the effective date of the most recent policy change amending the Limit of Insurance, divided by 365.

**PAGE 15**

- b. If the expiration date for this Optional Coverage shown in the Declarations is not extended, the Additional Condition, Coinsurance, is reinstated and this Optional Coverage expires.
- c. The terms of this Optional Coverage apply only to loss or damage that occurs:
  - (1) On or after the effective date of this Optional Coverage; and
  - (2) Before the Agreed Value expiration date shown in the Declarations or the policy expiration date, whichever occurs first.

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- L. Optional Coverages (There is **no coverage** for these unless an entry has been made on the Declaration Page)

***Learning Objective #5: Describe the Optional Coverages that may be “activated” from the Declarations of the Building and Personal Property Coverage Form.***

1. Agreed Value
  - a. Suspends the coinsurance clause

**NOTE: Does not eliminate coinsurance, only suspends coinsurance**

- b. A Statement of Values must be prepared and signed by the insured and submitted to the insurance company for approval
  - c. Features
    - 1) Insurer does not apply coinsurance clause as long as the insured carries an amount of insurance equal to (or greater than) the agreed upon value
    - 2) Coverage remains in effect for one year only. It must be renewed **each** year. A new statement of values must be filed with the insurance company each year.
2. Inflation Guard
  - a. May apply to building and/or personal property
  - b. Limits automatically increase
  - c. Increase percentage at an annual amount that is shown on the Declaration Page
  - d. Limits are prorated daily throughout the policy year

## BUILDING AND PERSONAL PROPERTY COVERAGE FORM (CONTINUED)

**PAGE 15**

**3. Replacement Cost**

- a. Replacement Cost (without deduction for depreciation) replaces Actual Cash Value in the Valuation Loss Condition, of this Coverage Form.
- b. This Optional Coverage does not apply to:
  - (1) Personal property of others;
  - (2) Contents of a residence;
  - (3) Works of art, antiques or rare articles, including etchings, pictures, statuary, marbles, bronzes, porcelains and bric-a-brac; or
  - (4) "Stock", unless the Including "Stock" option is shown in the Declarations.

Under the terms of this Replacement Cost Optional Coverage, tenants' improvements and betterments are not considered to be the personal property of others.

- c. You may make a claim for loss or damage covered by this insurance on an actual cash value basis instead of on a replacement cost basis. In the event you elect to have loss or damage settled on an actual cash value basis, you may still make a claim for the additional coverage this Optional Coverage provides if you notify us of your intent to do so within 180 days after the loss or damage.
- d. We will not pay on a replacement cost basis for any loss or damage:
  - (1) Until the lost or damaged property is actually repaired or replaced; and
  - (2) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage.

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

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

original cost, as set forth in the Valuation Loss Condition of this Coverage Form; and

- (4) We will not pay for loss or damage to tenants' improvements and betterments if others pay for repairs or replacement.
- e. We will not pay more for loss or damage on a replacement cost basis than the least of (1), (2) or (3), subject to f. below:
  - (1) The Limit of Insurance applicable to the lost or damaged property;
  - (2) The cost to replace the lost or damaged property with other property:
    - (a) Of comparable material and quality; and
    - (b) Used for the same purpose; or
  - (3) The amount actually spent that is necessary to repair or replace the lost or damaged property.

If a building is rebuilt at a new premises, the cost described in e.(2) above is limited to the cost which would have been incurred if the building had been rebuilt at the original premises.

**PAGE 16**

- f. The cost of repair or replacement does not include the increased cost attributable to enforcement of or compliance with any ordinance or law regulating the construction, use or repair of any property.

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### 3. Replacement Cost

- a. Replaces Actual Cash Value
- b. Does not apply to certain property (gives back as optional coverage or extension of replacement cost)
  - 1) Personal Property of Others (maybe added as a separate optional coverage)
  - 2) Contents of a residence
  - 3) Works of art, antiques, or rare articles
  - 4) "Stock" (unless included on Declaration Page)
- c. Tenants' improvements and betterments are not considered personal property of others
- d. The insured may take an Actual Cash Value settlement and later request replacement cost. Insured must notify the company of intent to do this within 180 days after the loss or damage
- e. The insurer will not pay the replacement cost amount until the loss or damage is actually repaired or the property is replaced. These must be made as soon as reasonably possible
- f. The insured is not required to rebuild on the original premises, but the replacement cost is limited to the cost that would have been incurred in rebuilding at the original location
- g. Payment will be the least of
  - 1) Limit of insurance
  - 2) Cost to replace with comparable material and quality, and used for the same purpose
  - 3) The amount spent that is necessary to repair or replace
- h. This does not include the increased cost that is due to any ordinance or law that regulates the construction, use, or repair of any property

## BUILDING AND PERSONAL PROPERTY COVERAGE FORM (CONTINUED)

PAGE 16

#### 4. Extension Of Replacement Cost To Personal Property Of Others

- a. If the Replacement Cost Optional Coverage is shown as applicable in the Declarations, then this Extension may also be shown as applicable. If the Declarations show this Extension as applicable, then Paragraph **3.b.(1)** of the Replacement Cost Optional Coverage is deleted and all other provisions of the Replacement Cost Optional Coverage apply to replacement cost on personal property of others.

- b. With respect to replacement cost on the personal property of others, the following limitation applies:

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

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4. Replacement Cost Optional Coverage – Personal Property of Others

- a. Extends replacement cost coverage to personal property of others
- b. May only be selected when replacement cost coverage also applies to the building and/or business personal property insured under the policy
- c. If a written contract (lease) applies, then recovery is limited to the lesser of the replacement cost or the contractual obligation. This could cause a gap if contractual obligation is higher than the replacement cost.

(There is a Leased Property Endorsement – CP 14 60 – to fill this gap.)

## SUMMARY OF LEARNING OBJECTIVES

By now you should be able to:

1. Identify the types of property covered and property not covered by the Building and Personal Property Coverage Form.
2. Describe the Additional Coverages and the Coverage Extensions provided by the Building and Personal Property Coverage Form.
3. Explain how vacancy affects coverage and the loss payment under the Building and Personal Property Coverage Form.
4. Define the rights of mortgage holders as provided in Commercial Property Coverage Forms.
5. Describe the Optional Coverages that may be “activated” from the Declarations of the Building and Personal Property Coverage Form.



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## Section 3

# Causes of Loss Forms



# INSURING COMMERCIAL PROPERTY

## Learning Objectives

3

### CAUSES OF LOSS FORMS

After this section, participants will be able to:

1. Differentiate between the Covered Causes of Loss Forms: Basic, Broad, and Special.
2. Given a loss situation, apply the exclusions of the Special Causes of Loss form.
3. Describe the three possible losses a business faces with ordinance or law exposures.
4. Explain the Additional Coverage: Collapse.
5. Discuss the Additional Coverage: Limited Coverage for Fungus, Wet Rot, Dry Rot, and Bacteria.
6. Identify the three additional coverage extensions included in the Special Causes of Loss Form.

## CAUSES OF LOSS COVERAGE COMPARISON

CAUSES OF LOSS	BASIC FORM CP 1010	BROAD FORM CP 1020	SPECIAL FORM CP 1030
FIRE	X	X	X
LIGHTNING	X	X	X
EXPLOSION (INCL SONIC BOOM AND WATER HAMMER)	X	X	X
WINDSTORM OR HAIL	X	X	X
SMOKE	X	X	X
AIRCRAFT OR VEHICLES	X	X	X
RIOT OR CIVIL COMMOTION	X	X	X
VANDALISM	X	X	X
SPRINKLER LEAKAGE	X	X	X
SINKHOLE COLLAPSE	X	X	X
VOLCANIC ACTION	X	X	X
ADDITIONAL COVERAGE – LIMITED COVERAGE FOR FUNGUS, WET ROT, DRY ROT, AND BACTERIA	X	X	X
FALLING OBJECTS		X	X
WEIGHT OF SNOW, ICE, OR SLEET		X	X
WATER DAMAGE		X	X
ADDITIONAL COVERAGE – COLLAPSE		X	X
DIRECT PHYSICAL LOSS			X

**Learning Objective #1:** Differentiate between the Covered Causes of Loss Forms: Basic, Broad, and Special.

M. Causes of Loss Forms

Describe what perils are covered.

3

Named Perils	Open Perils
<p>There are two types of Causes of Loss forms that are named perils:</p> <ul style="list-style-type: none"> <li>• Basic</li> <li>• Broad</li> </ul> <p>In this approach, the insured must prove that the named peril caused the loss to the property.</p> <p><b>The insured must prove that a covered cause of loss occurred.</b></p>	<p>There is one type of Causes of Loss form that is an open perils:</p> <ul style="list-style-type: none"> <li>• Special</li> </ul> <p>In this approach, the insurer pays for direct loss to a property, unless the policy itself excludes it.</p> <p><b>The insurer must prove that an exclusion applies.</b></p>

1. Basic Form - CP 10 10 (Named Perils)
  - a. Covers losses arising from eleven named perils plus the Additional Coverage – Limited Coverage for Fungus, Wet Rot, Dry Rot, and Bacteria
  - b. Insured must show that the loss was caused by the peril as defined and limited in the coverage form
  - c. Damage caused by wind, hail, vandalism, or sprinkler leakage may be excluded by endorsement

## CAUSES OF LOSS COVERAGE COMPARISON

CAUSES OF LOSS	BASIC FORM CP 1010	BROAD FORM CP 1020	SPECIAL FORM CP 1030
FIRE	X	X	X
LIGHTNING	X	X	X
EXPLOSION (INCL SONIC BOOM AND WATER HAMMER)	X	X	X
WINDSTORM OR HAIL	X	X	X
SMOKE	X	X	X
AIRCRAFT OR VEHICLES	X	X	X
RIOT OR CIVIL COMMOTION	X	X	X
VANDALISM	X	X	X
SPRINKLER LEAKAGE	X	X	X
SINKHOLE COLLAPSE	X	X	X
VOLCANIC ACTION	X	X	X
ADDITIONAL COVERAGE – LIMITED COVERAGE FOR FUNGUS, WET ROT, DRY ROT, AND BACTERIA	X	X	X
FALLING OBJECTS		X	X
WEIGHT OF SNOW, ICE, OR SLEET		X	X
WATER DAMAGE		X	X
ADDITIONAL COVERAGE – COLLAPSE		X	X
DIRECT PHYSICAL LOSS			X



2. Broad Form - CP 10 20 (Additional Named Perils)
  - a. Provides coverage for all named perils and the Additional Coverage in the Basic Form plus loss caused by:
    - 1) Damage caused by falling objects
    - 2) Weight of snow, ice, or sleet
    - 3) Water damage
    - 4) Additional Coverage – Collapse
  - b. Damage caused by wind, hail, vandalism, or sprinkler leakage may be excluded by endorsement
3. Special Form – CP 10 30 (Open Perils)
  - a. Provides coverage on a “direct physical loss unless the loss is excluded or limited” basis; it uses the open perils approach
  - b. The form most commonly used
  - c. This is the only form that covers theft. Theft is covered because it is not excluded
  - d. Damage caused by wind, hail, vandalism, sprinkler leakage or theft may be excluded by endorsement

## CAUSES OF LOSS – SPECIAL FORM

### PAGE 1

#### A. Covered Causes Of Loss

When Special is shown in the Declarations, Covered Causes of Loss means direct physical loss unless the loss is excluded or limited in this policy.

#### 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:



- 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 to that property.

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CP 10 30 09 17

**Example:** Current building code states that if a building is damaged more than 50% it must be torn down and rebuilt to comply with current codes

**Loss:** Wind damages 60% of a \$400,000 building (or \$240,000)

#### Additional Losses Attributable to Ordinance or Law

	<p>Value of the undamaged portion of the building \$160,000</p>						
	<p>Cost to clear the site of undamaged parts of the property</p>						
<table> <tr> <td>Replace</td><td>\$400,000</td></tr> <tr> <td>Wind Resistive Construction</td><td>+ \$125,000</td></tr> <tr> <td>Automatic Sprinkler System</td><td>+ \$60,000</td></tr> </table>	Replace	\$400,000	Wind Resistive Construction	+ \$125,000	Automatic Sprinkler System	+ \$60,000	<p>Increased construction costs to include features now required by current codes and laws</p>
Replace	\$400,000						
Wind Resistive Construction	+ \$125,000						
Automatic Sprinkler System	+ \$60,000						

**Learning Objective #2:** Given a loss situation, apply the exclusions of the Special Causes of Loss form.

N. Exclusions Common to All Forms

3

1. All of the Causes of Loss Forms contain this set of exclusions. These losses are excluded regardless of any other cause or event that contributes concurrently (at the same time) or in any sequence to the loss.

**Learning Objective #3:** Describe the three possible losses a business faces with ordinance or law exposures.

- a. Ordinance or law
  - 1) Exposures
    - a) The value of the undamaged part of the building because it is no longer habitable
    - b) The cost to demolish the undamaged part of the building and to remove the debris of the undamaged part that is demolished
    - c) The increased costs to rebuild the structure to satisfy current codes
  - 2) Solution: Ordinance or Law Coverage Endorsement (CP 04 05)
    - a) Coverage A – Coverage for Loss to the Undamaged Portion of the Building  
  
(Consider increasing the limit on the declaration page to cover a total loss)
    - b) Coverage B – Demolition Cost Coverage  
  
(Must indicate a separate limit on endorsement)
    - c) Coverage C – Increased Cost of Construction  
  
(Must indicate a separate limit on endorsement)

**Note: Coverages B and C may be written as blanket coverage with a single limit.**

## CAUSES OF LOSS – SPECIAL FORM

### PAGE 1

#### 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, meaning subsidence of a man-made mine, whether or not mining activity has ceased;
- (4) Earth sinking (other than sinkhole collapse), rising or shifting including soil conditions which cause settling, cracking or other disarrangement of foundations or other parts of 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.

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

#### d. Nuclear Hazard

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

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

#### e. Utility Services

The failure of power, communication, water or other utility service supplied to the described premises, however caused, if the failure:

- (1) Originates away from the described premises; or
- (2) Originates at the described premises but only if such failure involves equipment used to supply the utility service to the described premises from a source away from the described premises.

Failure of any utility service includes lack of sufficient capacity and reduction in supply.

Loss or damage caused by a surge of power is also excluded, if the surge would not have occurred but for an event causing a failure of power.

But if the failure or surge of power, or the failure of communication, water 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.

Communication services include but are not limited to service relating to internet access or access to any electronic, cellular or satellite network.

#### 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.

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### PAGE 2

#### c. Governmental Action

Seizure or destruction of property by order of governmental authority.

b. Earth movement

- 1) Insurers will not pay for any damage caused by movement of the earth
- 2) Damage caused by a fire or explosion following an earthquake is covered
- 3) Earthquake may be provided by endorsement (CP 10 40)

c. Governmental action

If the government seizes your property, your loss is not covered

d. Nuclear Hazard

- 1) Any damage caused by a nuclear incident is not covered
- 2) Any damage caused by a resulting fire is covered

e. Utility services

The failure of power, communication, water or other utility service supplied to the described premises

- 1) No loss is covered because of failure of off-premises power or utility services.
- 2) This includes utility failure that originates at the described premises because of a failure involving equipment used to provide utility service supplied by an off-premises provider.
  - a) Failure of any utility service includes lack of sufficient capacity and reduction in supply
  - b) Power surge is also excluded
  - c) Any loss resulting from a covered cause of loss as a result of off-premises power or utility service failure is covered
  - d) Communication services include internet access

f. War and military action – Includes undeclared, civil war, and other warlike actions by a military force

## CAUSES OF LOSS – SPECIAL FORM

### PAGE 2

#### g. Water

- (1) Flood, surface water, waves (including tidal wave and tsunami), tides, tidal waves, overflow of any body of water, or spray from any of these, all whether or not driven by wind (including storm surge);
- (2) Mudslide or mudflow;
- (3) Water that backs up or overflows or is otherwise discharged from a sewer, drain, sump, sump pump or related equipment;
- (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; or
- (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.

### PAGE 3

But if any of the above, in Paragraphs (1) through (5) above, 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).

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

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

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

This exclusion does not apply:

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

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

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g. Water

- 1) The following types of water losses **are not covered**:
  - a) Flood, surface water, waves, tides, tidal waves, overflow of any body of water or their spray (whether driven by wind or not)
  - b) Mudslide or mudflow
  - c) Sewer, drain, and sump back-up or overflow
  - d) Water under the ground that presses on, flows, or seeps through:
    - i. Foundations, walls, floors, or paved surfaces
    - ii. Basements
    - iii. Doors, windows, or other openings
  - e) Material carried by water, mudslide or mudflow (language previously in the CP 10 32 endorsement)
- 2) If a fire, explosion, or sprinkler leakage loss occurs as a result of the water damages listed above, the company will pay for the loss caused by the fire, explosion, or sprinkler leakage
- 3) Special policies (at appropriate premiums) are available to cover flood losses
- 4) Flood may also be provided by endorsement (CP 10 65)

h. Fungus, Wet Rot, Dry Rot, and Bacteria

- 1) Fungus, is a newly defined term and includes mold
- 2) Coverage is limited to damage caused by specified Causes of Loss if they are the result of “fungus”, etc.
- 3) Exclusion does not apply to fire or lightning; or if it is covered under the additional coverage – “Fungus”, Wet Rot, Dry Rot and Bacteria

## CAUSES OF LOSS – SPECIAL FORM

### PAGE 3

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

- a. 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:

- (a) Electrical current, including arcing;
- (b) Electrical charge produced or conducted by a magnetic or electromagnetic field;
- (c) Pulse of electromagnetic energy; or
- (d) Electromagnetic waves or microwaves.

But if fire results, we will pay for the loss or damage caused by that fire.

- b. Delay, loss of use or loss of market.
- c. Smoke, vapor or gas from agricultural smudging or industrial operations.
- d. (1) Wear and tear;
- (2) Rust, or other corrosion, decay, deterioration, 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. But if mechanical breakdown results in elevator collision, we will pay for the loss or damage caused by that elevator collision.
- (7) The following causes of loss to personal property:
  - (a) Dampness or dryness of atmosphere;
  - (b) Changes in or extremes of temperature; or
  - (c) Marring or scratching.

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

- e. Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control. But if explosion of steam boilers, steam pipes, steam engines or steam turbines results in fire or combustion explosion, we will pay for the loss or damage caused by that fire or combustion explosion. We will also pay for 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.
- f. Continuous or repeated seepage or leakage of water, or the presence or condensation of humidity, moisture or vapor, that occurs over a period of 14 days or more.

### PAGE 4

- g. Water, other liquids, powder or molten material that leaks or flows from plumbing, heating, air conditioning or other equipment (except fire protective systems) caused by or resulting from freezing, unless:
  - (1) You do your best to maintain heat in the building or structure; or
  - (2) You drain the equipment and shut off the supply if the heat is not maintained.
- h. Dishonest or criminal act by you (including theft), any of your partners, members, officers, managers, employees (including temporary employees and leased workers), directors, trustees, authorized representatives, whether acting alone or in collusion with each other or with any other party; or theft by any person to whom you entrust the property for any purpose, whether acting alone or in collusion with another party.

This exclusion:

- (1) Applies whether or not an act occurs during your normal hours of operation;
- (2) Does not apply to acts of destruction by your employees (including temporary employees and leased workers) or authorized representatives; but theft by your employees (including temporary employees and leased workers) or authorized representatives is not covered.

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## 2. Special Form Exclusions (CP 10 30)

- a. Artificially generated electrical, magnetic or electromagnetic energy, power surges, brown outs
- b. Indirect losses involving the loss of income due to a delay, loss of use, or loss of market
- c. Smoke, vapor or gas from agricultural smudging or industrial operations
- d. Wear and tear losses such as:
  - 1) Rust, corrosion, decay, deterioration, defect in quality
  - 2) Smog
  - 3) Settling, cracking, shrinking, or expansion
  - 4) Nesting, infestation, or discharge caused by insects, birds, rodents, etc.
  - 5) Mechanical breakdown except when elevator collision results
  - 6) Personal property damage caused by dampness or dryness of atmosphere, changes in temperature, marring, or scratching
- e. Explosion of Steam boiler, steam pipes, or steam engine explosion
  - 1) If the explosion results in a fire or combustion explosion, the resulting damage will be covered
  - 2) This exposure needs to be covered under an Equipment Breakdown Policy.
- f. Losses attributable to continuous or repeated seepage or leakage over a period of 14 days or more
- g. Water damage caused by pipes that burst due to freezing
  - 1) Applies when pipe freezes, bursts, and then thaws
  - 2) Exclusion does not apply if the insured did their best to maintain the heat (or) drained/shut off water supply
- h. Losses caused by anyone entrusted with property
  - 1) Includes dishonest and criminal acts of the insured, partners, members, officers, managers, employees (including temporary and leased employees), directors, trustees, or other authorized representatives. This exclusion does not apply to acts of destruction by employees.
  - 2) The insured needs a Fidelity or Employee Dishonesty Bond to cover the peril of employee theft.

## CAUSES OF LOSS – SPECIAL FORM

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- i. Voluntary parting with any property by you or anyone else to whom you have entrusted the property if induced to do so by any fraudulent scheme, trick, device or false pretense.
- j. Rain, snow, ice or sleet to personal property in the open.
- k. Collapse, including any of the following conditions of property or any part of the property:
  - (1) An abrupt falling down or caving in;
  - (2) Loss of structural integrity, including separation of parts of the property or property in danger of falling down or caving in; or
  - (3) Any cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion as such condition relates to (1) or (2) above.

