



## **COMMERCIAL INSURANCE**

A Custom Insurance Policy Prepared for:

ASSOCIATION OF BAY AREA  
GOVERNMENTS PLAN CORP.  
P.O. BOX 2050  
OAKLAND, CA 94604-2050

**Presented by: ARTHUR J GALLAGHER CO**

BOILER & MACHINERY  
COMMON POLICY DECLARATIONS  
ISSUE DATE : 07/22/98

POLICY NUMBER: M5J-BMG-992K4787-TIL-98

1. NAMED INSURED AND MAILING ADDRESS:  
ASSOCIATION OF BAY AREA  
GOVERNMENTS PLAN CORP.  
P.O. BOX 2050  
OAKLAND, CA 94604-2050

2. POLICY PERIOD: From 07/01/98 to 07/01/01 12:01 A.M. Standard Time at  
your mailing address.

3. LOCATIONS  
Premises Bldg.  
Loc. No. No. Occupancy Address

ON FILE WITH COMPANY

4. COVERAGE PARTS FORMING PART OF THIS POLICY AND INSURING COMPANIES:  
BOILER AND MACHINERY COV PART DECLARATIONS BM TO 01 08 96 TIL

5. NUMBERS OF FORMS AND ENDORSEMENTS  
FORMING A PART OF THIS POLICY: SEE IL T8 01 10 93

6. SUPPLEMENTAL POLICIES: Each of the following is a separate policy  
containing its complete provisions:  
Policy Policy No. Insuring Company

7. PREMIUM SUMMARY:  
Provisional Premium \$ 52,072  
Due at Inception \$ 52,072  
Due at Each \$

PREMIUM SHOWN IS FOR FIRST YEAR ONLY (07/01/98 TO 07/01/99)  
EACH ANNIVERSARY THEREAFTER SHALL BE SUBJECT TO RERATE

NAME AND ADDRESS OF AGENT OR BROKER:  
ARTHUR J GALLAGHER CO (G8460)  
INTERN'L SPECIAL RISK SVCS INC  
TWO PIERCE PLACE 20TH FLOOR  
ITASCA, IL 601433141

COUNTERSIGNED BY:

\_\_\_\_\_  
Authorized Representative  
DATE: \_\_\_\_\_

**ANNIVERSARY ENDORSEMENT**

NAMED INSURED: ABAG PLAN CORPORATION

POLICY NUMBER: M5J-BMG-993K3237-TIL-99  
POLICY EFFECTIVE DATE: 07-01-99  
POLICY EXPIRATION DATE: 07-01-02  
ISSUE DATE: 07-06-00

Anniversary Provisional Premium: \$ 48,913  
Due at Anniversary: \$ 48,913  
Due at each: \$

Effective from 07-01-00 at the time of day the policy becomes effective.

THIS INSURANCE IS AMENDED AS FOLLOWS:

THE PROVISIONAL PREMIUM FOR THE SECOND YEAR ( 07-01 -00 TO 07-01 -01 ) OF YOUR THREE YEAR POLICY IS \$ 48,913. THIS PREMIUM REFLECTS ALL MID-TERM ACTIVITY WHICH HAS OCCURRED PRIOR TO AND AT THE TIME OF THIS ANNIVERSARY. AN EXPLANATION OF ANNIVERSARY CHANGES (IF APPLICABLE) ARE LISTED BELOW.

IT IS UNDERSTOOD AND AGREED THAT THE EXCLUSION OF CERTAIN COMPUTER-RELATED LOSSES DUE TO DATES OR TIMES ENDORSEMENT IS ADDED TO THIS POLICY.

NAME AND ADDRESS OF AGENT OR BROKER:  
ARTHUR J GALLAGHER CO (G8460)  
INTERN'L SPECIAL RISK SVCS INC  
TWO PIERCE PLACE 20TH FLOOR  
ITASCA, IL 601433141

COUNTERSIGNED BY:

\_\_\_\_\_  
Authorized Representative

DATE: \_\_\_\_\_

Office: CHICAGO

**BOILER AND MACHINERY  
COVERAGE PART DECLARATIONS**

**POLICY NUMBER:** M5J-BMG-993K3237-TIL-99  
**ISSUE DATE:** 07-06-00

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**COMPREHENSIVE EQUIPMENT COVERAGE**

**EFFECTIVE DATE:** Same as policy unless otherwise specified:

**COVERAGES, LIMITS OF INSURANCE AND OPTIONS** - Insurance applies only to a coverage for which a limit or "Included" is shown.