But if collapse results in a Covered Cause of Loss at the described premise, we will pay for the loss or damage caused by that Covered Cause of Loss.

This exclusion, k., does not apply:

- (a) To the extent that coverage is provided under the Additional Coverage-Collapse; or
- (b) To collapse caused by one or more of the following:
  - (i) The "specified causes of loss";
  - (ii) Breakage of building glass;
  - (iii) Weight of rain that collects on a roof; or
  - (iv) Weight of people or personal property
- l. Discharge, dispersal, seepage, migration, release or escape of "pollutants" unless the discharge, dispersal, seepage, migration, release or escape is itself caused by any of the "specified causes of loss". But if the discharge, dispersal, seepage, migration, release or escape of "pollutants" results in a "specified cause of loss", we will pay for the loss or damage caused by that "specified cause of loss".

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

- m. Neglect of an insured to use all reasonable means to save and preserve property from further damage at and after the time of loss.

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

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

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

#### 4. Special Exclusions

The following provisions apply only to the specified Coverage Forms.

- a. **Business Income (And Extra Expense) Coverage Form, Business Income (Without Extra Expense) Coverage Form, or Extra Expense Coverage Form ...**
- b. **Leasehold Interest Coverage Form ...**
- c. **Legal Liability Coverage Form ...**

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#### 5. Additional Exclusion

##### Loss or Damage To Products

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- i. Voluntary parting with property under false pretenses
- j. Weather losses to property left out in inclement weather including damages caused by rain, snow, sleet, or ice
- k. Collapse except for coverage found in Additional Coverage for Collapse
- l. Release or escape of pollutants – Generally excludes pollution unless the release of the pollutants happens because a covered cause of loss occurred; applies on premises only

### 3. Concurrent Causation Exclusions

An "open perils" policy must pay if a loss to the property is caused by two perils – one that is excluded by the policy and one that is covered. These exclusions were developed to prevent the insurer from having to pay for losses it never intended to pay. These exclusions are:

- a. Contributing weather conditions
- b. Acts of persons or authorities
- c. Inadequate design or maintenance – Includes losses due to faulty, inadequate, or defective planning, design, materials, or maintenance

### 4. Special Exclusions – Apply only to the following forms:

- a. Business Income (and Extra Expense) Coverage Form, Business Income (without Extra Expense) Coverage Form, or Extra Expense Coverage Form
- b. Leasehold Interest Coverage Form
- c. Legal Liability Coverage Form

**NOTE: The specifics of special exclusions are beyond the scope of this course and will not be covered here.**

### 5. Additional Exclusion – Loss or Damage to Products

No Coverage for losses caused by production errors, except for any ensuing damages that result from a covered cause of loss

## CAUSES OF LOSS – SPECIAL FORM

**PAGE 6**

**C. Limitations**

The following limitations apply to all policy forms and endorsements, unless otherwise stated.

1. We will not pay for loss of or damage to property, as described and limited in this section. In addition, we will not pay for any loss that is a consequence of loss or damage as described and limited in this section.
  - a. Steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment. But we will pay for loss of or damage to such equipment caused by or resulting from an explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.
  - b. Hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment, other than an explosion.
  - c. The interior of any building or structure, or to personal property in the building or structure, caused by or resulting from rain, snow, sleet, ice, sand or dust, whether driven by wind or not, unless:
    - (1) The building or structure first sustains damage by a Covered Cause of Loss to its roof or walls through which the rain, snow, sleet, ice, sand or dust enters; or
    - (2) The loss or damage is caused by or results from thawing of snow, sleet or ice on the building or structure.
  - d. Building materials and supplies not attached as part of the building or structure, caused by or resulting from theft.

However, this limitation does not apply to:

    - (1) Building materials and supplies held for sale by you, unless they are insured under the Builders Risk Coverage Form; or
    - (2) Business Income Coverage or Extra Expense Coverage.
  - e. Property that is missing, where the only evidence of the loss or damage is a shortage disclosed on taking inventory, or other instances where there is no physical evidence to show what happened to the property.
  - f. Property that has been transferred to a person or to a place outside the described premises on the basis of unauthorized instructions.
  - g. Lawns, trees, shrubs or plants which are part of a vegetated roof, caused by or resulting from:
    - (1) Dampness or dryness of atmosphere or of soil supporting the vegetation
    - (2) Changes in or extremes of temperature;
    - (3) Disease;
    - (4) Frost or hail; or
    - (5) Rain, snow, ice or sleet.

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## O. Limitations on Certain Property

### 1. Losses Not Covered

- a. Damage to steam boiler, pipes, engines or turbine events caused by any condition or event from inside the equipment
- b. Hot water boiler damage caused by a condition or event from inside the equipment (such as mechanical breakdown or internal explosion)
- c. Damage to interior property resulting from rain, snow, sleet, ice, sand, or dust unless there is **exterior** damage by a Covered Cause of Loss
- d. Theft of building materials and supplies not attached to the building or structure
- e. Inventory shortage (as the only indication that a loss might have occurred) or mysterious disappearance
- f. Property transferred by unauthorized instructions
- g. Vegetated Roof damage caused by changes in weather; disease; frost or hail; or rain, snow, ice or sleet

## CAUSES OF LOSS – SPECIAL FORM

### PAGE 6

2. We will not pay for loss of or damage to the following types of property unless caused by the "specified causes of loss" or building glass breakage:

- a. Animals, and then only if they are killed or their destruction is made necessary.
- b. Fragile articles such as statuary, marbles, chinaware and porcelains, if broken. This restriction does not apply to:
  - (1) Glass; or
  - (2) Containers of property held for sale.
- c. Builders' machinery, tools and equipment owned by you or entrusted to you, provided such property is Covered Property.

However, this limitation does not apply:

- (1) If the property is located on or within 100 feet of the described premises, unless the premises is insured under the Builders Risk Coverage Form; or

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- (2) To Business Income Coverage or to Extra Expense Coverage.

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

- a. \$2,500 for furs, fur garments and garments trimmed with fur.

- b. \$2,500 for jewelry, watches, watch movements, jewels, pearls, precious and semiprecious stones, bullion, gold, silver, platinum and other precious alloys or metals. This limit does not apply to jewelry and watches worth \$100 or less per item.

- c. \$2,500 for patterns, dies, molds and forms.

- d. \$250 for stamps, tickets, including lottery tickets held for sale, and letters of credit.

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

This limitation, C.3., does not apply to Business Income Coverage or to Extra Expense Coverage.

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

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

However, this limitation does not apply to Business Income Coverage or to Extra Expense Coverage.

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2. Special items covered only if loss results from “Specified Causes of Loss or building glass breakage.” Specified Causes of Loss are specific named perils identified by definition:
  - a. Animals (only if animals are considered "stock")
  - b. Fragile articles
  - c. Builders’ machinery, tools and equipment off the insured’s premises
  
3. Limitations on Theft
  - a. These exposures are generally not common to all insureds and require special forms with an appropriate premium charge
  - b. The special limit shown for each category is the **total occurrence limit** for the loss or damage to all property in that category (unless a higher limit is shown in the Declarations)

Loss Payment Limits	Items
\$2,500	Furs and fur garments
\$2,500	Jewelry, watches, etc. (limitation does not apply to jewelry and watches \$100 or less per item)
\$2,500	Patterns, dies, molds, and forms
\$250	Stamps, tickets, lottery tickets

4. Limitations on Appliances or Systems
  - a. Water damages resulting from leaking appliance are covered
  - b. No coverage to repair the defective system
  - c. Definition of “Specified Causes of Loss” clarifies that water damage will only be covered if there is damage to a system or appliance on the described premises (See G.2.c. Definition, “Specified Causes of Loss”)

## CAUSES OF LOSS – SPECIAL FORM

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### G. Definitions

1. "Fungus" means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.
2. "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 man-made underground cavities.
  - b. Falling objects does not include loss or damage to:
    - (1) Personal property in the open; or
    - (2) The interior of a building or structure, or property inside a building or structure, unless the roof or an outside wall of the building or structure is first damaged by a falling object.

c. Water damage means:

- (1) 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; and
- (2) Accidental discharge or leakage of water or waterborne material as the direct result of the breaking apart or cracking of a water or sewer pipe that is located off the described premises and is part of a municipal potable water supply system or municipal sanitary sewer system, if the breakage or cracking is caused by wear and tear.

But water damage does not include loss or damage otherwise excluded under the terms of the Water Exclusion. Therefore, for example, there is no coverage under this policy in the situation in which discharge or leakage of water results from the breaking apart or cracking of a pipe which was caused by or related to weather-induced flooding, even if wear and tear contributed to the breakage or cracking. As another example, and also in accordance with the terms of the Water Exclusion, there is no coverage for loss or damage caused by or related to weather-induced flooding which follows or is exacerbated by pipe breakage or cracking attributable to wear and tear.

To the extent that accidental discharge or leakage of water falls within the criteria set forth in **c.(1)** or **c.(2)** of this definition of "specified causes of loss," such water is not subject to the provisions of the Water Exclusion which preclude coverage for surface water or water under the surface of the ground.

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5. Definitions

- a. Fungus – includes mold or mildew and other items caused by fungus
- b. Specified Causes of Loss
  - 1) Fire
  - 2) Lightning
  - 3) Explosion
  - 4) Windstorm or hail
  - 5) Smoke
  - 6) Aircraft or vehicles
  - 7) Riot or civil commotion
  - 8) Vandalism
  - 9) Leakage from fire extinguishing equipment
  - 10) Sinkhole collapse (See special conditions)
  - 11) Volcanic action
  - 12) Falling objects
  - 13) Weight of snow, ice or sleet
  - 14) Water damage

## CAUSES OF LOSS – SPECIAL FORM

### PAGE 7

#### D. Additional Coverage – Collapse

The coverage provided under this Additional Coverage – Collapse applies only to an abrupt collapse as described and limited in **D.1.** through **D.7.**

1. For the purpose of this Additional Coverage – 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 Coverage Form or that contains Covered Property insured under this Coverage Form, 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 an insured prior to collapse;
  - b. Insect or vermin damage that is hidden from view, unless the presence of such damage is known to an insured 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. Use of defective material or methods in construction, remodeling or renovation if the abrupt collapse occurs after the construction, remodeling or renovation is complete, but only if the collapse is caused in part by:
    - (1) A cause of loss listed in **2.a.** or **2.b.**;
    - (2) One or more of the “specified causes of loss”
    - (3) Breakage of building glass;
    - (4) Weight of people or personal property; or
    - (5) Weight of rain that collects on a roof.
3. This **Additional Coverage – Collapse** does not apply to:
  - a. A building or any part of a building that is in danger of falling down or caving in;
  - b. A part of a building that is standing, even if it has separated from another part of the building; or
  - c. A building that is standing or any part of a building that is standing even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.
4. With respect to the following property:
  - a. Outdoor radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers;

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

if an abrupt collapse is caused by a cause of loss listed in **2.a.** through **2.d.**, we will pay for loss or damage to that property only if:

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

5. If personal property abruptly falls down or caves in and such collapse is **not** the result of abrupt collapse of a building, we will pay for loss or damage to Covered Property caused by such collapse of personal property only if:
  - a. The collapse of personal property was caused by a cause of loss listed in **2.a.** through **2.d.**
  - b. The personal property which collapses is inside a building; and
  - c. The property which collapses is not of a kind listed in **4.** regardless of whether that kind of property is considered to be personal property or real property.

The coverage stated in this Paragraph **5.** does not apply to personal property if marring and/or scratching is the only damage to that personal property caused by the collapse.

6. This Additional Coverage, Collapse, does not apply to personal property that has not abruptly fallen down or caved in, even if the personal property shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.
7. This Additional Coverage – Collapse, will not increase the Limits of Insurance provided in this Coverage part.
8. The term Covered Cause of Loss includes the Additional Coverage – Collapse as described and limited in **D.1.** through **D.7.**

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**Learning Objective #4: Explain the Additional Coverage: Collapse.**

3

P. Additional Coverage – Collapse

1. Collapse is defined to explicitly set forth the intended coverage
2. This additional coverage is found only in the Broad (CP 10 20) and Special (CP 10 30) Causes of Loss Forms
3. Collapse losses are covered only if caused by one of the listed Specified Causes of Loss or caused by one of the following:
  - a. Specified Causes of Loss
  - b. Hidden decay (dry rot)
  - c. Hidden damage by insects (termite damage)
  - d. Weight of people or property
  - e. Weight of rain on roof
  - f. Use of defective material or methods
4. Certain outdoor property will be covered if the collapse is caused by a covered cause of loss and only if:
  - a. The loss is a direct result of the collapse of the insured building **AND**
  - b. The property is considered covered property under this coverage form
5. Personal property damaged in a collapse is covered only if the property was inside the building and the damage was caused by a covered cause of collapse
6. Collapse does not include settling, cracking, shrinkage, bulging, or expansion
7. It is also important to remember that this Additional Coverage for Collapse **will NOT increase** the limit of insurance as provided in this coverage part

## CAUSES OF LOSS – SPECIAL FORM

### PAGE 8

#### E. Additional Coverage – Limited Coverage For "Fungus", Wet Rot, Dry Rot And Bacteria

1. The coverage described in **E.2.** and **E.6.** only applies when the "fungus", wet or dry rot or bacteria are the result of one or more of the following causes 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 that occurrence:

- a. A "specified cause of loss" other than fire or lightning; or
- b. Flood, if the Flood Coverage Endorsement applies to the affected premises.

This Additional Coverage does not apply to lawns, trees, shrubs or plants which are part of a vegetated roof.

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

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

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

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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 "fungus", wet or dry rot or bacteria, and other loss or damage, we will not pay more, for the total of all loss or damage, than the applicable Limit of Insurance on the affected Covered Property.

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

5. The terms of this Limited Coverage do not increase or reduce the coverage provided under Paragraph **F.2.** (Water Damage, Other Liquids, Powder Or Molten Material Damage) of this Causes Of Loss form or under the Additional Coverage, Collapse.

6. The following, **6.a.** or **6.b.**, applies only if Business Income and/or Extra Expense Coverage applies to the described premises and only if the "suspension" of "operations" satisfies all terms and conditions of the applicable Business Income and/or Extra Expense Coverage Form:

- a. If the loss which resulted in "fungus", wet or dry rot or bacteria does not in itself necessitate a "suspension" of "operations", but such "suspension" is necessary due to loss or damage to property caused by "fungus", wet or dry rot or bacteria, 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. The days need not be consecutive.
- b. If a covered "suspension" of "operations" was caused by loss or damage other than "fungus", wet or dry rot or bacteria but remediation of "fungus", wet or dry rot or bacteria 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. The days need not be consecutive.

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**Learning Objective #5:** *Discuss the Additional Coverage: Limited Coverage for Fungus, Wet Rot, Dry Rot, and Bacteria.*

- Q. Additional Coverage – Limited Coverage for “Fungus”, Wet Rot, Dry Rot and Bacteria
1. Coverage is limited to Named Perils
  2. Total limit of coverages is \$15,000
  3. Does not increase the limit of insurance on the covered property
  4. Additional Coverage limit may be increased by endorsement

**CP 04 31** – Changes “Fungus”, Wet Rot, Dry Rot and Bacteria

## CAUSES OF LOSS – SPECIAL FORM

PAGE 9

**F. Additional Coverage Extensions**

**1. Property In Transit**

This Extension applies only to your personal property to which this form applies.

- a. You may extend the insurance provided by this Coverage Part to apply to your personal property (other than property in the care, custody or control of your salespersons) in transit more than 100 feet from the described premises. Property must be in or on a motor vehicle you own, lease or operate while between points in the coverage territory.
- b. Loss or damage must be caused by or result from one of the following causes of loss:
  - (1) Fire, lightning, explosion, windstorm or hail, riot or civil commotion, or vandalism.
  - (2) Vehicle collision, upset or overturn. Collision means accidental contact of your vehicle with another vehicle or object. It does not mean your vehicle's contact with the roadbed.
  - (3) Theft of an entire bale, case or package by forced entry into a securely locked body or compartment of the vehicle. There must be visible marks of the forced entry.
- c. The most we will pay for loss or damage under this Extension is \$5,000.

This Coverage Extension is additional insurance. The Additional Condition, Coinsurance, does not apply to this Extension.

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**Learning Objective #6:** Identify the three additional coverage extensions included in the Special Causes of Loss Form.

R. Additional Coverage Extensions

1. Property in Transit
  - a. Only in Special Causes of Loss Form (CP 10 30)
  - b. Insured's business personal property only (does not cover property of others)
  - c. While in transit (more than 100 feet from the premises) in a vehicle the insured owns, leases, or operates
  - d. Does not apply to property in the care, custody, or control of the insured's salesperson
  - e. Maximum loss payment of \$5,000
  - f. Damage must be caused by:
    - 1) Fire, lightning, explosion, windstorm, hail
    - 2) Riot, civil commotion, or vandalism
    - 3) Vehicle collision
    - 4) Theft of an entire package by visible signs of forced entry into a securely locked vehicle or compartment of a vehicle

**NOTE:** There must be visible signs of such forced entry.

## CAUSES OF LOSS – SPECIAL FORM

### PAGE 9

#### F. Additional Coverage Extensions

##### 2. Water Damage, Other Liquids, Powder Or Molten Material Damage

If loss or damage caused by or resulting from covered water or other liquid, powder or molten material damage loss occurs, we will also pay the cost to tear out and replace any part of the building or structure to repair damage to the system or appliance from which the water or other substance escapes. This Coverage Extension does not increase the Limit of Insurance.

### PAGE 10

#### 3. Glass

- a. We will pay for expenses incurred to put up temporary plates or board up openings if repair or replacement of damaged glass is delayed.
- b. We will pay for expenses incurred to remove or replace obstructions when repairing or replacing glass that is part of a building. This does not include removing or replacing window displays.

This Coverage Extension **F.3.** does not increase the Limit of Insurance.

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2. Water Damage, Other Liquids, Powder, or Molten Material Damage
  - a. If insured sustains a loss due to any covered loss (such as water damage), the insurer will pay the cost to tear out and replace parts of the building to get to the area that caused the damage within the building
  - b. The insurer does not repair the damage to the system itself
3. Glass
  - a. Includes temporary plates, boarding up, and removal of obstructions

## SUMMARY OF LEARNING OBJECTIVES

By now you should be able to:

1. Differentiate between the Covered Causes of Loss Forms: Basic, Broad, and Special.
2. Given a loss situation, apply the exclusions of the Special Causes of Loss form.
3. Describe the three possible losses a business faces with ordinance or law exposures.
4. Explain the Additional Coverage: Collapse.
5. Discuss the Additional Coverage: Limited Coverage for Fungus, Wet Rot, Dry Rot, and Bacteria.
6. Identify the three additional coverage extensions included in the Special Causes of Loss Form.



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## Section 4

# Basics of Time Element Insurance



# **INSURING COMMERCIAL PROPERTY**

## **BASICS OF TIME ELEMENT INSURANCE**

### **Learning Objectives**

4

After this section, participants will be able to:

1. List the requirements for a time element loss to be covered.
2. Define “Business Income”.
3. Define “Extra Expense”.
4. Define “Period of Restoration”.
5. Given a description of a business, recommend the most appropriate form of time element coverage.
6. Given a loss situation, explain how Extra Expense losses are paid.
7. Describe the dependent property exposures a business may face.

### III. BASICS OF TIME ELEMENT INSURANCE

#### A. Purpose of Time Element Insurance

1. “Disability Income for a Business”
  - a. It pays a business's expenses and profits while the business is shut down due to a direct loss
  - b. Property insurance protects assets on the balance sheet while Time Element insurance protects the income statement.
2. Common Exposures
  - a. Business Income
    - 1) Loss of profits
    - 2) Continued expenses such as mortgage, payroll, taxes, insurance premiums, etc.
  - b. Extra Expense – Additional expenditures a business would not normally have that are incurred during the period of restoration. These include: costs to temporarily relocate, lease equipment, etc.

<p><b><i>TIP: Service oriented businesses are more susceptible to extra expense losses.</i></b></p>
---

## B. Basic Time Element Concepts

***Learning Objective #1: List the requirements for a time element loss to be covered.***

1. Requirements for a Time Element loss  
(Must have all 5 of these requirements for a time element loss)
  - a. Direct damage to property (does not have to be insured's property)
  - b. Result of a covered cause of loss
  - c. Occurred at described premises on the declarations page
  - d. Suspension of operations and/or incurring of extra expenses
  - e. Financial loss
2. Insured paid on "Actual Loss Sustained" basis up to policy limits
  - Insured must prove the amount
3. Due diligence (Insured must try to decrease or reduce loss)
4. Payments do not stop when policy expires

## BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM

### PAGE 1

#### A. Coverage

##### 1. Business Income

Business Income means the:

- a. Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; and
- b. Continuing normal operating expenses incurred, including payroll.

For manufacturing risks, Net Income includes the net sales value of production.

Coverage is provided as described and limited below for one or more of the following options for which a Limit of Insurance is shown in the Declarations:

- (1) Business Income including "Rental Value".
- (2) Business Income other than "Rental Value".
- (3) "Rental Value".

If option (1) above is selected, the term Business Income will include "Rental Value". If option (3) above is selected, the term Business Income will mean "Rental Value" only.

If Limits of Insurance are shown under more than one of the above options, the provisions of this Coverage Part apply separately to each.

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 premises which are described in the Declarations and for which a Business Income Limit of Insurance is shown in the Declarations. 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 100 feet of such premises.

With respect to the requirements set forth in the preceding paragraph, if you occupy only part of a building, your premises means:

- (a) The portion of the building which you rent, lease or occupy; and

(b) The area within 100 feet of the building or within 100 feet of the premises described in the Declarations, whichever distance is greater (with respect to loss of or damage to personal property in the open or personal property in a vehicle); and

(c) Any area within the building or at the described premises, if that area services, or is used to gain access to, the portion of the building which you rent, lease or occupy. .

##### 2. Extra Expense

- a. Extra Expense Coverage is provided at the premises described in the Declarations only if the Declarations show that Business Income Coverage applies at that premises.
- b. Extra Expense means necessary expenses 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 caused by or resulting from a Covered Cause of Loss.

We will pay Extra Expense (other than the expense to repair or replace property) to:

- (1) Avoid or minimize the "suspension" of business and to continue operations at the described premises or at replacement premises or temporary locations, including relocation expenses and costs to equip and operate the replacement location or temporary location.
- (2) Minimize the "suspension" of business if you cannot continue "operations".

We will also pay Extra Expense to repair or replace property, but only to the extent it reduces the amount of loss that otherwise would have been payable under this Coverage Form.

### PAGE 2

##### 3. Covered Causes Of Loss, Exclusions And Limitations

See applicable Causes Of Loss Form as shown in the Declarations.

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### C. Business Income (and Extra Expense) Coverage Form (CP 00 30)

#### 1. Insuring Agreement

- a. Insurer agrees to pay for loss of Business Income sustained due to the necessary suspension of “operations” during the “period of restoration”
- b. There must be a Business Income Limit of Insurance shown in the Declarations Page
- c. Loss must be caused by a Covered Cause of Loss

***Learning Objective #2: Define “Business Income”.***

#### 2. Definition of Business Income

- a. Consists of two factors
  - 1) The Net Income (Net Profit or Loss before taxes) that would have been earned or incurred
  - AND**
  - 2) Continuing normal operating expenses (including payroll)
- b. Net Income is Gross Income less Cost of Goods

***Learning Objective #3: Define “Extra Expense”.***

#### 3. Extra expense

- a. To avoid or minimize the shut down and to continue operations
- b. To minimize the suspension of operations if the business cannot continue operating
- c. To repair or replace property to reduce the extent of the business income loss
- d. Not additional insurance

## BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM

### PAGE 9

3. "Period of restoration" means the period of time that:

a. Begins:

- (1) 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 or compliance with 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".

### PAGE 2

#### 4. Additional Limitation – Interruption Of Computer Operations

a. Coverage for Business Income does not apply when a "suspension" of "operations" is caused by destruction or corruption of electronic data, or any loss or damage to electronic data, except as provided under the Additional Coverage, Interruption Of Computer Operations.

b. Coverage for Extra Expense does not apply when action is taken to avoid or minimize a "suspension" of "operations" caused by destruction or corruption of electronic data, or any loss or damage to electronic data, except as provided under the Additional Coverage, Interruption Of Computer Operations.

c. Electronic data means information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The term computer programs, referred to in the foregoing description of electronic data, means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data.

d. This additional Limitation does not apply when loss or damage to electronic data involves only electronic data which is integrated in and operates or controls a building's elevator, lighting, heating, ventilation, air conditioning or security system.

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***Learning Objective #4: Define "Period of Restoration".***

4

4. Period of Restoration (length of time loss payments will be made)
  - a. Begins 72 hours after the damage occurs for Business Income – There is **NO** waiting period for Extra Expense
  - b. Ends when property **should reasonably** be restored or repaired, or when business is resumed at a new permanent location

**NOTE: The 72-hour waiting period for Business Income is considered a "deductible." This can be endorsed to 24 hours or no waiting period for an additional premium.**

5. Additional Limitation – Interruption of Computer Operations
  - a. Applies to both Business Income and Extra Expense
  - b. Coverage for Electronic Data is only provided in the Additional Coverage – Interruption of Computer Operations
  - c. Electronic Data described

## BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM

### PAGE 2

#### 5. Additional Coverages

##### a. Civil Authority

In this Additional Coverage, Civil Authority, the described premises are premises to which this Coverage Form applies, as shown in the Declarations.

When a Covered Cause of Loss causes damage to property other than property at the described premises, 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, provided that both of the following apply:

- (1) Access to the area immediately surrounding the damaged property is prohibited by civil authority as a result of the damage, and the described premises are within that area but are not more than one mile from the damaged property; and
- (2) The action of civil authority is taken in response to dangerous physical conditions resulting from the damage or continuation of the Covered Cause of Loss that caused the damage, or the action is taken to enable a civil authority to have unimpeded access to the damaged property.

Civil Authority Coverage for Business Income will begin 72 hours after the time of the first action of civil authority that prohibits access to the described premises and will apply for a period of up to four consecutive weeks from the date on which such coverage began.

Civil Authority Coverage for Extra Expense will begin immediately after the time of the first action of civil authority that prohibits access to the described premises and will end:

- (1) Four consecutive weeks after the date of that action; or
- (2) When your Civil Authority Coverage for Business Income ends;

Whichever is later.

### PAGE 3

##### b. Alterations And New Buildings

We will pay for the actual loss of Business Income you sustain and necessary Extra Expense you incur due to direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss to:

- (1) New buildings or structures, whether complete or under construction;
- (2) Alterations or additions to existing buildings or structures; and
- (3) Machinery, equipment, supplies or building materials located on or within 100 feet of the described premises and:
  - (a) Used in the construction, alterations or additions; or
  - (b) Incidental to the occupancy of new buildings.

If such direct physical loss or damage delays the start of "operations", the "period of restoration" for Business Income Coverage will begin on the date "operations" would have begun if the direct physical loss or damage had not occurred.

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## 6. Additional Coverages

### a. Civil authority

- 1) Prohibits access to your premises due to a covered direct physical loss of or damage to a premises within one mile of your location and results in a shutdown for the insured
- 2) Business Income
  - a) 72-hour waiting period
  - b) Up to four consecutive weeks of coverage
- 3) Extra Expense
  - a) No waiting period
  - b) Ends four consecutive weeks after the time of that action or when the Business Income coverage ends, whichever is later
- 4) Not additional insurance

### b. Alterations and new buildings

- 1) Newly constructed or altered buildings
- 2) "Opening" delayed by a direct loss that is a covered cause of loss
- 3) Payment made for income lost between when the building should have opened and when it actually opened including necessary Extra Expense
- 4) Not additional insurance

**BUSINESS INCOME (AND EXTRA EXPENSE)  
COVERAGE FORM**

**PAGE 3**

**c. Extended Business Income**

**(1) Business Income Other Than "Rental Value"**

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) 60 consecutive days after the date determined in (1)(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.

- (b) If the Causes Of Loss – Broad Form applies, coverage under this Additional Coverage, Interruption Of Computer Operations includes Collapse as set forth in that form.
- (c) If the Causes Of Loss Form is endorsed to add a Covered Cause of Loss, the additional Covered Cause of Loss does not apply to the coverage provided under this Additional Coverage, Interruption Of Computer Operations.
- (d) The Covered Causes of Loss include a virus, harmful code or similar instruction introduced into or enacted on a computer system (including electronic data) or a network to which it is connected, designed to damage or destroy any part of the system or disrupt its normal operation. But there is no coverage for an interruption related to manipulation of a computer system (including electronic data) by any employee, including a temporary or leased employee, or by an entity retained by you or for you to inspect, design, install, maintain, repair or replace that system.

- (4) The most we will pay under this Additional Coverage, Interruption of Computer Operations is \$2,500 (unless a higher limit is shown in the Declarations) for all loss sustained and expense incurred in any one policy year, regardless of the number of interruptions or the number of premises, locations or computer systems involved. If loss payment relating to the first interruption does not exhaust this amount, then the balance is available for loss or expense sustained or incurred as a result of subsequent interruptions in that policy year. A balance remaining at the end of a policy year does not increase the amount of insurance in the next policy year. With respect to any interruption which begins in one policy year and continues or results in additional loss or expense in a subsequent policy year(s), all loss and expense is deemed to be sustained or incurred in the policy year in which the interruption began.

- (5) This Additional Coverage, Interruption in Computer Operations does not apply to loss sustained or expense incurred after the end of the "period of restoration", even if the amount of insurance stated in (4) above has not been exhausted.

**PAGE 4**

**d. Interruption Of Computer Operations**

- (1) Under this Additional Coverage, electronic data has the meaning described under Additional Limitation – Interruption Of Computer Operations.
- (2) Subject to all provisions of this Additional Coverage, you may extend the insurance that applies to Business Income and Extra Expense to apply to a "suspension" of "operations" caused by an interruption in computer operations due to destruction or corruption of electronic data due to a Covered Cause of Loss. However, we will not provide coverage under this Additional Coverage when the Additional Limitation – Interruption of Computer Operations does not apply based on Paragraph A.4.d. therein.
- (3) With respect to the coverage provided under this Additional Coverage, the Covered Causes of Loss are subject to the following:
  - (a) If the Causes Of Loss – Special Form applies, coverage under this Additional Coverage, Interruption Of Computer Operations is limited to the "specified causes of loss" as defined in that form, and Collapse as set forth in that form.

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c. Extended Business Income

- 1) Paid after a business has reopened
- 2) Continue the coverage to help the insured get back to where he/she was prior to loss
- 3) Maximum extra time is 60 days
- 4) Not additional insurance

d. Interruption of Computer Operations

- 1) Subject to Named Perils only
- 2) Coverage limit of \$2,500 in any one policy year unless a higher limit is selected

## BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM

### PAGE 4

#### 6. Coverage Extension

If a Coinsurance percentage of 50% or more is shown in the Declarations, you may extend the insurance provided by this Coverage Part as follows:

##### Newly Acquired Locations

- a. You may extend your Business Income and Extra Expense Coverages to apply to property at any location you acquire other than fairs or exhibitions.
- b. The most we will pay under this Extension, for the sum of Business Income loss and Extra Expense incurred, is \$100,000 at each location, unless a higher limit is shown in the Declarations.
- c. Insurance under this Extension for each newly acquired location will end when any of the following first occurs:

- (1) This policy expires;

### PAGE 5

- (2) 30 days expire after you acquire or begin to construct the property; or
- (3) You report values to us.

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

The Additional Condition, Coinsurance, does not apply to this Extension.

### PAGE 6

#### D. Additional Condition

##### COINSURANCE

If a Coinsurance percentage is shown in the Declarations, the following condition applies in addition to the Common Policy Conditions and the Commercial Property Conditions.

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

1. The Coinsurance percentage shown for Business Income in the Declarations; times
2. The sum of:
  - a. The Net Income (Net Profit or Loss before income taxes), and
  - b. Operating expenses, including payroll expenses,

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

### PAGE 7

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

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

**Step (2):** Divide the Limit of Insurance for the described premises by the figure determined in Step 1.; and

**Step (3):** Multiply the total amount of loss by the figure determined in Step 2.

We will pay the amount determined in Step 3. or the limit of insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

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7. Coverage Extension

- a. 50% Coinsurance or more required
- b. Newly Acquired Locations
  - 1) Does not apply to fairs or exhibitions
  - 2) \$100,000 per location unless a higher limit is selected
  - 3) End in 30 days, policy expiration, or when notify the company, whichever comes first
  - 4) Additional Insurance
  - 5) Coinsurance does not apply

***Learning Objective #5: Given a description of a business, recommend the most appropriate form of time element coverage.***

8. Methods of Writing

- a. Coinsurance (Applies only to Business Income, Not to Extra Expense)
  - 1) Operates on a manner similar to the property coinsurance calculation
  - 2) Insured is required a minimum of 50% coinsurance
  - 3) The internal calculations of coinsurance and the setting of adequate limits to comply with this special coinsurance clause are beyond the scope of this course

## BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM

### PAGE 7

#### E. Optional Coverages

If shown as applicable in the Declarations, the following Optional Coverages apply separately to each item.

##### 1. Maximum Period Of Indemnity

- a. The Additional Condition, Coinsurance, does not apply to this Coverage Form at the described premises to which this Optional Coverage applies.

### PAGE 8

- b. The most we will pay for the total of Business Income loss and Extra Expense is the lesser of:

- (1) The amount of loss sustained and expenses incurred during the 120 days immediately following the beginning of the "period of restoration"; or
- (2) The Limit of Insurance shown in the Declarations.

##### 2. Monthly Limit Of Indemnity

- a. The Additional Condition, Coinsurance, does not apply to this Coverage Form at the described premises to which this Optional Coverage applies.
- b. The most we will pay for loss of Business Income in each period of 30 consecutive days after the beginning of the "period of restoration" is:
  - (1) The Limit of Insurance, multiplied by
  - (2) The fraction shown in the Declarations for this Optional Coverage.

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b. No Coinsurance

1) Maximum Period of Indemnity

- a) Coinsurance does not apply
- b) Loss of business income and extra expense is covered for only 120 days or until the limit is exhausted, whichever occurs first
- c) Coverage starts after a 72-hour waiting period

2) Monthly Limit of Indemnity

- a) Coinsurance does not apply
- b) A maximum payment for **any** 30 consecutive days is expressed as a fraction of the business income limit
- c) Options: 1/3, 1/4, 1/6 – this does not mean 3 months, 4 months, or 6 months' worth of coverage. It just means that the most the insured can get for any 30-day period would be a fraction of the business income limit
- d) Coverage starts after a 72-hour waiting period
- e) For example, an insured has a business income limit of \$200,000 and elects a maximum payment of ¼. The insured would receive a payment of whatever loss has been incurred during that 30 day period. However, the loss payment would never exceed \$50,000 or ¼ of the \$200,000 business income limit.

Say this same insured has a Business Income loss as follows:

	<b>Loss</b>	<b>Paid</b>	<b>Reason</b>
First 30 days	\$65,000	\$50,000	Maximum Available
Second 30 days	\$40,000	\$40,000	¼ of \$200,000 = \$50,000
Third 30 days	\$45,000	\$45,000	¼ of \$200,000 = \$50,000
Fourth 30 days	\$50,000	\$50,000	¼ of \$200,000 = \$50,000
Fifth 30 days	\$40,000	\$15,000	\$15,000 Remaining
Sixth 30 days	\$10,000	Nothing	Limit is Exhausted

## BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM

PAGE 8

### 3. Business Income Agreed Value

a. To activate this Optional Coverage:

(1) A Business Income Report/Work Sheet must be submitted to us and must show financial data for your "operations":

(a) During the 12 months prior to the date of the Work Sheet; and

(b) Estimated for the 12 months immediately following the inception of this Optional Coverage.

(2) The Declarations must indicate that the Business Income Agreed Value Optional Coverage applies, and an Agreed Value must be shown in the Declarations. The Agreed Value should be at least equal to:

(a) The Coinsurance percentage shown in the Declarations; multiplied by

(b) The amount of Net Income and operating expenses for the following 12 months you report on the Work Sheet.

b. The Additional Condition, Coinsurance, is suspended until:

(1) 12 months after the effective date of this Optional Coverage; or

(2) The expiration date of this policy; whichever occurs first.

c. We will reinstate the Additional Condition, Coinsurance, automatically if you do not submit a new Work Sheet and Agreed Value:

(1) Within 12 months of the effective date of this Optional Coverage; or

(2) When you request a change in your Business Income Limit of Insurance.

d. If the Business Income Limit of Insurance is less than the Agreed Value, we will not pay more of any loss than the amount of loss multiplied by:

(1) The Business Income Limit of Insurance; divided by

(2) The Agreed Value.

### 4. Extended Period Of Indemnity

Under Paragraph **A.5.c.**, Extended Business Income, the number 60 in Subparagraphs **(1)(b)** and **(2)(b)** is replaced by the number shown in the Declarations for this Optional Coverage.

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3) Business Income Agreed Value

- a) Business income worksheet is required
- b) Suspends the coinsurance clause
- c) Failure to submit new worksheet causes the coinsurance clause to be reinstated
- d) Penalty if business income limit is less than the agreed value

c. The Extended Period of Indemnity

- 1) Cannot be used with the no coinsurance option
- 2) Cannot be used with Maximum Period of Indemnity option
- 3) Replace the 60-day extension in Declarations Page with 90, 120, 150, 180, 270, 365, 450, 540, 630, or 730 days

**EXTRA EXPENSE COVERAGE FORM****PAGE 1****1. Extra Expense**

Extra Expense means necessary expenses 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. Coverage pertains to expenses (other than the expense to repair or replace property) which are incurred to:

- a. Avoid or minimize the "suspension" of business and to continue "operations" at the described premises or at replacement premises or temporary locations, including relocation expenses and costs to equip and operate the replacement location or temporary location.
- b. Minimize the "suspension" of business if you cannot continue "operations".

We will also pay Extra Expense to repair or replace property, but only to the extent it reduces the amount of loss that otherwise would have been payable under this Coverage Form.

**PAGE 5**

2. "Period of restoration" means the period of time that:

- a. Begins with the date of direct physical loss or damage 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 or compliance with 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".

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## D. Extra Expense Coverage Form (CP 00 50)

1. Purpose
  - a. To provide loss payments to businesses that cannot, due to their nature, afford to shut down for any length of time; these are typically service-oriented businesses
  - b. Typical businesses
    - 1) Newspaper
    - 2) Insurance agency
    - 3) Hospital
    - 4) Accountants, lawyers
2. Extra expenses are additional expenditures a business would not normally have that are incurred during the period of restoration following a covered loss
3. Above normal expenses incurred during the “period of restoration” are covered in three ways:
  - a. To avoid or minimize the shutdown
  - b. To minimize the suspension of operations if the business cannot continue operating
  - c. To repair or replace property to the extent the expenses reduces the business income loss
4. Period of Restoration
  - a. No 72-hour waiting period

## EXTRA EXPENSE COVERAGE FORM

### PAGE 4

#### 3. Limits On Loss Payment

We will not pay more for Extra Expense than the percentages shown in the Declarations times the Limit of Insurance.

When the "period of restoration" is:

- a. 30 days or less, the first percentage applies.
- b. 60 days or less, but more than 30 days, the second percentage applies.
- c. More than 60 days, the third percentage applies.

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**Learning Objective #6:** Given a loss situation, explain how Extra Expense losses are paid.

5. Loss Payment Provisions

a. Policy provisions

- 1) Length of the period of restoration
- 2) The percentage option of the Extra Expense limit that the insured chooses

b. The most common percentage options are 40%, 80%, and 100% (Other options exist)

c. There is a simple three-step process to use to determine how coverage applies:

- 1) Step #1 Determine the length of the shutdown
- 2) Step #2 Based on Step #1, choose the appropriate % from the Declarations Page  
Less than 30 days - Use first %  
31-60 days - Use the second %  
Over 60 days - Use the third %
- 3) Step #3 Multiply the limit of insurance by the % determined in Step #2. This is the amount available to pay the loss.

See the following example:

**Extra Expense Limit: \$100,000**

Period of Restoration	Percentage Option	Maximum Limit Available to Pay Loss
30 days or less	40%	\$40,000 or 40% of \$100,000
60 days or less but more than 30 days	80%	\$80,000 or 80% of \$100,000
More than 60 days	100%	\$100,000

POLICY NUMBER:

COMMERCIAL PROPERTY  
CP 15 08 10 12

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

## **BUSINESS INCOME FROM DEPENDENT PROPERTIES – BROAD FORM**

This endorsement modifies insurance provided under the following:

BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM  
BUSINESS INCOME (WITHOUT EXTRA EXPENSE) COVERAGE FORM

### **SCHEDULE**

<b>Name And Describe Occupancy And Location</b>
<b>Contributing Locations:</b>
<b>Secondary Contributing Locations (Not Named):</b> <input type="checkbox"/>
<b>Recipient Locations:</b>
<b>Secondary Recipient Locations (Not Named):</b> <input type="checkbox"/>
<b>Manufacturing Locations:</b>
<b>Leader Locations:</b>
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

**Learning Objective #7:** Describe the dependent property exposures a business may face.

## E. Dependent Properties

1. Exposures created by loss(es) to property operated by another enterprise in which an insured depends
  - a. Contributors – deliver materials or services to the insured's business
    - An example would be a supplier of wood to a construction company
  - b. Recipients – accept an insured's products or services
    - For example: a plastic manufacturer may have a contract with a toy company that accounts for 80% of its business. If the toy company were destroyed by a tornado, the plastic manufacturer would suffer a business income loss because of loss to a dependent property
  - c. Manufacturers – manufacture products for delivery to the insured's customers under contract of sale
    - An example would be a manufacturer representative will suffer a Business Income loss if the manufacturer is shut down due to a loss
  - d. Leaders – attract customers to an insured's business
    - An example would be a movie theater. Restaurants sprout around a movie theater to attract pre- and post-movie diners. If the theater burns down, the number of people patronizing these restaurants could decrease
2. Important Conditions
  - a. For Contributors and Recipients, secondary locations are limited to direct suppliers and recipients of the dependent property's materials or services
  - b. With respect to contributing locations, services do not mean water, waste water removal, communication, or power supply services
  - c. Insured must use any other available source of materials or outlets for products

## SUMMARY OF LEARNING OBJECTIVES

By now you should be able to:

1. List the requirements for a time element loss to be covered.
2. Define “Business Income”.
3. Define “Extra Expense”.
4. Define “Period of Restoration”.
5. Given a description of a business, recommend the most appropriate form of time element coverage.
6. Given a loss situation, explain how Extra Expense losses are paid.
7. Describe the dependent property exposures a business may face.