**1. THESE DECLARATIONS APPLY TO ALL LOCATIONS COVERED BY THIS POLICY  
EXCEPTIONS:**

**2. DEFINITION OF "OBJECT":**

INCLUDES **PRODUCTION MACHINES**

**3. COVERAGES AND LIMITS:**

<b>COVERAGES</b>	<b>LIMITS</b>
Limit Per Accident: \$	50,000,000
Expediting Expenses: \$	COMBINED WITH/PD
Business Income: \$	COMBINED WITH/PD
Extra Expense: \$	COMBINED WITH BII
Spoilage: \$	COMBINED WITH/PD
Off Premises Service Interruption: \$	COMBINED WITH/PD
Ammonia Contamination: \$	COMBINED WITH/PD
Water Damage: \$	COMBINED WITH/PD
Hazardous Substances: \$	2,000,000
Ordinance or Law: \$	1,000,000
"Media": \$	500,000
Brands and Labels: \$	COMBINED WITH/PD
Newly Acquired Locations: \$	COMBINED WITH/PD
Error in Description: \$	COMBINED WITH/PD

**4. DEDUCTIBLES**

Damage to Covered Property: \$	5,000
Business Income: \$	COMBINED WITH/PD
Extra Expense: \$	COMBINED WITH BII
Spoilage: \$	COMBINED WITH/PD
Off Premises Service Interruption: \$	4 HOURS
Ammonia Contamination: \$	COMBINED WITH/PD
Other Deductibles: \$	

**5. OTHER CONDITIONS**

Notice of Cancellation: 90 Days  
Newly Acquired Locations: Up to a Maximum of 3G5 Days  
Y2K ENDORSEMENT INCLUDED

**6. NUMBERS OF FORMS, SCHEDULES AND ENDORSEMENTS FORMING PART OF THIS  
COVERAGE PART ARE ATTACHED AS A SEPARATE LISTING.**

**POLICY NUMBER:** M5J-BMG-993K3237-TIL-99

**EFFECTIVE DATE:** 07-01 -00

**ISSUE DATE:** 07-06-00

LISTING OF FORMS, ENDORSEMENTS AND SCHEDULE NUMBERS

THIS LISTING SHOWS THE NUMBER OF FORMS, SCHEDULES AND ENDORSEMENTS WHICH ARE NEW OR REVISED BY LINE OF BUSINESS.

INTERLINE

IL TO 37 01 96	ANNIVERSARY ENDORSEMENT
IL T8 01 10 93	FORMS, ENDORSEMENTS AND SCHEDULE NUMBERS

BOILER AND MACHINERY

BM AO 15 08 96	ENERGY MAX DEC
PN Ti 89 OG 99	JURISDICTIONAL INSPECTIONS NOTICE

INTERLINE ENDORSEMENTS

IL 01 03 06 99	CALIFORNIA CHANGES - ACTUAL CASH VALUE
IL 02 70 07 99	CA CHANGES-CANCELLATION & NON-RENEWAL IL
T3 55 08 98	EXCL OF CERTAIN COMPUTER REL LOSSES

THIS LISTING SHOWS THE NUMBER OF FORMS, SCHEDULES AND ENDORSEMENTS WHICH HAVE BEEN DELETED BY LINE OF BUSINESS.

INTERLINE ENDORSEMENTS

IL 02 70 04 98	CA CHANGES-CANCELLATION & NON-RENEWAL
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(Each a Stock Insurance Company)  
Hartford, CT 06183

## COMMON POLICY CONDITIONS AND COMPANY STATEMENT

### COMPANY STATEMENT

In return for payment of the premium, The Travelers agrees with the Named Insured to provide the insurance indicated. That insurance will be provided by the company indicated in the declarations. References in this policy to "The Travelers," "we," "us," or "our" means the company.

The companies listed below (each a stock company) have executed this policy, but it is valid only if countersigned by our authorized representative.

The Travelers Indemnity Company (IND)  
The Phoenix Insurance Company (PHX)  
The Charter Oak Fire Insurance Company (COF)

The Travelers Indemnity Company of Illinois (TIL)  
The Travelers Indemnity Company of Connecticut (TCT)  
The Travelers Indemnity Company of America (TIA)  
The Travelers Insurance Company (INS)

Secretary

Executive Vice President

### COMMON POLICY CONDITIONS

#### A. CANCELLATION

1. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us 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. If the policy is cancelled, That date will become the end of the policy period.