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## Section 5

# Basics of Commercial Inland Marine Insurance



# **INSURING COMMERCIAL PROPERTY**

## **BASICS OF COMMERCIAL INLAND MARINE INSURANCE**

### **Learning Objectives**

5

After this section, participants will be able to:

1. Identify the types of property to be considered eligible as commercial inland marine.
2. Understand the difference between filed and non-filed commercial inland marine classes.
3. Explain the reasons for use and the advantages of commercial inland marine.
4. Identify and briefly explain common features of inland marine policies.

[illegible]



## IV. BASICS OF COMMERCIAL INLAND MARINE INSURANCE

***Learning Objective #1:*** Identify the types of property to be considered eligible as commercial inland marine.

### A. How Commercial Inland Marine Coverage Developed

1. Born when the transportation of goods by rail and truck became common
2. The Nationwide Marine Definition identifies the types of property to be considered eligible as Commercial Inland Marine
3. Definition places property into five broad categories of risks
  - a. Imports
  - b. Exports
  - c. Domestic shipments
  - d. Bridges, tunnels, and other instruments of transportation and communication
  - e. Property floaters (Commercial and Personal)

## B. Overview of Inland Marine Forms

***Learning Objective #2: Understand the difference between filed and non-filed commercial inland marine classes.***

1. Filed (or controlled lines)
  - a. Certain large groups of risks or insureds share similar exposures and characteristics
  - b. These are controlled classes of business
  - c. Insurance Services Office (ISO) has jurisdiction for the following:
    - 1) Rates
    - 2) Rules
    - 3) Coverage forms
  - d. Forms are developed by ISO and filed with the State Insurance Departments for approval
  - e. The following are the only Filed Inland Marine Forms available:
    - 1) Accounts Receivable Coverage Form
    - 2) Camera and Musical Instrument Dealers Coverage Form
    - 3) Commercial Articles Coverage Form
    - 4) Equipment Dealers Coverage Form
    - 5) Film Coverage Form
    - 6) Floor Plan Coverage Form
    - 7) Jeweler's Block Coverage Form
    - 8) Mail Coverage Form

- 9) Physicians and Surgeons Equipment Coverage Form
  - 10) Signs Coverage Form
  - 11) Theatrical Property Coverage Form
  - 12) Valuable Papers and Records Coverage Form
2. Non-filed (or uncontrolled lines)
- a. ISO has no jurisdiction
  - b. Each company underwriter makes its own determination for:
    - 1) Rates
    - 2) Rules
    - 3) Forms
  - c. Non-filed can include but are not limited to the following:
    - 1) Builders Risk Policies
    - 2) Contractors Equipment Floaters
    - 3) Installation Floaters
    - 4) Specialized Computer Policies
    - 5) Cargo Policies (Domestic Shipments)
    - 6) Telephone and Television Transmission Towers
    - 7) Bailee Policies (To cover the goods of others in the insured's custody)

**Note: Inland Marine form and rate filing requirements can vary by state but in general they fall into the filed and non-filed categories as describe. Check with your State Insurance Department or insurance carrier to determine if there is a filing requirement.**

### C. Reasons for Writing Commercial Inland Marine Insurance

**Learning Objective #3:** Explain the reasons for use and the advantages of commercial inland marine.

1. Commercial Property Coverage Forms have limitations
  - a. Generally limited to a designated premises (there are exceptions)
  - b. Internal limitations - for example:

Type of Property	Limit
Personal Property of Others	\$2,500
Outdoor Signs	\$2,500
Valuable Papers	\$2,500
Property Off Premises	\$10,000

2. Businesses have exposures that can be better addressed with commercial inland marine forms from a premium and insurance coverage standpoint
  - a. Transportation – Insuring goods in transit
    - 1) Special Causes of Loss gives insured \$5,000 transit coverage
    - 2) Only for the property of the insured, in or on a vehicle the insured owns, leases, or operates
    - 3) Only for a few specified named perils
  - b. Bailee (Care, Custody, or Control)
  - c. Specialized and/or Unusual Property

3. Advantages of Using Inland Marine Forms vs. Property Forms include

- a. Flexibility
- b. Coverage for property off premises
- c. Coverage for property in transit
- d. Coverage territory can be broader than that found in Commercial Property Forms
- e. Policies can be tailored to match an individual insured's needs

**COMMERCIAL INLAND MARINE CONDITIONS****PAGE 2****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.

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D. Conditions Unique to Inland Marine Coverages

1. Pair, Sets, or Parts
2. Recovered Property
3. Reinstatement of limit after loss

E. Common Features of Commercial Inland Marine Forms

***Learning Objective #4: Identify and briefly explain common features of inland marine policies.***

1. Locations covered
2. "Open perils" coverage (as opposed to "named perils")
3. Coinsurance Provisions
  - a. Almost all Inland Marine policies require insurance to value
  - b. Read the policy language. The policy may contain a coinsurance provision which could be as high as 100%.

#### 4. Valuation

##### a. Actual Cash Value

- Most inland marine policies are written on an ACV basis

##### b. Replacement Cost

- Frequently available by endorsement depending on the property being insured

##### c. Stated Amount

##### 1) Policy pays the lesser of

- a) The amount stated next to the insured item
- b) The actual cash value
- c) The cost to repair the item

##### d. Agreed Value

- Same meaning as in property



5. Standard Exclusions

- a. Nuclear
  - b. War
  - c. Wear and tear
  - d. Inherent vice
  - e. Governmental action
  - f. Loss of income or market
    - Inland marine policies provide coverage for direct losses only
  - g. Dishonest acts
  - h. Inventory shortage
    - There is no coverage when this is the only indication that a loss has occurred
6. Earthquake and flood are often covered in inland marine forms while the property is in transit (over the road)

## **SUMMARY OF LEARNING OBJECTIVES**

By now you should be able to:

1. Identify the types of property to be considered eligible as commercial inland marine.
2. Understand the difference between filed and non-filed commercial inland marine classes.
3. Explain the reasons for use and the advantages of commercial inland marine.
4. Identify and briefly explain common features of inland marine policies.

## **V. COMPLETE LIST OF LEARNING OBJECTIVES**

**AFTER THIS COURSE, PARTICIPANTS WILL BE ABLE TO:**

### **FUNDAMENTALS OF COMMERCIAL PROPERTY INSURANCE**

1. Identify the types of commercial property exposed to loss.
2. List parties that could have an insurable interest in the property.
3. Understand the difference between Direct and Indirect Loss.
4. Define actual cash value (ACV), replacement cost, and functional replacement value.
5. Explain the coinsurance formula and given appropriate information, determine an adequate policy limit, as well as explain how to apply the coinsurance formula after a loss occurs.
6. Define Agreed Value.
7. Identify the difference between specific, schedule, and blanket coverage.
8. List ways to provide coverage for fluctuating business personal property values.
9. Calculate amounts payable under the Value Reporting Form penalty provisions.
10. Explain the structure of the commercial property policy and define its component parts.
11. Identify the rights and responsibilities of the First Named Insured.
12. List Commercial Property Conditions that apply under Commercial Property Conditions CP 00 90.

## **BUILDING AND PERSONAL PROPERTY COVERAGE FORM**

1. Identify the types of property covered and property not covered by the Building and Personal Property Coverage Form.
2. Describe the Additional Coverages and the Coverage Extensions provided by the Building and Personal Property Coverage Form.
3. Explain how vacancy affects coverage and the loss payment under the Building and Personal Property Coverage Form.
4. Define the rights of mortgage holders as provided in Commercial Property Coverage Forms.
5. Describe the Optional Coverages that may be “activated” from the Declarations of the Building and Personal Property Coverage Form.

## **CAUSES OF LOSS FORMS**

1. Differentiate between the Covered Causes of Loss Forms: Basic, Broad, and Special.
2. Given a loss situation, apply the exclusions of the Special Causes of Loss form.
3. Describe the three possible losses a business faces with ordinance or law exposures.
4. Explain the Additional Coverage: Collapse.
5. Discuss the Additional Coverage: Limited Coverage for Fungus, Wet Rot, Dry Rot, and Bacteria.
6. Identify the three additional coverage extensions included in the Special Causes of Loss Form.

## **BASICS OF TIME ELEMENT INSURANCE**

1. List the requirements for a time element loss to be covered.
2. Define “Business Income.”
3. Define “Extra Expense.”
4. Define “Period of Restoration.”
5. Given a description of a business, recommend the most appropriate form of time element coverage.
6. Given a loss situation, explain how Extra Expense losses are paid.
7. Describe the dependent property exposures a business may face.

## **BASICS OF COMMERCIAL INLAND MARINE INSURANCE**

1. Identify the types of property to be considered eligible as commercial inland marine.
2. Understand the difference between filed and non-filed commercial inland marine classes.
3. Explain the reasons for use and the advantages of commercial inland marine.
4. Identify and briefly explain common features of inland marine policies.

## **VI. CONCLUSION**



## COMMERCIAL PROPERTY FORMS

Form Number	Edition Number	Description
CP 00 10	10-12	Building And Personal Property Coverage Form
CP 00 30	10-12	Business Income Coverage Form (And Extra Expense)
CP 00 50	10-12	Extra Expense Coverage Form
CP 10 30	09-17	Causes Of Loss - Special Form
CP 12 32	06-07	Limitation On Loss Settlement - Blanket Insurance (Margin Clause)
CP 13 10	04-02	Value Reporting Form
CP 15 08	10-12	Business Income From Dependent Properties Broad Form





## BUILDING AND PERSONAL 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 quotation marks have special meaning. Refer to Section H. 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 Coverage Part, means the type of property described in this section, **A.1.**, and limited in **A.2.** Property Not Covered, if a Limit Of Insurance is shown in the Declarations for that type of property.

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

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

##### b. **Your Business Personal Property**

consists of the following property located in or on the building or structure described in the Declarations or in the open (or in a vehicle) within 100 feet of the building or structure or within 100 feet of the premises described in the Declarations, whichever distance is greater:

- (1) Furniture and fixtures;
- (2) Machinery and equipment;
- (3) "Stock";
- (4) All other personal property owned by you and used in your business;
- (5) Labor, materials or services furnished or arranged by you on personal property of others;
- (6) Your use interest as tenant in improvements and betterments. Improvements and betterments are fixtures, alterations, installations or additions:
  - (a) Made a part of the building or structure you occupy but do not own; and
  - (b) You acquired or made at your expense but cannot legally remove;
- (7) Leased personal property for which you have a contractual responsibility to insure, unless otherwise provided for under Personal Property Of Others.

##### c. **Personal Property Of Others** that is:

- (1) In your care, custody or control; and
- (2) Located in or on the building or structure described in the Declarations or in the open (or in a vehicle) within 100 feet of the building or structure or within 100 feet of the premises described in the Declarations, whichever distance is greater.

However, our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

## **2. Property Not Covered**

Covered Property does not include:

- a. Accounts, bills, currency, food stamps or other evidences of debt, money, notes or securities. Lottery tickets held for sale are not securities;
  - b. Animals, unless owned by others and boarded by you, or if owned by you, only as "stock" while inside of buildings;
  - c. Automobiles held for sale;
  - d. Bridges, roadways, walks, patios or other paved surfaces;
  - e. Contraband, or property in the course of illegal transportation or trade;
  - f. The cost of excavations, grading, backfilling or filling;
  - g. Foundations of buildings, structures, machinery or boilers if their foundations are below:
    - (1) The lowest basement floor; or
    - (2) The surface of the ground, if there is no basement;
  - h. Land (including land on which the property is located), water, growing crops or lawns (other than lawns which are part of a vegetated roof);
  - i. Personal property while airborne or waterborne;
  - j. Bulkheads, pilings, piers, wharves or docks;
  - k. Property that is covered under another coverage form of this or any other policy in which it is more specifically described, except for the excess of the amount due (whether you can collect on it or not) from that other insurance;
  - l. Retaining walls that are not part of a building;
  - m. Underground pipes, flues or drains;
  - n. Electronic data, except as provided under the Additional Coverage, Electronic Data. Electronic data means information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The term computer programs, referred to in the foregoing description of electronic data, means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data. This paragraph, n., does not apply to your "stock" of prepackaged software, or to electronic data which is integrated in and operates or controls the building's elevator, lighting, heating, ventilation, air conditioning or security system;
    - o. The cost to replace or restore the information on valuable papers and records, including those which exist as electronic data. Valuable papers and records include but are not limited to proprietary information, books of account, deeds, manuscripts, abstracts, drawings and card index systems. Refer to the Coverage Extension for Valuable Papers And Records (Other Than Electronic Data) for limited coverage for valuable papers and records other than those which exist as electronic data;
  - p. Vehicles or self-propelled machines (including aircraft or watercraft) that:
    - (1) Are licensed for use on public roads; or
    - (2) Are operated principally away from the described premises.
- This paragraph does not apply to:
- (a) Vehicles or self-propelled machines or autos you manufacture, process or warehouse;

- (b) Vehicles or self-propelled machines, other than autos, you hold for sale;
- (c) Rowboats or canoes out of water at the described premises; or
- (d) Trailers, but only to the extent provided for in the Coverage Extension for Non-owned Detached Trailers; or

q. The following property while outside of buildings:

- (1) Grain, hay, straw or other crops;
- (2) Fences, radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers, trees, shrubs or plants (other than trees, shrubs or plants which are "stock" or are part of a vegetated roof), all except as provided in the Coverage Extensions.

### 3. Covered Causes Of Loss

See applicable Causes Of Loss form as shown in the Declarations.

### 4. Additional Coverages

#### a. Debris Removal

- (1) Subject to Paragraphs (2), (3) and (4), we will pay your expense to remove debris of Covered Property and other debris that is on the described premises, when such debris 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 of direct physical loss or damage.
- (2) Debris Removal does not apply to costs to:
  - (a) Remove debris of property of yours that is not insured under this policy, or property in your possession that is not Covered Property;
  - (b) Remove debris of property owned by or leased to the landlord of the building where your described premises are located, unless you have a contractual responsibility to insure such property and it is insured under this policy;
  - (c) Remove any property that is Property Not Covered, including property addressed under the Outdoor Property Coverage Extension;

- (d) Remove property of others of a type that would not be Covered Property under this Coverage Form;
- (e) Remove deposits of mud or earth from the grounds of the described premises;
- (f) Extract "pollutants" from land or water; or
- (g) Remove, restore or replace polluted land or water.

(3) Subject to the exceptions in Paragraph (4), the following provisions apply:

- (a) The most we will pay for the total of direct physical loss or damage plus debris removal expense is the Limit of Insurance applicable to the Covered Property that has sustained loss or damage.

(b) Subject to (a) above, the amount we will pay for debris removal expense is limited to 25% of the sum of the deductible plus the amount that we pay for direct physical loss or damage to the Covered Property that has sustained loss or damage. However, if no Covered Property has sustained direct physical loss or damage, the most we will pay for removal of debris of other property (if such removal is covered under this Additional Coverage) is \$5,000 at each location.

(4) We will pay up to an additional \$25,000 for debris removal expense, for each location, in any one occurrence of physical loss or damage to Covered Property, if one or both of the following circumstances apply:

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

Therefore, if (4)(a) and/or (4)(b) applies, our total payment for direct physical loss or damage and debris removal expense may reach but will never exceed the Limit of Insurance on the Covered Property that has sustained loss or damage, plus \$25,000.

## (5) Examples

The following examples assume that there is no Coinsurance penalty.

### Example 1

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

The debris removal expense is less than 25% of the sum of the loss payable plus the deductible. The sum of the loss payable and the debris removal expense (\$49,500 + \$10,000 = \$59,500) is less than the Limit of Insurance. Therefore, the full amount of debris removal expense is payable in accordance with the terms of Paragraph (3).

### Example 2

Limit of Insurance:	\$ 90,000
Amount of Deductible:	\$ 500
Amount of Loss:	\$ 80,000
Amount of Loss Payable:	\$ 79,500
	(\$80,000 – \$500)
Debris Removal Expense:	\$ 40,000
Debris Removal Expense Payable	
Basic Amount:	\$ 10,500
Additional Amount:	\$ 25,000

The basic amount payable for debris removal expense under the terms of Paragraph (3) is calculated as follows: \$80,000 (\$79,500 + \$500) x .25 = \$20,000, capped at \$10,500. The cap applies because the sum of the loss payable (\$79,500) and the basic amount payable for debris removal expense (\$10,500) cannot exceed the Limit of Insurance (\$90,000).

The additional amount payable for debris removal expense is provided in accordance with the terms of Paragraph (4), because the debris removal expense (\$40,000) exceeds 25% of the loss payable plus the deductible (\$40,000 is 50% of \$80,000), and because the sum of the loss payable and debris removal expense (\$79,500 + \$40,000 = \$119,500) would exceed the Limit of Insurance (\$90,000). The additional amount of covered debris removal expense is \$25,000, the maximum payable under Paragraph (4). Thus, the total payable for debris removal expense in this example is \$35,500; \$4,500 of the debris removal expense is not covered.

### 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 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.

### 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 \$1,000 for service at each premises described in the Declarations, unless a higher limit is shown in the Declarations. 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.

#### **d. 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 180 days of the date on which the Covered Cause of Loss occurs.

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

The most we will pay under this Additional Coverage for each described premises is \$10,000 for the sum of all covered expenses arising out of Covered Causes of Loss occurring during each separate 12-month period of this policy.

#### **e. Increased Cost Of Construction**

- (1) This Additional Coverage applies only to buildings to which the Replacement Cost Optional Coverage applies.
- (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 the minimum standards 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 e.(3) through e.(9) of this Additional Coverage.
- (3) The ordinance or law referred to in e.(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 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 "fungus", wet or dry rot or bacteria; or
- (b) Any costs associated with the enforcement of or compliance with 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", "fungus", wet or dry rot or bacteria.

(6) The most we will pay under this Additional Coverage, for each described building insured under this Coverage Form, is \$10,000 or 5% of the Limit of Insurance applicable to that building, whichever is less. If a damaged building is covered under a blanket Limit of Insurance which applies to more than one building or item of property, then the most we will pay under this Additional Coverage, for that damaged building, is the lesser of \$10,000 or 5% times the value of the damaged building as of the time of loss times the applicable Coinsurance percentage.

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 repair or replacement is made as soon as reasonably possible after the loss or damage, not to exceed two years. We may extend this period in writing during the two years.



- (b) If the building is repaired or replaced at the same premises, or if you elect to rebuild at another premises, the most we will pay for the Increased Cost of Construction, subject to the provisions of **e.(6)** of this Additional Coverage, 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, subject to the provisions of **e.(6)** of this Additional Coverage, is the increased cost of construction at the new premises.
  - (8) This Additional Coverage is not subject to the terms of 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 and Valuation Conditions and the Replacement Cost Optional Coverage, in this Coverage Form, do not include the increased cost attributable to enforcement of or compliance with an ordinance or law. The amount payable under this Additional Coverage, as stated in **e.(6)** of this Additional Coverage, is not subject to such limitation.
- f. Electronic Data**
- (1) Under this Additional Coverage, electronic data has the meaning described under Property Not Covered, Electronic Data. This Additional Coverage does not apply to your "stock" of prepackaged software, or to electronic data which is integrated in and operates or controls the building's elevator, lighting, heating, ventilation, air conditioning or security system.
  - (2) Subject to the provisions of this Additional Coverage, we will pay for the cost to replace or restore electronic data which has been destroyed or corrupted by a Covered Cause of Loss. To the extent that electronic data is not replaced or restored, the loss will be valued at the cost of replacement of the media on which the electronic data was stored, with blank media of substantially identical type.
- (3) The Covered Causes of Loss applicable to Your Business Personal Property apply to this Additional Coverage, Electronic Data, subject to the following:
    - (a) If the Causes Of Loss – Special Form applies, coverage under this Additional Coverage, Electronic Data, is limited to the "specified causes of loss" as defined in that form and Collapse as set forth in that form.
    - (b) If the Causes Of Loss – Broad Form applies, coverage under this Additional Coverage, Electronic Data, includes Collapse as set forth in that form.
    - (c) If the Causes Of Loss form is endorsed to add a Covered Cause of Loss, the additional Covered Cause of Loss does not apply to the coverage provided under this Additional Coverage, Electronic Data.
    - (d) The Covered Causes of Loss include a virus, harmful code or similar instruction introduced into or enacted on a computer system (including electronic data) or a network to which it is connected, designed to damage or destroy any part of the system or disrupt its normal operation. But there is no coverage for loss or damage caused by or resulting from manipulation of a computer system (including electronic data) by any employee, including a temporary or leased employee, or by an entity retained by you or for you to inspect, design, install, modify, maintain, repair or replace that system.

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

## 5. Coverage Extensions

Except as otherwise provided, the following Extensions apply to property located in or on the building described in the Declarations or in the open (or in a vehicle) within 100 feet of the described premises.

If a Coinsurance percentage of 80% or more, or a Value Reporting period symbol, is shown in the Declarations, you may extend the insurance provided by this Coverage Part as follows:

### a. Newly Acquired Or Constructed Property

#### (1) Buildings

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

- (a) Your new buildings while being built on the described premises; and
- (b) Buildings you acquire at locations, other than the described premises, intended for:
  - (i) Similar use as the building described in the Declarations; or
  - (ii) Use as a warehouse.

The most we will pay for loss or damage under this Extension is \$250,000 at each building.

## (2) Your Business Personal Property

- (a) If this policy covers Your Business Personal Property, you may extend that insurance to apply to:

- (i) Business personal property, including such property that you newly acquire, at any location you acquire other than at fairs, trade shows or exhibitions; or
- (ii) Business personal property, including such property that you newly acquire, located at your newly constructed or acquired buildings at the location described in the Declarations.

The most we will pay for loss or damage under this Extension is \$100,000 at each building.

- (b) This Extension does not apply to:

- (i) Personal property of others that is temporarily in your possession in the course of installing or performing work on such property; or
- (ii) Personal property of others that is temporarily in your possession in the course of your manufacturing or wholesaling activities.

## (3) Period Of Coverage

With respect to insurance provided under this Coverage Extension for Newly Acquired Or Constructed Property, coverage will end when any of the following first occurs:

- (a) This policy expires;
- (b) 30 days expire after you acquire the property or begin construction of that part of the building that would qualify as covered property; or
- (c) You report values to us.

We will charge you additional premium for values reported from the date you acquire the property or begin construction of that part of the building that would qualify as covered property.

**b. Personal Effects And Property Of Others**

You may extend the insurance that applies to Your Business Personal Property to apply to:

- (1) Personal effects owned by you, your officers, your partners or members, your managers or your employees. This Extension does not apply to loss or damage by theft.
- (2) Personal property of others in your care, custody or control.

The most we will pay for loss or damage under this Extension is \$2,500 at each described premises. Our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

**c. Valuable Papers And Records (Other Than Electronic Data)**

- (1) You may extend the insurance that applies to Your Business Personal Property to apply to the cost to replace or restore the lost information on valuable papers and records for which duplicates do not exist. But this Extension does not apply to valuable papers and records which exist as electronic data. Electronic data has the meaning described under Property Not Covered, Electronic Data.
- (2) If the Causes Of Loss – Special Form applies, coverage under this Extension is limited to the "specified causes of loss" as defined in that form and Collapse as set forth in that form.
- (3) If the Causes Of Loss – Broad Form applies, coverage under this Extension includes Collapse as set forth in that form.
- (4) Under this Extension, the most we will pay to replace or restore the lost information is \$2,500 at each described premises, unless a higher limit is shown in the Declarations. Such amount is additional insurance. We will also pay for the cost of blank material for reproducing the records (whether or not duplicates exist) and (when there is a duplicate) for the cost of labor to transcribe or copy the records. The costs of blank material and labor are subject to the applicable Limit of Insurance on Your Business Personal Property and, therefore, coverage of such costs is not additional insurance.

**d. Property Off-premises**

- (1) You may extend the insurance provided by this Coverage Form to apply to your Covered Property while it is away from the described premises, if it is:
  - (a) Temporarily at a location you do not own, lease or operate;
  - (b) In storage at a location you lease, provided the lease was executed after the beginning of the current policy term; or
  - (c) At any fair, trade show or exhibition.
- (2) This Extension does not apply to property:
  - (a) In or on a vehicle; or
  - (b) In the care, custody or control of your salespersons, unless the property is in such care, custody or control at a fair, trade show or exhibition.
- (3) The most we will pay for loss or damage under this Extension is \$10,000.

**e. Outdoor Property**

You may extend the insurance provided by this Coverage Form to apply to your outdoor fences, radio and television antennas (including satellite dishes), trees, shrubs and plants (other than trees, shrubs or plants which are "stock" or are part of a vegetated roof), including debris removal expense, caused by or resulting from any of the following causes of loss if they are Covered 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 \$1,000, but not more than \$250 for any one tree, shrub or plant. These limits apply to any one occurrence, regardless of the types or number of items lost or damaged in that occurrence.



Subject to all aforementioned terms and limitations of coverage, this Coverage Extension includes the expense of removing from the described premises the debris of trees, shrubs and plants which are the property of others, except in the situation in which you are a tenant and such property is owned by the landlord of the described premises.

**f. Non-owned Detached Trailers**

- (1) You may extend the insurance that applies to Your Business Personal Property to apply to loss or damage to trailers that you do not own, provided that:
  - (a) The trailer is used in your business;
  - (b) The trailer is in your care, custody or control at the premises described in the Declarations; and
  - (c) You have a contractual responsibility to pay for loss or damage to the trailer.
- (2) We will not pay for any loss or damage that occurs:
  - (a) While the trailer is attached to any motor vehicle or motorized conveyance, whether or not the motor vehicle or motorized conveyance is in motion;
  - (b) During hitching or unhitching operations, or when a trailer becomes accidentally unhitched from a motor vehicle or motorized conveyance.
- (3) The most we will pay for loss or damage under this Extension is \$5,000, unless a higher limit is shown in the Declarations.
- (4) This insurance is excess over the amount due (whether you can collect on it or not) from any other insurance covering such property.

**g. Business Personal Property Temporarily In Portable Storage Units**

- (1) You may extend the insurance that applies to Your Business Personal Property to apply to such property while temporarily stored in a portable storage unit (including a detached trailer) located within 100 feet of the building or structure described in the Declarations or within 100 feet of the premises described in the Declarations, whichever distance is greater.

- (2) If the applicable Covered Causes of Loss form or endorsement contains a limitation or exclusion concerning loss or damage from sand, dust, sleet, snow, ice or rain to property in a structure, such limitation or exclusion also applies to property in a portable storage unit.
- (3) Coverage under this Extension:
  - (a) Will end 90 days after the business personal property has been placed in the storage unit;
  - (b) Does not apply if the storage unit itself has been in use at the described premises for more than 90 consecutive days, even if the business personal property has been stored there for 90 or fewer days as of the time of loss or damage.
- (4) Under this Extension, the most we will pay for the total of all loss or damage to business personal property is \$10,000 (unless a higher limit is indicated in the Declarations for such Extension) regardless of the number of storage units. Such limit is part of, not in addition to, the applicable Limit of Insurance on Your Business Personal Property. Therefore, payment under this Extension will not increase the applicable Limit of Insurance on Your Business Personal Property.
- (5) This Extension does not apply to loss or damage otherwise covered under this Coverage Form or any endorsement to this Coverage Form or policy, and does not apply to loss or damage to the storage unit itself.

Each of these Extensions is additional insurance unless otherwise indicated. The Additional Condition, Coinsurance, does not apply to these Extensions.

**B. Exclusions And Limitations**

See applicable Causes Of Loss form as shown in the Declarations.

**C. Limits Of Insurance**

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

The most we will pay for loss or damage to outdoor signs, whether or not the sign is attached to a building, is \$2,500 per sign in any one occurrence.

The amounts of insurance stated in the following Additional Coverages apply in accordance with the terms of such coverages and are separate from the Limit(s) Of Insurance shown in the Declarations for any other coverage:

1. Fire Department Service Charge;
2. Pollutant Clean-up And Removal;
3. Increased Cost Of Construction; and
4. Electronic Data.

Payments under the Preservation Of Property Additional Coverage will not increase the applicable Limit of Insurance.

#### D. Deductible

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

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

#### Example 1

(This example assumes there is no Coinsurance penalty.)

Deductible:	\$ 250
Limit of Insurance – Building 1:	\$ 60,000
Limit of Insurance – Building 2:	\$ 80,000
Loss to Building 1:	\$ 60,100
Loss to Building 2:	\$ 90,000

The amount of loss to Building 1 (\$60,100) is less than the sum (\$60,250) of the Limit of Insurance applicable to Building 1 plus the Deductible.

The Deductible will be subtracted from the amount of loss in calculating the loss payable for Building 1:

$$\begin{array}{r} \$ 60,100 \\ - \quad 250 \\ \hline \end{array}$$

\$ 59,850 Loss Payable – Building 1

The Deductible applies once per occurrence and therefore is not subtracted in determining the amount of loss payable for Building 2. Loss payable for Building 2 is the Limit of Insurance of \$80,000.

Total amount of loss payable:  
\$59,850 + \$80,000 = \$139,850

#### Example 2

(This example, too, assumes there is no Coinsurance penalty.)

The Deductible and Limits of Insurance are the same as those in Example 1.

Loss to Building 1:	\$ 70,000
(Exceeds Limit of Insurance plus Deductible)	
Loss to Building 2:	\$ 90,000
(Exceeds Limit of Insurance plus Deductible)	
Loss Payable – Building 1:	\$ 60,000
(Limit of Insurance)	
Loss Payable – Building 2:	\$ 80,000
(Limit of Insurance)	
Total amount of loss payable:	\$ 140,000

#### E. Loss Conditions

The following conditions apply in addition to the Common Policy Conditions and the Commercial Property Conditions:

##### 1. Abandonment

There can be no abandonment of any property to us.

##### 2. 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:

- 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 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.
- 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. Loss Payment

- a. In the event of loss or damage covered by this Coverage Form, at our option, we will either:
  - (1) Pay the value of lost or damaged property;
  - (2) Pay the cost of repairing or replacing the lost or damaged property, subject to **b.** below;
  - (3) Take all or any part of the property at an agreed or appraised value; or
  - (4) Repair, rebuild or replace the property with other property of like kind and quality, subject to **b.** below.

We will determine the value of lost or damaged property, or the cost of its repair or replacement, in accordance with the applicable terms of the Valuation Condition in this Coverage Form or any applicable provision which amends or supersedes the Valuation Condition.
- b. The cost to repair, rebuild or replace does not include the increased cost attributable to enforcement of or compliance with any ordinance or law regulating the construction, use or repair of any property.
- c. We will give notice of our intentions within 30 days after we receive the sworn proof of loss.
- d. We will not pay you more than your financial interest in the Covered Property.
- e. We may adjust losses with the owners of lost or damaged property if other than you. If we pay the owners, such payments will satisfy your claims against us for the owners' property. We will not pay the owners more than their financial interest in the Covered Property.
- f. We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.
- g. We will pay for covered loss or damage within 30 days after we receive the sworn proof of loss, if you have complied with all of the terms of this Coverage Part, and:
  - (1) We have reached agreement with you on the amount of loss; or
  - (2) An appraisal award has been made.

- h. A party wall is a wall that separates and is common to adjoining buildings that are owned by different parties. In settling covered losses involving a party wall, we will pay a proportion of the loss to the party wall based on your interest in the wall in proportion to the interest of the owner of the adjoining building. However, if you elect to repair or replace your building and the owner of the adjoining building elects not to repair or replace that building, we will pay you the full value of the loss to the party wall, subject to all applicable policy provisions including Limits of Insurance, the Valuation and Coinsurance Conditions and all other provisions of this Loss Payment Condition. Our payment under the provisions of this paragraph does not alter any right of subrogation we may have against any entity, including the owner or insurer of the adjoining building, and does not alter the terms of the Transfer Of Rights Of Recovery Against Others To Us Condition in this policy.

## 5. 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.

## 6. 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 or general lessee of a building, building means the entire building. Such building is vacant unless at least 31% of its total square footage is:

- (i) Rented to a lessee or sublessee and used by the lessee or sublessee to conduct its customary operations; and/or
- (ii) Used by the building owner 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 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 15%.

## 7. Valuation

We will determine the value of Covered Property in the event of loss or damage as follows:

- a. At actual cash value as of the time of loss or damage, except as provided in b., c., d. and e. below.
- b. If the Limit of Insurance for Building satisfies the Additional Condition, Coinsurance, and the cost to repair or replace the damaged building property is \$2,500 or less, we will pay the cost of building repairs or replacement.



The cost of building repairs or replacement does not include the increased cost attributable to enforcement of or compliance with any ordinance or law regulating the construction, use or repair of any property.

However, the following property will be valued at the actual cash value, even when attached to the building:

- (1) Awnings or floor coverings;
  - (2) Appliances for refrigerating, ventilating, cooking, dishwashing or laundering; or
  - (3) Outdoor equipment or furniture.
- c. "Stock" you have sold but not delivered at the selling price less discounts and expenses you otherwise would have had.
- d. Glass at the cost of replacement with safety-glazing material if required by law.
- e. Tenants' Improvements and Betterments at:
- (1) Actual cash value of the lost or damaged property if you make repairs promptly.
  - (2) A proportion of your original cost if you do not make repairs promptly. We will determine the proportionate value as follows:
    - (a) Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and
    - (b) Divide the amount determined in (a) above by the number of days from the installation of improvements to the expiration of the lease.

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

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

## F. Additional Conditions

The following conditions apply in addition to the Common Policy Conditions and the Commercial Property Conditions:

### 1. Coinsurance

If a Coinsurance percentage is shown in the Declarations, the following condition applies:

- a. We will not pay the full amount of any loss if the value of Covered Property at the time of loss times the Coinsurance percentage shown for it in the Declarations is greater than the Limit of Insurance for the property.

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

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

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

### Example 1 (Underinsurance)

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

Step (1):  $\$250,000 \times 80\% = \$200,000$   
(the minimum amount of insurance to meet your Coinsurance requirements)

Step (2):  $\$100,000 \div \$200,000 = .50$

Step (3):  $\$40,000 \times .50 = \$20,000$

Step (4):  $\$20,000 - \$250 = \$19,750$

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

### Example 2 (Adequate Insurance)

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

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

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

### Example 3

When: The value of the property is:

Building at Location 1:	\$ 75,000
Building at Location 2:	\$ 100,000
Personal Property at Location 2:	<u>\$ 75,000</u>
	\$ 250,000

The Coinsurance percentage for it is: 90%

The Limit of Insurance for Buildings and Personal Property at Locations 1 and 2 is: \$ 180,000

The Deductible is: \$ 1,000

The amount of loss is:

Building at Location 2: \$ 30,000

Personal Property at Location 2: \$ 20,000

\$ 50,000

Step (1):  $\$250,000 \times 90\% = \$225,000$

(the minimum amount of insurance to meet your Coinsurance requirements and to avoid the penalty shown below)

Step (2):  $\$180,000 \div \$225,000 = .80$

Step (3):  $\$50,000 \times .80 = \$40,000$

Step (4):  $\$40,000 - \$1,000 = \$39,000$

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

## 2. Mortgageholders

- 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 Coverage Part, the mortgageholder will still have the right to receive loss payment if the mortgageholder:
  - (1) Pays any premium due under this Coverage Part 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 mortgageholder.

All of the terms of this Coverage Part 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 Coverage Part:
  - (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 impaired.

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

- f. If we cancel this policy, we will give written notice to the mortgageholder 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. If we elect not to renew this policy, we will give written notice to the mortgageholder at least 10 days before the expiration date of this policy.

## G. Optional Coverages

If shown as applicable in the Declarations, the following Optional Coverages apply separately to each item:

### 1. Agreed Value

- a. The Additional Condition, Coinsurance, does not apply to Covered Property to which this Optional Coverage applies. We will pay no more for loss of or damage to that property than the proportion that the Limit of Insurance under this Coverage Part for the property bears to the Agreed Value shown for it in the Declarations.

- b. If the expiration date for this Optional Coverage shown in the Declarations is not extended, the Additional Condition, Coinsurance, is reinstated and this Optional Coverage expires.
- c. The terms of this Optional Coverage apply only to loss or damage that occurs:
  - (1) On or after the effective date of this Optional Coverage; and
  - (2) Before the Agreed Value expiration date shown in the Declarations or the policy expiration date, whichever occurs first.

## 2. Inflation Guard

- a. The Limit of Insurance for property to which this Optional Coverage applies will automatically increase by the annual percentage shown in the Declarations.
- b. The amount of increase will be:
  - (1) The Limit of Insurance that applied on the most recent of the policy inception date, the policy anniversary date, or any other policy change amending the Limit of Insurance, times
  - (2) The percentage of annual increase shown in the Declarations, expressed as a decimal (example: 8% is .08), times
  - (3) The number of days since the beginning of the current policy year or the effective date of the most recent policy change amending the Limit of Insurance, divided by 365.

### Example

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

## 3. Replacement Cost

- a. Replacement Cost (without deduction for depreciation) replaces Actual Cash Value in the Valuation Loss Condition of this Coverage Form.
- b. This Optional Coverage does not apply to:
  - (1) Personal property of others;
  - (2) Contents of a residence;
  - (3) Works of art, antiques or rare articles, including etchings, pictures, statuary, marbles, bronzes, porcelains and bric-a-brac; or

- (4) "Stock", unless the Including "Stock" option is shown in the Declarations.

Under the terms of this Replacement Cost Optional Coverage, tenants' improvements and betterments are not considered to be the personal property of others.

- c. You may make a claim for loss or damage covered by this insurance on an actual cash value basis instead of on a replacement cost basis. In the event you elect to have loss or damage settled on an actual cash value basis, you may still make a claim for the additional coverage this Optional Coverage provides if you notify us of your intent to do so within 180 days after the loss or damage.
- d. We will not pay on a replacement cost basis for any loss or damage:

- (1) Until the lost or damaged property is actually repaired or replaced; and
- (2) Unless the repair or replacement is made as soon as reasonably possible after the loss or damage.

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

- (3) If the conditions in d.(1) and d.(2) above are not met, the value of tenants' improvements and betterments will be determined as a proportion of your original cost, as set forth in the Valuation Loss Condition of this Coverage Form; and
- (4) We will not pay for loss or damage to tenants' improvements and betterments if others pay for repairs or replacement.
- e. We will not pay more for loss or damage on a replacement cost basis than the least of (1), (2) or (3), subject to f. below:
  - (1) The Limit of Insurance applicable to the lost or damaged property;
  - (2) The cost to replace the lost or damaged property with other property:
    - (a) Of comparable material and quality; and
    - (b) Used for the same purpose; or
  - (3) The amount actually spent that is necessary to repair or replace the lost or damaged property.

If a building is rebuilt at a new premises, the cost described in e.(2) above is limited to the cost which would have been incurred if the building had been rebuilt at the original premises.

- f. The cost of repair or replacement does not include the increased cost attributable to enforcement of or compliance with any ordinance or law regulating the construction, use or repair of any property.

#### **4. Extension Of Replacement Cost To Personal Property Of Others**

- a. If the Replacement Cost Optional Coverage is shown as applicable in the Declarations, then this Extension may also be shown as applicable. If the Declarations show this Extension as applicable, then Paragraph **3.b.(1)** of the Replacement Cost Optional Coverage is deleted and all other provisions of the Replacement Cost Optional Coverage apply to replacement cost on personal property of others.

- b. With respect to replacement cost on the personal property of others, the following limitation applies:

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

#### **H. Definitions**

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



## BUSINESS INCOME (AND EXTRA EXPENSE) 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 quotation marks have special meaning. Refer to Section F. Definitions.

### A. Coverage

#### 1. Business Income

Business Income means the:

- a. Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; and
- b. Continuing normal operating expenses incurred, including payroll.

For manufacturing risks, Net Income includes the net sales value of production.

Coverage is provided as described and limited below for one or more of the following options for which a Limit Of Insurance is shown in the Declarations:

- (1) Business Income Including "Rental Value".
- (2) Business Income Other Than "Rental Value".
- (3) "Rental Value".

If option (1) above is selected, the term Business Income will include "Rental Value". If option (3) above is selected, the term Business Income will mean "Rental Value" only.

If Limits of Insurance are shown under more than one of the above options, the provisions of this Coverage Part apply separately to each.

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 premises which are described in the Declarations and for which a Business Income Limit Of Insurance is shown in the Declarations. 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 100 feet of such premises.

With respect to the requirements set forth in the preceding paragraph, if you occupy only part of a building, your premises means:

- (a) The portion of the building which you rent, lease or occupy;
- (b) The area within 100 feet of the building or within 100 feet of the premises described in the Declarations, whichever distance is greater (with respect to loss of or damage to personal property in the open or personal property in a vehicle); and
- (c) Any area within the building or at the described premises, if that area services, or is used to gain access to, the portion of the building which you rent, lease or occupy.

#### 2. Extra Expense

- a. Extra Expense Coverage is provided at the premises described in the Declarations only if the Declarations show that Business Income Coverage applies at that premises.
- b. Extra Expense means necessary expenses 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 caused by or resulting from a Covered Cause of Loss.

We will pay Extra Expense (other than the expense to repair or replace property) to:

- (1) Avoid or minimize the "suspension" of business and to continue operations at the described premises or at replacement premises or temporary locations, including relocation expenses and costs to equip and operate the replacement location or temporary location.

- (2) Minimize the "suspension" of business if you cannot continue "operations".

We will also pay Extra Expense to repair or replace property, but only to the extent it reduces the amount of loss that otherwise would have been payable under this Coverage Form.

### **3. Covered Causes Of Loss, Exclusions And Limitations**

See applicable Causes Of Loss form as shown in the Declarations.