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 as 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.

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### D. INSPECTIONS AND SURVEYS

We have the right but are not obligated to:

1. Make inspections and surveys at any time;
2. Give you reports on the conditions we find;  
and
3. Recommend changes.

Any inspections, surveys, reports or recommendations 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:

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

This condition applies not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.

### E. PREMIUMS

1. The first Named Insured shown in the Declarations:

- a. Is responsible for the payment of all premiums; and

- b. Will be the payee for any return premiums we pay.

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

### F. 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.

**COMPREHENSIVE EQUIPMENT COVERAGE FORM TABLE OF CONTENTS**

Declarations and Endorsements that may also be attached to your policy are not included in this Table of Contents.

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## COMPREHENSIVE EQUIPMENT 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 identified on the Declarations which is providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section G - DEFINITIONS.

### A. COVERAGE

We will pay for direct damage to Covered Property caused by a Covered Cause of Loss.

#### 1. Covered Property

Covered Property, as used in this Coverage Part, means any property that:

- a. You own; or
- b. Is in your care, custody or control and for which you are liable

while at a location described in the Declarations.

#### 2. Covered Cause of Loss

A Covered Cause of Loss is an "accident" to an "object."

#### 3. Defense and Supplementary Payments

- a. If a claim or "suit" is brought against you alleging that you are liable for damage to property of another in your care, custody or control, that was directly caused by an "accident" to an "object," we will either:

- (1) Settle the claim or "suit," or
- (2) Defend you against the claim or "suit" but keep for ourselves the right to settle it at any point.

- b. We will pay, with respect to any claim or any "suit" we defend:

- (1) All expenses we incur;
- (2) The cost of bonds to release attachments. We do not have to furnish these bonds;
- (3) All reasonable expenses incurred by you at our request to assist us in the investigation or defense of the claim or "suit," including actual loss of earnings up to \$250 a day because of time off from work;
- (4) All costs taxed against you in any

"suit" we defend;

- (5) Pre-judgment interest awarded against you on that part of the judgment we pay. If we make an offer to pay the applicable limits, we will not pay any pre-judgment interest based on that period of time after the offer; and
- (6) All interest on the full amount of any judgment that accrues after entry of the judgment and before we have paid, offered to pay, or deposited in court the part of the judgment that is within the applicable limits.

#### 4. Coverage Extensions

You may extend the insurance provided by this Coverage Part as follows:

##### a. Expediting Expenses

With respect to your damaged Covered Property, we will pay the reasonable extra cost to:

- (1) Make temporary repairs; and
- (2) Expedite permanent repairs or replacement.

##### b. Business Income

- (1) We will pay your actual loss of "business income" from a total or partial interruption of business caused solely by an "accident" to an "object" as described in (3) below.
- (2) We will also pay any necessary expenses you incur to reduce the amount of loss under this Coverage Extension. We will pay for such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this Coverage Extension.
- (3) The "object" must either be Covered Property or be property of others

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that is:

- (a) located on or within 500 feet of a location insured under this Coverage Part; and
  - (b) Used to supply electrical power, communications services, air conditioning, heating, gas, water or steam to the described premises.
- (4) The "accident" must occur during the Policy Period, but expiration of the policy does not limit our liability under this coverage.

### c. Extended Business Income

We will pay your actual loss of "business income" from a total or partial interruption of business caused solely by an "accident" to an "object" and incurred during the period that:

- (1) Begins on the date property is actually repaired, rebuilt or replaced and operations are resumed; and
- (2) Ends on the earlier of:
  - (a) The date you could restore your operations with reasonable speed, to the condition that would have existed if no direct physical loss or damage had occurred; or
  - (b) Unless otherwise stated in the Declarations, 30 consecutive days after the date determined in (1) above.

### d. Extra Expense

- (1) We will pay the reasonable "extra expense" to operate your business during a total or partial interruption of business caused solely by an "accident" to an "object" as described in (2) below.
- (2) The "object" must either be Covered Property or be property of others that is:
  - (a) located on or within 500 feet of a location insured under this Coverage Part; and
  - (b) Used to supply electrical power, communications services, air conditioning, heating, gas, water or steam to the described premises.