### **4. Additional Limitation – Interruption Of Computer Operations**

- a. Coverage for Business Income does not apply when a "suspension" of "operations" is caused by destruction or corruption of electronic data, or any loss or damage to electronic data, except as provided under the Additional Coverage, Interruption Of Computer Operations.
- b. Coverage for Extra Expense does not apply when action is taken to avoid or minimize a "suspension" of "operations" caused by destruction or corruption of electronic data, or any loss or damage to electronic data, except as provided under the Additional Coverage, Interruption Of Computer Operations.
- c. Electronic data means information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The term computer programs, referred to in the foregoing description of electronic data, means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data.
- d. This Additional Limitation does not apply when loss or damage to electronic data involves only electronic data which is integrated in and operates or controls a building's elevator, lighting, heating, ventilation, air conditioning or security system.

## **5. Additional Coverages**

### **a. Civil Authority**

In this Additional Coverage, Civil Authority, the described premises are premises to which this Coverage Form applies, as shown in the Declarations.

When a Covered Cause of Loss causes damage to property other than property at the described premises, 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, provided that both of the following apply:

- (1) Access to the area immediately surrounding the damaged property is prohibited by civil authority as a result of the damage, and the described premises are within that area but are not more than one mile from the damaged property; and
- (2) The action of civil authority is taken in response to dangerous physical conditions resulting from the damage or continuation of the Covered Cause of Loss that caused the damage, or the action is taken to enable a civil authority to have unimpeded access to the damaged property.

Civil Authority Coverage for Business Income will begin 72 hours after the time of the first action of civil authority that prohibits access to the described premises and will apply for a period of up to four consecutive weeks from the date on which such coverage began.

Civil Authority Coverage for Extra Expense will begin immediately after the time of the first action of civil authority that prohibits access to the described premises and will end:

- (1) Four consecutive weeks after the date of that action; or
  - (2) When your Civil Authority Coverage for Business Income ends;
- whichever is later.

## **b. Alterations And New Buildings**

We will pay for the actual loss of Business Income you sustain and necessary Extra Expense you incur due to direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss to:

- (1) New buildings or structures, whether complete or under construction;
- (2) Alterations or additions to existing buildings or structures; and
- (3) Machinery, equipment, supplies or building materials located on or within 100 feet of the described premises and:
  - (a) Used in the construction, alterations or additions; or
  - (b) Incidental to the occupancy of new buildings.

If such direct physical loss or damage delays the start of "operations", the "period of restoration" for Business Income Coverage will begin on the date "operations" would have begun if the direct physical loss or damage had not occurred.

## **c. Extended Business Income**

### **(1) Business Income Other Than "Rental Value"**

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) 60 consecutive days after the date determined in (1)(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.

### **(2) "Rental Value"**

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

- (a) Begins on the date property is actually repaired, rebuilt or replaced and tenantability is restored; and
- (b) Ends on the earlier of:
  - (i) The date you could restore tenant occupancy, with reasonable speed, to the level which would generate the "Rental Value" that would have existed if no direct physical loss or damage had occurred; or
  - (ii) 60 consecutive days after the date determined in (2)(a) above.

However, Extended Business Income does not apply to loss of "Rental Value" 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 "Rental Value" must be caused by direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss.

## **d. Interruption Of Computer Operations**

- (1) Under this Additional Coverage, electronic data has the meaning described under Additional Limitation – Interruption Of Computer Operations.

- (2) Subject to all provisions of this Additional Coverage, you may extend the insurance that applies to Business Income and Extra Expense to apply to a "suspension" of "operations" caused by an interruption in computer operations due to destruction or corruption of electronic data due to a Covered Cause of Loss. However, we will not provide coverage under this Additional Coverage when the Additional Limitation – Interruption Of Computer Operations – does not apply based on Paragraph **A.4.d.** therein.
- (3) With respect to the coverage provided under this Additional Coverage, the Covered Causes of Loss are subject to the following:
- (a) If the Causes Of Loss – Special Form applies, coverage under this Additional Coverage, Interruption Of Computer Operations, is limited to the "specified causes of loss" as defined in that form and Collapse as set forth in that form.
  - (b) If the Causes Of Loss – Broad Form applies, coverage under this Additional Coverage, Interruption Of Computer Operations, includes Collapse as set forth in that form.
  - (c) If the Causes Of Loss form is endorsed to add a Covered Cause of Loss, the additional Covered Cause of Loss does not apply to the coverage provided under this Additional Coverage, Interruption Of Computer Operations.
  - (d) The Covered Causes of Loss include a virus, harmful code or similar instruction introduced into or enacted on a computer system (including electronic data) or a network to which it is connected, designed to damage or destroy any part of the system or disrupt its normal operation. But there is no coverage for an interruption related to manipulation of a computer system (including electronic data) by any employee, including a temporary or leased employee, or by an entity retained by you or for you to inspect, design, install, maintain, repair or replace that system.
- (4) The most we will pay under this Additional Coverage, Interruption Of Computer Operations, is \$2,500 (unless a higher limit is shown in the Declarations) for all loss sustained and expense incurred in any one policy year, regardless of the number of interruptions or the number of premises, locations or computer systems involved. If loss payment relating to the first interruption does not exhaust this amount, then the balance is available for loss or expense sustained or incurred as a result of subsequent interruptions in that policy year. A balance remaining at the end of a policy year does not increase the amount of insurance in the next policy year. With respect to any interruption which begins in one policy year and continues or results in additional loss or expense in a subsequent policy year(s), all loss and expense is deemed to be sustained or incurred in the policy year in which the interruption began.
- (5) This Additional Coverage, Interruption Of Computer Operations, does not apply to loss sustained or expense incurred after the end of the "period of restoration", even if the amount of insurance stated in (4) above has not been exhausted.

## 6. Coverage Extension

If a Coinsurance percentage of 50% or more is shown in the Declarations, you may extend the insurance provided by this Coverage Part as follows:

### Newly Acquired Locations

- a. You may extend your Business Income and Extra Expense Coverages to apply to property at any location you acquire other than fairs or exhibitions.
- b. The most we will pay under this Extension, for the sum of Business Income loss and Extra Expense incurred, is \$100,000 at each location, unless a higher limit is shown in the Declarations.
- c. Insurance under this Extension for each newly acquired location will end when any of the following first occurs:
  - (1) This policy expires;



(2) 30 days expire after you acquire or begin to construct the property; or

(3) You report values to us.

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

The Additional Condition, Coinsurance, does not apply to this Extension.

## **B. Limits Of Insurance**

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

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

1. Alterations And New Buildings;
2. Civil Authority;
3. Extra Expense; or
4. Extended Business Income.

The amounts of insurance stated in the Interruption Of Computer Operations Additional Coverage and the Newly Acquired Locations Coverage Extension apply in accordance with the terms of those coverages and are separate from the Limit(s) Of Insurance shown in the Declarations for any other coverage.

## **C. Loss Conditions**

The following conditions apply in addition to the Common Policy Conditions and the Commercial Property Conditions:

### **1. Appraisal**

If we and you disagree on the amount of Net Income and operating expense or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser.

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

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

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

## **2. Duties In The Event Of Loss**

a. You must see that the following are done in the event of loss:

- (1) Notify the police if a law may have been broken.
- (2) Give us prompt notice of the direct physical 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 direct physical 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) 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.

- (6) Send us a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.
  - (7) Cooperate with us in the investigation or settlement of the claim.
  - (8) If you intend to continue your business, you must 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.

### 3. Loss Determination

- a. The amount of Business Income loss will be determined based on:
  - (1) The Net Income of the business before the direct physical loss or damage occurred;
  - (2) The likely Net Income of the business 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;
  - (3) The operating expenses, including payroll expenses, necessary to resume "operations" with the same quality of service that existed just before the direct physical loss or damage; and
  - (4) Other relevant sources of information, including:
    - (a) Your financial records and accounting procedures;
    - (b) Bills, invoices and other vouchers; and
    - (c) Deeds, liens or contracts.
- b. The amount of Extra Expense will be determined based on:
  - (1) All expenses that exceed the normal operating expenses that would have been incurred by "operations" during the "period of restoration" if no direct physical loss or damage had occurred. We will deduct from the total of such expenses:
    - (a) The salvage value that remains of any property bought for temporary use during the "period of restoration", once "operations" are resumed; and
    - (b) Any Extra Expense that is paid for by other insurance, except for insurance that is written subject to the same plan, terms, conditions and provisions as this insurance; and
  - (2) Necessary expenses that reduce the Business Income loss that otherwise would have been incurred.

### c. Resumption Of Operations

We will reduce the amount of your:

- (1) 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.
- (2) Extra Expense loss to the extent you can return "operations" to normal and discontinue such Extra Expense.
- d. If you do not resume "operations", or do not resume "operations" as quickly as possible, we will pay based on the length of time it would have taken to resume "operations" as quickly as possible.

### 4. Loss Payment

We will pay for covered loss within 30 days after we receive the sworn proof of loss, if you have complied with all of the terms of this Coverage Part, and:

- a. We have reached agreement with you on the amount of loss; or
- b. An appraisal award has been made.

### D. Additional Condition

#### COINSURANCE

If a Coinsurance percentage is shown in the Declarations, the following condition applies in addition to the Common Policy Conditions and the Commercial Property Conditions.

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

- 1. The Coinsurance percentage shown for Business Income in the Declarations; times
- 2. The sum of:
  - a. The Net Income (Net Profit or Loss before income taxes), and
  - b. Operating expenses, including payroll expenses,

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

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

- Step (1): Multiply the Net Income and operating expense for the 12 months following the inception, or last previous anniversary date, of this policy by the Coinsurance percentage;
- Step (2): Divide the Limit of Insurance for the described premises by the figure determined in Step (1); and
- Step (3): Multiply the total amount of loss by the figure determined in Step (2).

We will pay the amount determined in Step (3) or the limit of insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

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

- (1) Prepaid freight – outgoing;
- (2) Returns and allowances;
- (3) Discounts;
- (4) Bad debts;
- (5) Collection expenses;
- (6) Cost of raw stock and factory supplies consumed (including transportation charges);
- (7) Cost of merchandise sold (including transportation charges);
- (8) Cost of other supplies consumed (including transportation charges);
- (9) Cost of services purchased from outsiders (not employees) to resell, that do not continue under contract;
- (10) Power, heat and refrigeration expenses that do not continue under contract (if Form **CP 15 11** is attached);
- (11) All payroll expenses or the amount of payroll expense excluded (if Form **CP 15 10** is attached); and
- (12) Special deductions for mining properties (royalties unless specifically included in coverage; actual depletion commonly known as unit or cost depletion – not percentage depletion; welfare and retirement fund charges based on tonnage; hired trucks).

### Example 1 (Underinsurance)

When: The Net Income and operating expenses for the 12 months following the inception, or last previous anniversary date, of this policy at the described premises would have been: \$ 400,000

The Coinsurance percentage is: 50%

The Limit of Insurance is: \$ 150,000

The amount of loss is: \$ 80,000

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

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

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

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

### Example 2 (Adequate Insurance)

When: The Net Income and operating expenses for the 12 months following the inception, or last previous anniversary date, of this policy at the described premises would have been: \$ 400,000

The Coinsurance percentage is: 50%

The Limit of Insurance is: \$ 200,000

The amount of loss is: \$ 80,000

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

This condition does not apply to Extra Expense Coverage.

### E. Optional Coverages

If shown as applicable in the Declarations, the following Optional Coverages apply separately to each item.

#### 1. Maximum Period Of Indemnity

- a. The Additional Condition, Coinsurance, does not apply to this Coverage Form at the described premises to which this Optional Coverage applies.

b. The most we will pay for the total of Business Income loss and Extra Expense is the lesser of:

- (1) The amount of loss sustained and expenses incurred during the 120 days immediately following the beginning of the "period of restoration"; or
- (2) The Limit Of Insurance shown in the Declarations.

## 2. Monthly Limit Of Indemnity

- a. The Additional Condition, Coinsurance, does not apply to this Coverage Form at the described premises to which this Optional Coverage applies.
- b. The most we will pay for loss of Business Income in each period of 30 consecutive days after the beginning of the "period of restoration" is:
  - (1) The Limit of Insurance, multiplied by
  - (2) The fraction shown in the Declarations for this Optional Coverage.

### Example

When: The Limit of Insurance is: \$ 120,000  
 The fraction shown in the Declarations for this Optional Coverage is: 1/4  
 The most we will pay for loss in each period of 30 consecutive days is: \$ 30,000  
 (\$120,000 x 1/4 = \$30,000)  
 If, in this example, the actual amount of loss is:

Days 1–30:	\$ 40,000
Days 31–60:	\$ 20,000
Days 61–90:	\$ 30,000
	<hr/>
	\$ 90,000

We will pay:

Days 1–30:	\$ 30,000
Days 31–60:	\$ 20,000
Days 61–90:	\$ 30,000
	<hr/>
	\$ 80,000

The remaining \$10,000 is not covered.

## 3. Business Income Agreed Value

- a. To activate this Optional Coverage:
  - (1) A Business Income Report/Work Sheet must be submitted to us and must show financial data for your "operations":
    - (a) During the 12 months prior to the date of the Work Sheet; and

(b) Estimated for the 12 months immediately following the inception of this Optional Coverage.

(2) The Declarations must indicate that the Business Income Agreed Value Optional Coverage applies, and an Agreed Value must be shown in the Declarations. The Agreed Value should be at least equal to:

- (a) The Coinsurance percentage shown in the Declarations; multiplied by
- (b) The amount of Net Income and operating expenses for the following 12 months you report on the Work Sheet.

b. The Additional Condition, Coinsurance, is suspended until:

- (1) 12 months after the effective date of this Optional Coverage; or
- (2) The expiration date of this policy; whichever occurs first.

c. We will reinstate the Additional Condition, Coinsurance, automatically if you do not submit a new Work Sheet and Agreed Value:

- (1) Within 12 months of the effective date of this Optional Coverage; or
- (2) When you request a change in your Business Income Limit of Insurance.

d. If the Business Income Limit of Insurance is less than the Agreed Value, we will not pay more of any loss than the amount of loss multiplied by:

- (1) The Business Income Limit of Insurance; divided by
- (2) The Agreed Value.

### Example

When: The Limit of Insurance is: \$ 100,000  
 The Agreed Value is: \$ 200,000  
 The amount of loss is: \$ 80,000  
 Step (1):  $\$100,000 \div \$200,000 = .50$   
 Step (2):  $.50 \times \$80,000 = \$40,000$

We will pay \$40,000. The remaining \$40,000 is not covered.

## 4. Extended Period Of Indemnity

Under Paragraph A.5.c., **Extended Business Income**, the number 60 in Subparagraphs (1)(b) and (2)(b) is replaced by the number shown in the Declarations for this Optional Coverage.



## F. Definitions

1. "Finished stock" means stock you have manufactured.

"Finished stock" also includes whiskey and alcoholic products being aged, unless there is a Coinsurance percentage shown for Business Income in the Declarations.

"Finished stock" does not include stock you have manufactured that is held for sale on the premises of any retail outlet insured under this Coverage Part.

2. "Operations" means:
  - a. Your business activities occurring at the described premises; and
  - b. The tenantability of the described premises, if coverage for Business Income Including "Rental Value" or "Rental Value" applies.
3. "Period of restoration" means the period of time that:
  - a. Begins:
    - (1) 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 or compliance with 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. "Rental Value" means Business Income that consists of:
  - a. Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred as rental income from tenant occupancy of the premises described in the Declarations as furnished and equipped by you, including fair rental value of any portion of the described premises which is occupied by you; and
  - b. Continuing normal operating expenses incurred in connection with that premises, including:
    - (1) Payroll; and
    - (2) The amount of charges which are the legal obligation of the tenant(s) but would otherwise be your obligations.
6. "Suspension" means:
  - a. The slowdown or cessation of your business activities; or
  - b. That a part or all of the described premises is rendered untenable, if coverage for Business Income Including "Rental Value" or "Rental Value" applies.

## EXTRA EXPENSE 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 quotation marks have special meaning. Refer to Section **D**. Definitions.

### A. Coverage

We will pay the actual and necessary Extra Expense you sustain due to direct physical loss of or damage to property at premises which are described in the Declarations and for which an Extra Expense Limit Of Insurance is shown in the Declarations. 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 100 feet of such premises.

With respect to the requirements set forth in the preceding paragraph, if you occupy only part of a building, your premises means:

- a. The portion of the building which you rent, lease or occupy;
- b. The area within 100 feet of the building or within 100 feet of the premises described in the Declarations, whichever distance is greater (with respect to loss of or damage to personal property in the open or personal property in a vehicle); and
- c. Any area within the building or at the described premises, if that area services, or is used to gain access to, the portion of the building which you rent, lease or occupy.

#### 1. Extra Expense

Extra Expense means necessary expenses 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. Coverage pertains to expenses (other than the expense to repair or replace property) which are incurred to:

- a. Avoid or minimize the "suspension" of business and to continue "operations" at the described premises or at replacement premises or temporary locations, including relocation expenses and costs to equip and operate the replacement location or temporary location.
- b. Minimize the "suspension" of business if you cannot continue "operations".

We will also pay Extra Expense to repair or replace property, but only to the extent it reduces the amount of loss that otherwise would have been payable under this Coverage Form.

#### 2. Covered Causes Of Loss, Exclusions And Limitations

See applicable Causes Of Loss form as shown in the Declarations.

#### 3. Additional Limitation – Interruption Of Computer Operations

- a. Coverage for Extra Expense does not apply when action is taken to avoid or minimize a "suspension" of "operations" caused by destruction or corruption of electronic data, or any loss or damage to electronic data, except as provided under the Additional Coverage, Interruption Of Computer Operations.
- b. Electronic data means information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The term computer programs, referred to in the foregoing description of electronic data, means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data.
- c. This Additional Limitation does not apply when loss or damage to electronic data involves only electronic data which is integrated in and operates or controls a building's elevator, lighting, heating, ventilation, air conditioning or security system.

#### 4. Additional Coverages

##### a. Alterations And New Buildings

We will pay for the actual and necessary Extra Expense you incur due to direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss to:

- (1) New buildings or structures, whether complete or under construction;
- (2) Alterations or additions to existing buildings or structures; and
- (3) Machinery, equipment, supplies or building materials located on or within 100 feet of the described premises and:
  - (a) Used in the construction, alterations or additions; or
  - (b) Incidental to the occupancy of new buildings.

##### b. Civil Authority

In this Additional Coverage, Civil Authority, the described premises are premises to which this Coverage Form applies, as shown in the Declarations.

When a Covered Cause of Loss causes damage to property other than property at the described premises, we will pay for the actual and necessary Extra Expense you incur caused by action of civil authority that prohibits access to the described premises, provided that both of the following apply:

- (1) Access to the area immediately surrounding the damaged property is prohibited by civil authority as a result of the damage, and the described premises are within that area but are not more than one mile from the damaged property; and
- (2) The action of civil authority is taken in response to dangerous physical conditions resulting from the damage or continuation of the Covered Cause of Loss that caused the damage, or the action is taken to enable a civil authority to have unimpeded access to the damaged property.

Civil Authority Coverage will begin immediately after the time of the first action of civil authority that prohibits access to the described premises and will end four consecutive weeks after the date of that action.

##### c. Interruption Of Computer Operations

- (1) Under this Additional Coverage, electronic data has the meaning described under Additional Limitation, Interruption Of Computer Operations.
- (2) Subject to all provisions of this Additional Coverage, you may extend the insurance that applies to Extra Expense to apply to a "suspension" of "operations" caused by an interruption in computer operations due to destruction or corruption of electronic data due to a Covered Cause of Loss. However, we will not provide coverage under this Additional Coverage when the Additional Limitation, Interruption Of Computer Operations does not apply based on Paragraph A.3.c. therein.
- (3) With respect to the coverage provided under this Additional Coverage, the Covered Causes of Loss are subject to the following:
  - (a) If the Causes Of Loss – Special Form applies, coverage under this Additional Coverage, Interruption Of Computer Operations, is limited to the "specified causes of loss" as defined in that form and Collapse as set forth in that form.
  - (b) If the Causes Of Loss – Broad Form applies, coverage under this Additional Coverage, Interruption Of Computer Operations, includes Collapse as set forth in that form.
  - (c) If the Causes Of Loss Form is endorsed to add a Covered Cause of Loss, the additional Covered Cause of Loss does not apply to the coverage provided under this Additional Coverage, Interruption Of Computer Operations.

(d) The Covered Causes of Loss include a virus, harmful code or similar instruction introduced into or enacted on a computer system (including electronic data) or a network to which it is connected, designed to damage or destroy any part of the system or disrupt its normal operation. But there is no coverage for an interruption related to manipulation of a computer system (including electronic data) by any employee, including a temporary or leased employee, or by an entity retained by you or for you to inspect, design, install, maintain, repair or replace that system.

(4) The most we will pay under this Additional Coverage, Interruption Of Computer Operations, is \$2,500 (unless a higher limit is shown in the Declarations) for all loss sustained in any one policy year, regardless of the number of interruptions or the number of premises, locations or computer systems involved. If loss payment relating to the first interruption does not exhaust this amount, then the balance is available for loss sustained as a result of subsequent interruptions in that policy year. A balance remaining at the end of a policy year does not increase the amount of insurance in the next policy year. With respect to any interruption which begins in one policy year and continues or results in additional loss in a subsequent policy year(s), all loss is deemed to be sustained in the policy year in which the interruption began.

(5) This Additional Coverage, Interruption Of Computer Operations, does not apply to loss sustained after the end of the "period of restoration", even if the amount of insurance stated in (4) above has not been exhausted.

## **5. Coverage Extension**

You may extend the insurance provided by this Coverage Part as follows:

### **NEWLY ACQUIRED LOCATIONS**

a. You may extend your Extra Expense Coverage to apply to property at any location you acquire other than fairs or exhibitions.

b. The most we will pay for loss under this Extension is \$100,000 at each location, unless a higher limit is shown in the Declarations.

c. Insurance under this Extension for each newly acquired location will end when any of the following first occurs:

(1) This policy expires;

(2) 30 days expire after you acquire the property; or

(3) You notify us of how you want this coverage to apply to that location.

We will charge you additional premium from the date you acquire the property.

## **B. Limits Of Insurance**

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

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

1. Alterations And New Buildings; or

2. Civil Authority.

The amounts of insurance stated in the Interruption Of Computer Operations Additional Coverage and the Newly Acquired Locations Coverage Extension apply in accordance with the terms of those coverages and are separate from the Limit(s) Of Insurance shown in the Declarations for any other coverage.

## **C. Loss Conditions**

The following conditions apply in addition to the Common Policy Conditions and the Commercial Property Conditions:

### **1. 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.

## 2. Duties If You Incur Extra Expense

a. You must see that the following are done if you incur Extra Expense:

- (1) Notify the police if a law may have been broken.
- (2) Give us prompt notice of the direct physical 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 direct physical 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) 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.

- (6) Send us a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.
  - (7) Cooperate with us in the investigation or settlement of the claim.
  - (8) If you intend to continue your business, you must 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.

## 3. Limits On Loss Payment

We will not pay more for Extra Expense than the percentages shown in the Declarations times the Limit of Insurance.

When the "period of restoration" is:

- a. 30 days or less, the first percentage applies.
- b. 60 days or less, but more than 30 days, the second percentage applies.
- c. More than 60 days, the third percentage applies.

### Example

The Limit of Insurance is: \$ 100,000

The percentages shown in the Declarations are: 40% – 80% – 100%

The "period of restoration" is: 45 days

The amount of Extra Expenses incurred is: \$ 90,000

We will not pay more than \$100,000 times 80% (the percentage applicable for a "period of restoration" of 31–60 days), or \$80,000. The remaining \$10,000 is not covered.

## 4. Loss Determination

a. The amount of Extra Expense will be determined based on:

- (1) All expenses that exceed the normal operating expenses that would have been incurred by "operations" during the "period of restoration" if no direct physical loss or damage had occurred. We will deduct from the total of such expenses:

- (a) The salvage value that remains of any property bought for temporary use during the "period of restoration", once "operations" are resumed; and
- (b) Any Extra Expense that is paid for by other insurance, except for insurance that is written subject to the same plan, terms, conditions and provisions as this insurance; and

- (2) Necessary expenses that reduce the Extra Expense otherwise incurred.

b. We will reduce the amount of your Extra Expense loss to the extent you can return "operations" to normal and discontinue such Extra Expense.

- c. If you do not resume "operations", or do not resume "operations" as quickly as possible, we will pay based on the length of time it would have taken to resume "operations" as quickly as possible.



## 5. Loss Payment

We will pay for any loss within 30 days after we receive the proof of loss, if you have complied with all of the terms of this Coverage Part, and:

- a. We reach agreement with you on the amount of loss; or
- b. An appraisal award has been made.

## D. Definitions

1. "Operations" means your business activities occurring at the described premises.
2. "Period of restoration" means the period of time that:
  - a. Begins with the date of direct physical loss or damage 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 or compliance with 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".

3. "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.
4. "Suspension" means the slowdown or cessation of your business activities.

## CAUSES OF LOSS – SPECIAL FORM

Words and phrases that appear in quotation marks have special meaning. Refer to Section **G**. Definitions.

### A. Covered Causes Of Loss

When Special is shown in the Declarations, Covered Causes of Loss means direct physical loss unless the loss is excluded or limited in this policy.

### 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 or compliance with 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:

- (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 to that property.

#### 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, meaning subsidence of a man-made mine, whether or not mining activity has ceased;

- (4) Earth sinking (other than sinkhole collapse), rising or shifting including soil conditions which cause settling, cracking or other disarrangement of foundations or other parts of 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 Coverage Part.

**d. Nuclear Hazard**

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

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

**e. Utility Services**

The failure of power, communication, water or other utility service supplied to the described premises, however caused, if the failure:

- (1) Originates away from the described premises; or
- (2) Originates at the described premises, but only if such failure involves equipment used to supply the utility service to the described premises from a source away from the described premises.

Failure of any utility service includes lack of sufficient capacity and reduction in supply.

Loss or damage caused by a surge of power is also excluded, if the surge would not have occurred but for an event causing a failure of power.

But if the failure or surge of power, or the failure of communication, water 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.

Communication services include but are not limited to service relating to Internet access or access to any electronic, cellular or satellite network.

**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 (including tidal wave and tsunami), tides, tidal water, overflow of any body of water, or spray from any of these, all whether or not driven by wind (including storm surge);

- (2) Mudslide or mudflow;

- (3) Water that backs up or overflows or is otherwise discharged from a sewer, drain, sump, sump pump or related equipment;

- (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; or

- (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, in Paragraphs (1) through (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).

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

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

But if "fungus", wet or dry rot or bacteria result in a "specified cause of loss", we will pay for the loss or damage caused by that "specified cause of loss".

This exclusion does not apply:

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

Exclusions **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. 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:

- (a) Electrical current, including arcing;
- (b) Electrical charge produced or conducted by a magnetic or electromagnetic field;
- (c) Pulse of electromagnetic energy; or
- (d) Electromagnetic waves or microwaves.

But if fire results, we will pay for the loss or damage caused by that fire.

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

**d.(1) Wear and tear;**

(2) Rust or other corrosion, decay, deterioration, 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. But if mechanical breakdown results in elevator collision, we will pay for the loss or damage caused by that elevator collision.

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

(a) Dampness or dryness of atmosphere;

(b) Changes in or extremes of temperature; or

(c) Marring or scratching.

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

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

**f. Continuous or repeated seepage or leakage of water, or the presence or condensation of humidity, moisture or vapor, that occurs over a period of 14 days or more.**

- g.** Water, other liquids, powder or molten material that leaks or flows from plumbing, heating, air conditioning or other equipment (except fire protective systems) caused by or resulting from freezing, unless:

- (1)** You do your best to maintain heat in the building or structure; or
- (2)** You drain the equipment and shut off the supply if the heat is not maintained.

- h.** Dishonest or criminal act (including theft) by you, any of your partners, members, officers, managers, employees (including temporary employees and leased workers), directors, trustees or authorized representatives, whether acting alone or in collusion with each other or with any other party; or theft by any person to whom you entrust the property for any purpose, whether acting alone or in collusion with any other party.

This exclusion:

- (1)** Applies whether or not an act occurs during your normal hours of operation;
  - (2)** Does not apply to acts of destruction by your employees (including temporary employees and leased workers) or authorized representatives; but theft by your employees (including temporary employees and leased workers) or authorized representatives is not covered.
- i.** Voluntary parting with any property by you or anyone else to whom you have entrusted the property if induced to do so by any fraudulent scheme, trick, device or false pretense.
- j.** Rain, snow, ice or sleet to personal property in the open.
- k.** Collapse, including any of the following conditions of property or any part of the property:
- (1)** An abrupt falling down or caving in;
  - (2)** Loss of structural integrity, including separation of parts of the property or property in danger of falling down or caving in; or
  - (3)** Any cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion as such condition relates to **(1)** or **(2)** above.

But if collapse results in a Covered Cause of Loss at the described premises, we will pay for the loss or damage caused by that Covered Cause of Loss.

This exclusion, **k.**, does not apply:

- (a)** To the extent that coverage is provided under the Additional Coverage, Collapse; or
  - (b)** To collapse caused by one or more of the following:
    - (i)** The "specified causes of loss";
    - (ii)** Breakage of building glass;
    - (iii)** Weight of rain that collects on a roof; or
    - (iv)** Weight of people or personal property.
  - l.** Discharge, dispersal, seepage, migration, release or escape of "pollutants" unless the discharge, dispersal, seepage, migration, release or escape is itself caused by any of the "specified causes of loss". But if the discharge, dispersal, seepage, migration, release or escape of "pollutants" results in a "specified cause of loss", we will pay for the loss or damage caused by that "specified cause of loss".
- This exclusion, **l.**, does not apply to damage to glass caused by chemicals applied to the glass.
- m.** Neglect of an insured to use all reasonable means to save and preserve property from further damage at and after the time of loss.
- 3.** We will not pay for loss or damage caused by or resulting from any of the following, **3.a.** through **3.c.** But if an excluded cause of loss that is listed in **3.a.** through **3.c.** results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.
- a.** Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in Paragraph **1.** above to produce the loss or damage.
  - b.** Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.
  - c.** Faulty, inadequate or defective:
    - (1)** Planning, zoning, development, surveying, siting;
    - (2)** Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
    - (3)** Materials used in repair, construction, renovation or remodeling; or
    - (4)** Maintenance;

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

#### 4. Special Exclusions

The following provisions apply only to the specified Coverage Forms:

##### a. Business Income (And Extra Expense) Coverage Form, Business Income (Without Extra Expense) Coverage Form, Or Extra Expense Coverage Form

We will not pay for:

- (1) Any loss caused by or resulting from:
  - (a) Damage or destruction of "finished stock"; or
  - (b) The time required to reproduce "finished stock".This exclusion does not apply to Extra Expense.
- (2) Any loss caused by or resulting from direct physical loss or damage to radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers.
- (3) Any increase of loss caused by or resulting from:
  - (a) 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
  - (b) 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" and any extension of the "period of restoration" in accordance with the terms of the Extended Business Income Additional Coverage and the Extended Period Of Indemnity Optional Coverage or any variation of these.
- (4) Any Extra Expense caused by or resulting from suspension, lapse or cancellation of any license, lease or contract beyond the "period of restoration".
- (5) Any other consequential loss.

##### b. Leasehold Interest Coverage Form

- (1) Paragraph B.1.a., Ordinance Or Law, does not apply to insurance under this Coverage Form.
- (2) We will not pay for any loss caused by:
  - (a) Your cancelling the lease;
  - (b) The suspension, lapse or cancellation of any license; or
  - (c) Any other consequential loss.

##### c. Legal Liability Coverage Form

- (1) The following exclusions do not apply to insurance under this Coverage Form:
  - (a) Paragraph B.1.a. Ordinance Or Law;
  - (b) Paragraph B.1.c. Governmental Action;
  - (c) Paragraph B.1.d. Nuclear Hazard;
  - (d) Paragraph B.1.e. Utility Services; and
  - (e) Paragraph B.1.f. War And Military Action.
- (2) The following additional exclusions apply to insurance under this Coverage Form:

##### (a) Contractual Liability

We will not defend any claim or "suit", or pay damages that you are legally liable to pay, solely by reason of your assumption of liability in a contract or agreement. But this exclusion does not apply to a written lease agreement in which you have assumed liability for building damage resulting from an actual or attempted burglary or robbery, provided that:

- (i) Your assumption of liability was executed prior to the accident; and
- (ii) The building is Covered Property under this Coverage Form.

##### (b) Nuclear Hazard

We will not defend any claim or "suit", or pay any damages, loss, expense or obligation, resulting from nuclear reaction or radiation, or radioactive contamination, however caused.

## 5. Additional Exclusion

The following provisions apply only to the specified property:

### Loss Or Damage To Products

We will not pay for loss or damage to any merchandise, goods or other product caused by or resulting from error or omission by any person or entity (including those having possession under an arrangement where work or a portion of the work is outsourced) in any stage of the development, production or use of the product, including planning, testing, processing, packaging, installation, maintenance or repair. This exclusion applies to any effect that compromises the form, substance or quality of the product. But if such error or omission results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

## C. Limitations

The following limitations apply to all policy forms and endorsements, unless otherwise stated:

1. We will not pay for loss of or damage to property, as described and limited in this section. In addition, we will not pay for any loss that is a consequence of loss or damage as described and limited in this section.
  - a. Steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment. But we will pay for loss of or damage to such equipment caused by or resulting from an explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.
  - b. Hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment, other than an explosion.
  - c. The interior of any building or structure, or to personal property in the building or structure, caused by or resulting from rain, snow, sleet, ice, sand or dust, whether driven by wind or not, unless:
    - (1) The building or structure first sustains damage by a Covered Cause of Loss to its roof or walls through which the rain, snow, sleet, ice, sand or dust enters; or
    - (2) The loss or damage is caused by or results from thawing of snow, sleet or ice on the building or structure.
- d. Building materials and supplies not attached as part of the building or structure, caused by or resulting from theft.

However, this limitation does not apply to:

  - (1) Building materials and supplies held for sale by you, unless they are insured under the Builders Risk Coverage Form; or
  - (2) Business Income Coverage or Extra Expense Coverage.
- e. Property that is missing, where the only evidence of the loss or damage is a shortage disclosed on taking inventory, or other instances where there is no physical evidence to show what happened to the property.
- f. Property that has been transferred to a person or to a place outside the described premises on the basis of unauthorized instructions.
- g. Lawns, trees, shrubs or plants which are part of a vegetated roof, caused by or resulting from:
  - (1) Dampness or dryness of atmosphere or of soil supporting the vegetation;
  - (2) Changes in or extremes of temperature;
  - (3) Disease;
  - (4) Frost or hail; or
  - (5) Rain, snow, ice or sleet.
2. We will not pay for loss of or damage to the following types of property unless caused by the "specified causes of loss" or building glass breakage:
  - a. Animals, and then only if they are killed or their destruction is made necessary.
  - b. Fragile articles such as statuary, marbles, chinaware and porcelains, if broken. This restriction does not apply to:
    - (1) Glass; or
    - (2) Containers of property held for sale.
  - c. Builders' machinery, tools and equipment owned by you or entrusted to you, provided such property is Covered Property.

However, this limitation does not apply:

    - (1) If the property is located on or within 100 feet of the described premises, unless the premises is insured under the Builders Risk Coverage Form; or

(2) To Business Income Coverage or to Extra Expense Coverage.

3. The special limit shown for each category, **a.** through **d.**, is the total limit for loss of or damage to all property in that category. The special limit applies to any one occurrence of theft, regardless of the types or number of articles that are lost or damaged in that occurrence. The special limits are (unless a higher limit is shown in the Declarations):

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

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

This limitation, **C.3.**, does not apply to Business Income Coverage or to Extra Expense Coverage.

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

- a.** Results in discharge of any substance from an automatic fire protection system; or
- b.** Is directly caused by freezing.

However, this limitation does not apply to Business Income Coverage or to Extra Expense Coverage.

#### **D. Additional Coverage – Collapse**

The coverage provided under this Additional Coverage, Collapse, applies only to an abrupt collapse as described and limited in **D.1.** through **D.7.**

1. For the purpose of this Additional Coverage, 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 Coverage Form or that contains Covered Property insured under this Coverage Form, 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 an insured prior to collapse;
- b.** Insect or vermin damage that is hidden from view, unless the presence of such damage is known to an insured 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.** Use of defective material or methods in construction, remodeling or renovation if the abrupt collapse occurs after the construction, remodeling or renovation is complete, but only if the collapse is caused in part by:

- (1) A cause of loss listed in **2.a.** or **2.b.**;
- (2) One or more of the "specified causes of loss";
- (3) Breakage of building glass;
- (4) Weight of people or personal property; or
- (5) Weight of rain that collects on a roof.

3. This **Additional Coverage – Collapse** does not apply to:

- a.** A building or any part of a building that is in danger of falling down or caving in;
- b.** A part of a building that is standing, even if it has separated from another part of the building; or
- c.** A building that is standing or any part of a building that is standing, even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

4. With respect to the following property:

- a.** Outdoor radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers;

- b. Awnings, gutters and downspouts;
  - c. Yard fixtures;
  - d. Outdoor swimming pools;
  - e. Fences;
  - f. Piers, wharves and docks;
  - g. Beach or diving platforms or appurtenances;
  - h. Retaining walls; and
  - i. Walks, roadways and other paved surfaces;
- if an abrupt collapse is caused by a cause of loss listed in **2.a.** through **2.d.**, we will pay for loss or damage to that property only if:

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

5. If personal property abruptly falls down or caves in and such collapse is **not** the result of abrupt collapse of a building, we will pay for loss or damage to Covered Property caused by such collapse of personal property only if:
- a. The collapse of personal property was caused by a cause of loss listed in **2.a.** through **2.d.**;
  - b. The personal property which collapses is inside a building; and
  - c. The property which collapses is not of a kind listed in **4.**, regardless of whether that kind of property is considered to be personal property or real property.

The coverage stated in this Paragraph **5.** does not apply to personal property if marring and/or scratching is the only damage to that personal property caused by the collapse.

- 6. This Additional Coverage, Collapse, does not apply to personal property that has not abruptly fallen down or caved in, even if the personal property shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.
- 7. This Additional Coverage, Collapse, will not increase the Limits of Insurance provided in this Coverage Part.
- 8. The term Covered Cause of Loss includes the Additional Coverage, Collapse, as described and limited in **D.1.** through **D.7.**

#### **E. Additional Coverage – Limited Coverage For "Fungus", Wet Rot, Dry Rot And Bacteria**

1. The coverage described in **E.2.** and **E.6.** only applies when the "fungus", wet or dry rot or bacteria are the result of one or more of the following causes 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 that occurrence:

- a. A "specified cause of loss" other than fire or lightning; or
- b. Flood, if the Flood Coverage Endorsement applies to the affected premises.

This Additional Coverage does not apply to lawns, trees, shrubs or plants which are part of a vegetated roof.

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

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

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

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

5. The terms of this Limited Coverage do not increase or reduce the coverage provided under Paragraph F.2. (Water Damage, Other Liquids, Powder Or Molten Material Damage) of this Causes Of Loss form or under the Additional Coverage, Collapse.
6. The following, 6.a. or 6.b., applies only if Business Income and/or Extra Expense Coverage applies to the described premises and only if the "suspension" of "operations" satisfies all terms and conditions of the applicable Business Income and/or Extra Expense Coverage Form:
- a. If the loss which resulted in "fungus", wet or dry rot or bacteria does not in itself necessitate a "suspension" of "operations", but such "suspension" is necessary due to loss or damage to property caused by "fungus", wet or dry rot or bacteria, 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. The days need not be consecutive.
  - b. If a covered "suspension" of "operations" was caused by loss or damage other than "fungus", wet or dry rot or bacteria but remediation of "fungus", wet or dry rot or bacteria 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. The days need not be consecutive.

## F. Additional Coverage Extensions

### 1. Property In Transit

This Extension applies only to your personal property to which this form applies.

- a. You may extend the insurance provided by this Coverage Part to apply to your personal property (other than property in the care, custody or control of your salespersons) in transit more than 100 feet from the described premises. Property must be in or on a motor vehicle you own, lease or operate while between points in the coverage territory.
- b. Loss or damage must be caused by or result from one of the following causes of loss:
  - (1) Fire, lightning, explosion, windstorm or hail, riot or civil commotion, or vandalism.
  - (2) Vehicle collision, upset or overturn. Collision means accidental contact of your vehicle with another vehicle or object. It does not mean your vehicle's contact with the roadbed.
  - (3) Theft of an entire bale, case or package by forced entry into a securely locked body or compartment of the vehicle. There must be visible marks of the forced entry.
- c. The most we will pay for loss or damage under this Extension is \$5,000.

This Coverage Extension is additional insurance. The Additional Condition, Coinsurance, does not apply to this Extension.

### 2. Water Damage, Other Liquids, Powder Or Molten Material Damage

If loss or damage caused by or resulting from covered water or other liquid, powder or molten material damage loss occurs, we will also pay the cost to tear out and replace any part of the building or structure to repair damage to the system or appliance from which the water or other substance escapes. This Coverage Extension does not increase the Limit of Insurance.

### 3. Glass

- a. We will pay for expenses incurred to put up temporary plates or board up openings if repair or replacement of damaged glass is delayed.
- b. We will pay for expenses incurred to remove or replace obstructions when repairing or replacing glass that is part of a building. This does not include removing or replacing window displays.

This Coverage Extension **F.3.** does not increase the Limit of Insurance.

### G. Definitions

1. "Fungus" means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.
2. "Specified causes of loss" means the following:
  - a. Sinkhole collapse means the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or dolomite. This cause of loss does not include:
    - (1) The cost of filling sinkholes; or
    - (2) Sinking or collapse of land into man-made underground cavities.
  - b. Falling objects does not include loss or damage to:
    - (1) Personal property in the open; or
    - (2) The interior of a building or structure, or property inside a building or structure, unless the roof or an outside wall of the building or structure is first damaged by a falling object.
  - c. Water damage means:
    - (1) 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; and

- (2) Accidental discharge or leakage of water or waterborne material as the direct result of the breaking apart or cracking of a water or sewer pipe caused by wear and tear, when the pipe is located off the described premises and is connected to or is part of a potable water supply system or sanitary sewer system operated by a public or private utility service provider pursuant to authority granted by the state or governmental subdivision where the described premises are located.