- (3) The "accident" must occur during the Policy Period, but expiration of the policy does not limit our liability under this coverage.

### e. Spoilage

- (1) We **will** pay for your loss of perishable goods due to spoilage resulting from lack of power, light, heat, steam or refrigeration caused solely by an "accident" to an "object" as described in (3) below.
- (2) We **will** also pay any necessary expenses you incur to reduce the amount of loss under this Coverage Extension. We will pay for such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this Coverage Extension.
- (3) The "object" must either be Covered Property or be property of others that is:
  - (a) located on or within 500 feet of a location insured under this Coverage Part; and
  - (b) Used to supply electrical power, communications services, air conditioning, heating, gas, water or steam to the described premises.
- (4) The "accident" must occur during the Policy Period, but expiration of the policy does not limit our liability under this coverage.

### f. Off Premises Service Interruption

- (1) You may extend the insurance provided by the Coverage Extensions-Business Income, Extra Expense and Spoilage to loss caused solely by an "accident" to an "object" as described in (2) below.
- (2) The "object" must be:
  - (a) Located more than 500 feet from a location insured under this Coverage Part; and
  - (b) Used to supply electrical power, communications services, air conditioning, heating, gas, water or steam to the described premises.
- (3) The "accident" must occur during the

Policy Period, but expiration of the policy does not limit our liability under this coverage.

**g. Ammonia Contamination**

We will pay for direct damage to Covered Property contaminated by ammonia as a result of an "accident" to an "object."

**h. Water Damage**

We will pay for direct damage to Covered Property by water as a result of an "accident" to an "object" that is part of an air conditioning system.

**i. Hazardous Substances**

We will pay for direct damage to buildings and personal property that are Covered Property and are contaminated by a Hazardous Substance as a result of an "accident" to an "object."

If applicable, we will also pay for loss under the Coverage Extensions- Business Income and Extra Expense caused by such contamination.

As used above, Hazardous Substance shall mean any substance other than ammonia that has been declared to be hazardous to health by a governmental agency.

**j. Ordinance or Law (including Demolition and Increased Cost of Construction)**

The following applies despite the operation of the Ordinance or Law Exclusion.

If an "accident" to an "object" damages a building that is Covered Property, we will pay:

- (1) For loss or damage caused by enforcement of any ordinance or law that:
  - (a) Requires the demolition of parts of the same property not damaged by the "accident";
  - (b) Regulates the construction or repair of buildings, or establishes zoning or land use requirements at the described premises; and
  - (c) Is in force at the time of the "accident."
- (2) The increased cost to repair, rebuild or construct the property caused by

enforcement of building, zoning or land use ordinance or law. If the property is repaired or rebuilt, it must be intended for similar use or occupancy as the current property, unless otherwise required by zoning or land use ordinance or law.

- (3) The cost to demolish and clear the site of undamaged parts of the property caused by enforcement of the building, zoning, or land use ordinance or law.

This extension of coverage does not apply to any increase in loss due to a substance declared to be hazardous to health by a governmental agency.

We will not pay for increased construction costs until the property is actually repaired or replaced.

**k. "Media"**

We will pay for "media" directly damaged by an "accident" to an "object."

**l. Brands and Labels**

If branded or labeled merchandise that is Covered Property is damaged by an "accident" to an "object," but retains a salvage value, you may, at your expense:

- (1) Stamp the word SALVAGE on the merchandise or its containers if the stamp will not physically damage the merchandise; or
- (2) Remove the brands or labels, if doing so will not physically damage the merchandise. You must re-label the merchandise or its containers to comply with the law.

We will pay for any reduction in value of the salvage merchandise resulting from either of these two actions.

**m. Newly Acquired Locations**

You may extend the insurance provided by this Coverage Part to a newly acquired location that you have purchased or leased. This automatic coverage begins at the time you acquire the property and is subject to the following conditions:

- (1) You agree to pay an additional premium as determined by us. Such

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additional premium will be computed from the date of acquisition.

- (2) Insurance under this Coverage Extension for each newly acquired location will end when any of the following first occurs:
  - (a) This Policy expires;
  - (b) The number of days specified in the Declarations for this coverage expire after you acquire the location;
  - (c) You report the location to us; or
  - (d) The location is more specifically insured.
- (3) Insurance under this Coverage Part for such locations will be subject to the same conditions, exclusions and limitations as other insured locations. If deductibles vary by location, the highest deductibles will apply.