But water damage does not include loss or damage otherwise excluded under the terms of the Water Exclusion. Therefore, for example, there is no coverage under this policy in the situation in which discharge or leakage of water results from the breaking apart or cracking of a pipe which was caused by or related to weather-induced flooding, even if wear and tear contributed to the breakage or cracking. As another example, and also in accordance with the terms of the Water Exclusion, there is no coverage for loss or damage caused by or related to weather-induced flooding which follows or is exacerbated by pipe breakage or cracking attributable to wear and tear.

To the extent that accidental discharge or leakage of water falls within the criteria set forth in **c.(1)** or **c.(2)** of this definition of "specified causes of loss," such water is not subject to the provisions of the Water Exclusion which preclude coverage for surface water or water under the surface of the ground.



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

## LIMITATION ON LOSS SETTLEMENT – BLANKET INSURANCE (MARGIN CLAUSE)

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM  
CONDOMINIUM ASSOCIATION COVERAGE FORM  
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM  
STANDARD PROPERTY POLICY

5

### SCHEDULE

<b>Premises Number:</b>		<b>Building Number:</b>		<b>Margin Clause:</b>	%
<b>Description Of Property:</b>					
<b>Premises Number:</b>		<b>Building Number:</b>		<b>Margin Clause:</b>	%
<b>Description Of Property:</b>					
<b>Premises Number:</b>		<b>Building Number:</b>		<b>Margin Clause:</b>	%
<b>Description Of Property:</b>					
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.					

**A.** This endorsement applies to loss settlement on property that is subject to a Blanket Limit of Insurance.

A Blanket Limit of Insurance is a single Limit of Insurance that applies to any of the following as shown elsewhere in this policy:

1. Two or more buildings;
2. Building and contents;
3. Contents of more than one building; or
4. Contents at more than one premises.

**B. Margin Clause**

With respect to property that is subject to a Blanket Limit of Insurance, we will determine a maximum loss payable for each building and for the contents of each building or the contents at each premises. The maximum loss payable is determined by applying the applicable Margin Clause percentage indicated in the Schedule to the value of the property as shown in the latest statement of values reported to us. If the statement of values does not state individually the value of each building and the value of contents at each building or premises, we will determine individual values as a part of the total reported values prior to application of the Margin Clause percentage.

Actual loss payment will be determined based on the amount of loss or damage subject to all applicable policy provisions including the Limits of Insurance Condition, Coinsurance, Deductible and Valuation Conditions. But the actual loss payment, for each building, for the contents of each building or for the contents at each premises, will not exceed the maximum loss payable as described above and will not exceed the Blanket Limit of Insurance.

The Margin Clause does not increase the Blanket Limit of Insurance.

### C. Examples

**In the following examples, the figures and Margin Clause percentages are used for illustrative purposes only and do not reflect your actual insurance.**

#### EXAMPLE #1

Buildings #1 through #3 are covered under a Blanket Limit of Insurance of \$4,500,000. The combined value of these three buildings at the time of loss is \$5,000,000. There is a Coinsurance requirement of 90% ( $.90 \times \$5,000,000 = \$4,500,000$ ); therefore no Coinsurance penalty.

The value stated for Building #1 is \$1,000,000. **The Margin Clause percentage is 120%. The maximum loss payable for Building #1 is \$1,200,000 ( $\$1,000,000 \times 1.20$ ).**

Building #1 sustains a loss of \$1,200,000.

The Deductible is \$10,000.

Step (1): Amount of loss minus Deductible ( $\$1,200,000 - \$10,000 = \$1,190,000$ )

Step (2): Since \$1,190,000 is not more than the maximum loss payable, we will pay \$1,190,000.

#### EXAMPLE #2

Buildings #1 through #3 are covered under a Blanket Limit of Insurance of \$4,500,000. The coverage in this example is written without a Coinsurance requirement.

The value stated for Building #1 is \$1,000,000. **The Margin Clause percentage is 115%. The maximum loss payable for Building #1 is \$1,150,000 ( $\$1,000,000 \times 1.15$ ).**

Building #1 sustains a loss of \$1,300,000.

The Deductible is \$10,000.

Step (1): Amount of loss minus Deductible ( $\$1,300,000 - \$10,000 = \$1,290,000$ )

Step (2): The result of Step (1) exceeds the maximum loss payable. We will pay \$1,150,000, the maximum loss payable in accordance with the Margin Clause.

#### EXAMPLE #3

Buildings #1 through #3 are covered under a Blanket Limit of Insurance of \$4,000,000. The combined value of these three buildings at the time of loss is \$5,000,000. There is a Coinsurance requirement of 90% ( $.90 \times \$5,000,000 = \$4,500,000$ ); therefore **the Blanket is underinsured and there will be a Coinsurance penalty.**

The value stated for Building #1 is \$1,000,000. **The Margin Clause percentage is 120%. The maximum loss payable for Building #1 is \$1,200,000 ( $\$1,000,000 \times 1.20$ ).**

Building #1 sustains a loss of \$1,200,000.

The Deductible is \$10,000.

Step (1): Amount of Blanket Limit divided by Coinsurance requirement ( $\$4,000,000 \div \$4,500,000 = .889$ )

Step (2): Amount of loss times Coinsurance penalty factor ( $\$1,200,000 \times .889 = \$1,066,800$ ) is the adjusted amount of loss

Step (3): Adjusted amount of loss minus Deductible ( $\$1,066,800 - \$10,000 = \$1,056,800$ )

Step (4): We will pay \$1,056,800 (less than the maximum loss payable). The remainder of the loss, \$143,200, is not covered due to application of the Coinsurance penalty and Deductible.

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

## VALUE REPORTING FORM

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM  
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM  
STANDARD PROPERTY POLICY

One or more of the following symbols will be shown in the Declarations in place of a Coinsurance percentage: DR, WR, MR, QR, PR. For an explanation of these symbols, refer to "Reporting Period" under Section **D.** – Definitions.

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### A. Additional Covered Property

1. Covered Property is extended to include personal property at the following types of locations for which a Limit of Insurance is shown in the Declarations or on the Reported – Acquired – Incidental Locations Schedule:

- a. "Reported locations";
- b. "Acquired locations"; and
- c. "Incidental locations".

2. The following is added to Property Not Covered:

Covered Property does not include property at fairs or exhibitions.

### B. Reporting Provisions

For Covered Property to which this endorsement applies:

#### 1. Reports Of Values

- a. You must file a report with us following each "reporting period" and at expiration, in accordance with **b.** or **c.** below, showing the values of Covered Property separately at each location. Each report must show the values that existed on the dates required by the "reporting period"; these dates are the report dates.
- b. If this policy is a renewal of a value reporting form policy we previously issued, you must file a report with us within 30 days of the end of each "reporting period" and at expiration.
- c. If coverage was not previously issued by us on a value reporting form basis and:
  - (1) Reporting Period symbol DR (Daily), WR (Weekly) or MR (Monthly) is shown in the Declarations, you must:

- (a) File the first report with us within 60 days of the end of the first "reporting period"; and

- (b) File the second report with us within 30 days of the end of the second "reporting period", concurrent with submission of the first report; and

- (c) File each subsequent report with us within 30 days of the end of each subsequent "reporting period" and at expiration.

- (2) Reporting Period symbol QR (Quarterly) is shown in the Declarations and the inception date of the policy falls in March, June, September or December, you must:

- (a) File the first report with us within 60 days of the end of the first "reporting period"; and

- (b) File each subsequent report with us within 30 days of the end of each subsequent "reporting period" and at expiration.

- (3) Reporting Period symbol QR (Quarterly) is shown in the Declarations and the inception date of the policy does **not** fall in March, June, September or December, you must file a report with us within 30 days of the end of each "reporting period" and at expiration.

- (4) Reporting Period symbol PR (Policy Year) is shown in the Declarations, you must file a report with us within 30 days of the end of each "reporting period" and at expiration.

- d. For property at "incidental locations", your reports must show separately the entire values in each state.

- e. You may not correct inaccurate reports after loss or damage.

## 2. Full Reporting

The **Coinsurance** Additional Condition is replaced by the following:

### COINSURANCE

- a. If your report of values for a location where loss or damage occurs, for the last "reporting period" before loss or damage, shows less than the full value of the Covered Property at that location on the report dates, we will pay only a proportion of the loss. The proportion of loss payable, prior to application of the deductible, will not be greater than the proportion determined by:
  - (1) The values you reported for the location where the loss or damage occurred, divided by
  - (2) The value of the Covered Property at that location on the report dates.
- b. For locations you acquire after the last report of values, we will not pay a greater proportion of loss, prior to the application of the deductible, than the proportion determined by:
  - (1) The values you reported for all locations, divided by
  - (2) The value of the Covered Property at all locations on the report dates.

#### Example of Under Reporting:

If: The values reported are	\$ 90,000
The actual values on the report dates were	\$ 120,000
The deductible is	\$ 250
The amount of loss is	\$ 60,000

Step a:  $\$90,000 \div \$120,000 = .75$

Step b:  $.75 \times \$60,000 = \$45,000$

Step c:  $\$45,000 - \$250 = \$44,750$

The most we will pay is \$44,750. The remaining \$15,250 is not covered.

## 3. Reports In Excess Of Limit Of Insurance

If the values you report exceed the Limit of Insurance:

- a. We will determine final premium based on all the values you report, less "specific insurance";
- b. In the event of loss or damage, we will not pay more than the Limit of Insurance applicable to the Covered Property.

## 4. Failure To Submit Reports

If at the time of loss or damage you have failed to submit:

- a. The first required report of values:
  - (1) We will not pay more than 75% of the amount we would otherwise have paid; and
  - (2) We will only pay for loss or damage at locations shown in the Declarations.
- b. Any required report of values after the first required report:
  - (1) We will not pay more for loss or damage at any location than the values you last reported for that location; and
  - (2) We will only pay for loss or damage at locations reported in your last report filed before the loss.

## 5. Treatment Of "Specific Insurance"

- a. You must include the amount of all "specific insurance" in your reports of value.
- b. We will subtract the value of "specific insurance" from your values when computing advance and final premium under this endorsement.

#### Example:

If: The value of the property is	\$ 400,000
The amount of "specific insurance" is	\$ 50,000
The Limit of Insurance under this form is	\$ 300,000
Your report of values should show:	
Value of Property	\$ 400,000
Amount of "Specific Insurance"	\$ 50,000
Difference	\$ 350,000

We will compute final premium based on the values in excess of reported "specific insurance" during the policy year.

- c. Subject to all other applicable provisions of this policy, including the applicable Limit of Insurance, the most we will pay is that portion of the loss that exceeds the sum of (1) and (2) below:
  - (1) The amount due from "specific insurance", whether you can collect on it or not; plus
  - (2) The amount of any deductible applying to such "specific insurance".

## Examples

The following examples assume that the Reporting Provisions applicable to this form have been complied with.

If: the amount of the "specific insurance" is \$50,000;  
the Limit of Insurance under this form is \$300,000;  
the Deductible applicable to the "specific insurance" is \$5,000; and  
the Deductible applicable to this insurance is \$1,000;

we will determine the most we will pay as follows:

### Example #1

("Specific insurance" **not** subject to a coinsurance requirement.)

Amount of loss	\$300,000
Deductibles	
"Specific Insurance"	\$ 5,000
This insurance	\$ 1,000
Amount due from	
"Specific Insurance"	<u>\$50,000*</u>
	\$56,000 – \$ 56,000

The most this insurance will pay \$244,000

The most payable, combined, from the "specific insurance" and this insurance is \$294,000 (\$50,000 + \$244,000). The remainder of the loss, \$6,000, is not covered.

### Example #2

("Specific insurance" subject to 100% coinsurance requirement. Value of property at time of loss is \$350,000.)

Amount of loss	\$300,000
Deductibles	
"Specific Insurance"	\$ 5,000
This insurance	\$ 1,000
Amount due from	
"Specific Insurance"	<u>\$37,900*</u>
	\$43,900 – \$ 43,900

The most this insurance will pay \$256,100

The most payable, combined, from the "specific insurance" and this insurance is \$294,000 (\$37,900 + \$256,100). The remainder of the loss, \$6,000, is not covered.

### Example #3

("Specific insurance" subject to 100% coinsurance requirement. Value of property at time of loss is \$370,000.)

Amount of loss	\$360,000
Deductibles	
"Specific Insurance"	\$ 5,000
This insurance	\$ 1,000
Amount due from	
"Specific Insurance"	<u>\$43,600*</u>
	\$49,600 – \$ 49,600
	\$310,400

The most this insurance will pay is \$300,000 (the Limit of Insurance).

The most payable, combined, from the "specific insurance" and this insurance is \$343,600 (\$43,600 + \$300,000). The remainder of the loss, \$16,400, is not covered.

**\*The amount due from "specific insurance" will vary based on such factors as the amount of loss, the value of property at time of loss, and the coinsurance requirement, if any, applicable under the policy providing "specific insurance".**

### C. Premium Adjustment

For Covered Property to which this endorsement applies:

1. The premium charged at the inception of each policy year is an advance premium. We will determine the final premium for this insurance after the policy year, or expiration, based on the average of your reports of value.
2. Based on the difference between the advance premium and the final premium, for each policy year, we will:
  - a. Charge additional premium; or
  - b. Return excess premium.

The due date for any additional premium is the date shown as the due date on the bill.

### D. Definitions

1. **"Acquired Locations"** means any locations in the policy territory acquired after the inception of the coverage under this endorsement.
2. **"Incidental Locations"** means any locations not shown in the Declarations, other than "acquired locations" and "reported locations", with values of \$25,000 or less.

3. **"Reported Locations"** means any locations, other than those shown in the Declarations, that have been reported to us at the inception of the coverage under this endorsement.
4. **"Reporting Period"** means the period of time for which new reports of value are due, as shown by a symbol in the Declarations. If the symbol is:
- a. DR (Daily), reports must show values as of each day; but the "reporting period" ends on the last day of the month.
  - b. WR (Weekly), reports must show values as of the last day of each week; but the "reporting period" ends on the last day of the month.
  - c. MR (Monthly), reports must show values as of the last day of the month; and the "reporting period" ends on the last day of each month.
  - d. QR (Quarterly), reports must show values as of the last day of each month; but the "reporting period" ends on the last day of:
    - (1) March;
    - (2) June;
    - (3) September; and
    - (4) December.
  - e. PR (Policy Year), reports must show values as of the last day of each month; but the "reporting period" ends on the policy anniversary date.
5. **"Specific Insurance"** means other insurance that:
- a. Covers the same Covered Property to which this endorsement applies; and
  - b. Is not subject to the same plan, terms, conditions and provisions as this insurance, including this endorsement.

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

## **BUSINESS INCOME FROM DEPENDENT PROPERTIES – BROAD FORM**

This endorsement modifies insurance provided under the following:

BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM  
BUSINESS INCOME (WITHOUT EXTRA EXPENSE) COVERAGE FORM

### **SCHEDULE**

**5**

<b>Name And Describe Occupancy And Location</b>
<b>Contributing Locations:</b>
<b>Secondary Contributing Locations (Not Named):</b> <input type="checkbox"/>
<b>Recipient Locations:</b>
<b>Secondary Recipient Locations (Not Named):</b> <input type="checkbox"/>
<b>Manufacturing Locations:</b>
<b>Leader Locations:</b>
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.



**A.** 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 "dependent property" at the premises described in the Schedule caused by or resulting from a Covered Cause of Loss. However, coverage under this endorsement does not apply when the only loss to "dependent property" is loss or damage to electronic data, including destruction or corruption of electronic data. If the "dependent property" sustains loss or damage to electronic data and other property, coverage under this endorsement will not continue once the other property is repaired, rebuilt or replaced. The term electronic data has the meaning set forth in the Coverage Form to which this endorsement applies.

**B.** The provisions of the Business Income Coverage Form respecting direct physical loss or damage at the described premises, including the applicable Limit of Insurance, will apply separately to each "dependent property" described in the Schedule.

**C. Secondary Dependencies – Contributing And Recipient Locations**

**1.** If the Schedule shows applicability of coverage for a "secondary contributing location", then the following applies, subject to Paragraphs **C.3.** and **C.4.**:

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 a "secondary contributing location", caused by or resulting from a Covered Cause of Loss, which in turn results in partial or complete interruption of the materials or services provided to you by the "dependent property" described in the Schedule, thereby resulting in the "suspension" of your "operations".

**2.** If the Schedule shows applicability of coverage for a "secondary recipient location", then the following applies, subject to Paragraphs **C.3.** and **C.4.**:

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 a "secondary recipient location", caused by or resulting from a Covered Cause of Loss, which in turn results in partial or complete interruption of the acceptance of your materials or services by the "dependent property" described in the Schedule, thereby resulting in the "suspension" of your "operations".

**3.** Coverage under this endorsement does not apply when the only loss at the "secondary contributing location" or "secondary recipient location" is loss or damage to electronic data, including destruction or corruption of electronic data. If the "secondary contributing location" or "secondary recipient location" sustains loss or damage to electronic data and other property, coverage under this endorsement will not continue once the other property is repaired, rebuilt or replaced. The term electronic data has the meaning set forth in the Coverage Form to which this endorsement applies.

**4.** With respect to a "suspension" of your "operations" covered under this provision, **C.**, the maximum amount payable is the Business Income Limit of Insurance. This provision, **C.**, does not increase the Business Income Limit of Insurance, as any amount payable under this provision is considered part of, not in addition to, such Limit of Insurance, even if the "suspension" of your "operations" is caused by direct physical loss of or damage to "dependent property" and property at one or more "secondary contributing locations" or "secondary recipient locations".



**D. The following is added to **Additional Coverages:****

**Miscellaneous Locations**

We will pay for the actual loss of Business Income you sustain due to direct physical loss or damage at the premises of a "dependent property" not described in the Schedule (miscellaneous location) caused by or resulting from any Covered Cause of Loss. A road, bridge, tunnel, waterway, airfield, pipeline or any other similar area or structure is not a miscellaneous location.

Under this Additional Coverage – Miscellaneous Locations, we will not pay more than .03% of the Business Income Limit of Insurance for each day's "suspension" of "operations" due to loss arising from any one location. This Additional Coverage – Miscellaneous Locations does not increase the Business Income Limit of Insurance; any amount payable under this provision is considered part of, not in addition to, such Limit of Insurance, even if the "suspension" of your "operations" is caused by direct physical loss of or damage to "dependent property" and property at one or more miscellaneous locations.

This Additional Coverage – Miscellaneous Locations does not apply to a "secondary contributing location" or "secondary recipient location" when coverage is provided under this endorsement for such secondary locations.

**E. Under the **Loss Determination** Loss Condition, the following is added to the **Resumption Of Operations** Provision:**

We will reduce the amount of your Business Income loss, other than Extra Expense, to the extent you can resume "operations", in whole or in part, by using any other available:

1. Source of materials; or
2. Outlet for your products.

**F. The following is added to the **Definitions** section:**

1. "Dependent property" means property operated by others whom you depend on to:
  - a. Deliver materials or services to you, or to others for your account (Contributing Locations). But any property which delivers any of the following services is not a Contributing Location with respect to such services:
    - (1) Water supply services;
    - (2) Power supply services;
    - (3) Wastewater removal services; or

- (4) Communication supply services, including services relating to Internet access or access to any electronic network;

- b. Accept your products or services (Recipient Locations);
- c. Manufacture products for delivery to your customers under contract of sale (Manufacturing Locations); or
- d. Attract customers to your business (Leader Locations).

**2. "Period of restoration", with respect to "dependent property" (or "secondary contributing location" or "secondary recipient location"), means the period of time that:**

- a. Begins 72 hours after the time of direct physical loss or damage caused by or resulting from any Covered Cause of Loss at the premises of the "dependent property" (or "secondary contributing location" or "secondary recipient location"); and
- b. Ends on the date when the property at the premises of the "dependent property" (or "secondary contributing location" or "secondary recipient location") should be repaired, rebuilt or replaced with reasonable speed and similar quality.

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

- a. Regulates the construction, use or repair, or requires the tearing down, of any property; or
- b. Requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to or assess the effects of "pollutants".

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

3. "Secondary contributing location" is an entity which:
  - a. Is not identified in the Schedule;
  - b. Is not owned or operated by the Contributing Location identified in the Schedule; and
  - c. Delivers materials or services to the Contributing Location identified in the Schedule, which in turn are used by that Contributing Location in providing materials or services to you.

A road, bridge, tunnel, waterway, airfield, pipeline or any other similar area or structure is not a "secondary contributing location".

Any property which delivers any of the following services is not a "secondary contributing location" with respect to such services:

- (1) Water supply services;
- (2) Power supply services;
- (3) Wastewater removal services; or
- (4) Communication supply services, including services relating to Internet access or access to any electronic network.

4. "Secondary recipient location" is an entity which:

- a. Is not identified in the Schedule;
- b. Is not owned or operated by the Recipient Location identified in the Schedule; and

c. Accepts materials or services from the Recipient Location identified in the Schedule, which in turn accepts your materials or services.

A road, bridge, tunnel, waterway, airfield, pipeline or any other similar area or structure is not a "secondary recipient location".

G. With respect to the coverage provided under this endorsement, the following supersedes any provision to the contrary:

We do not cover loss of Business Income arising out of loss or damage at the premises of a "dependent property", "secondary contributing location", "secondary recipient location" or miscellaneous location which is located outside the Coverage Territory.