### n. Error in Description

We will pay your loss covered by this Coverage Part if such loss is otherwise not payable solely because of any unintentional error or omission in the description of a location as insured under this Coverage Part.

You agree to give us prompt notice of any correction or addition to the description of a location insured under this Coverage Part.

## 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

Any increase in loss caused by or resulting from enforcement of any ordinance, law, regulation, rule or ruling regulating or restricting repair, replacement, alteration, use, operation, construction or installation, except as provided under the Coverage Extensions -Ordinance or Law (Including Demolition and Increased Cost of Construction) and Hazardous Substances.

### b. Nuclear Hazard

Loss caused by or resulting from nuclear reaction or radiation, or radioactive contamination, however caused.

### c. 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.

### d. Earth Movement

Earth movement, including but not limited to earthquake, mine subsidence, landslide, mudslide or volcanic eruption.

2. We will not pay for loss or damage caused by or resulting from any of the following:
  - a. An explosion. However, we will pay for loss caused by or resulting from an explosion of an "object" of a kind described below:

Explosion of any:

    - (1) Steam boiler;
    - (2) Electric steam generator;
    - (3) Steam piping;
    - (4) Steam turbine;
    - (5) Steam engine;
    - (6) Gas turbine; or
    - (7) Moving or rotating machinery when such explosion is caused by centrifugal force or mechanical breakdown;
  - b. Fire or explosion that occurs at the same time as an "accident" or that ensues from an "accident." With respect to any electrical equipment forming a part of an "object," this exclusion is changed to read:

Fire or explosion outside the "object" that occurs at the same time as an "accident" or ensues from an "accident."
  - c. Explosion of gas or unconsumed fuel

within the furnace of any boiler or fired vessel or within the gas passages from that furnace to the atmosphere;

- d. An "accident" that is the direct or indirect result of an explosion or fire;
  - e. An "accident" that is the direct or indirect result of the following, if such loss is covered by another policy of insurance in force at the time of the loss:
    - (1) Lightning;
    - (2) Wind, Hail, Weight of Snow, Ice or Sleet, Riot, Civil Commotion, Vandalism, Vehicles, Falling Objects, Aircraft, Smoke, Collapse, Water Damage, Rising Water or Flood;
    - (3) Freeze arising from weather conditions;
  - f. Water or other means used to extinguish a fire, even when such an attempt is unsuccessful;
 

Lack of power, light, heat, steam or refrigeration, except as provided in the Coverage Extensions- Business Income, Extra Expense, Off Premises Service Interruption and Spoilage;
  - h. Damage to property contaminated by Ammonia, except as provided in the Coverage Extension -Ammonia Contamination;
  - i. Damage to property by water as a result of an "accident" to an "object" that is part of an air conditioning system, except as provided in the Coverage Extension -Water Damage;
  - j. Loss to "media," however caused, except as provided in the Coverage Extension "Media";
  - k. Any of the following tests:
    - (1) A hydrostatic, pneumatic or gas pressure test of any boiler, fired vessel or electrical steam generator; or
    - (2) An insulation breakdown test of any type of electrical or electronic "object."
3. With respect to the Coverage Extensions Business Income, Extra Expense and Off Premises Service Interruption, we will not pay for:

- a. The interruption of business that would not or could not have been carried on if the "accident" had not occurred;
  - b. Your failure to use due diligence and dispatch and all reasonable means to resume business at the described premises;
  - c. That part of any loss or expense that is due solely to the suspension, lapse or cancellation of a contract following an "accident" extending beyond the time business could have resumed if the contract had not lapsed, been suspended or cancelled;
  - d. 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;
  - e. Delay in resuming operations due to the need to reconstruct or reinput data or programs on "media"; or
  - f. Any continuing loss extending beyond the date the damaged property is repaired or replaced, except as provided in the Coverage Extension -Extended Business Income.
4. With respect to the Coverage Extension Spoilage, we will not pay for loss or damage as a result of your failure to use all reasonable means to protect the perishable goods from damage following an "accident."
5. With respect to the Coverage Extension-Off Premises Service Interruption, we will not pay for loss caused by or resulting from:
- a. An "accident" caused by Lightning, Wind, Hail, Weight of Snow, Ice or Sleet, Riot, Civil Commotion, Vandalism, Vehicles, Falling Objects, Aircraft, Smoke, Collapse, Water Damage, Rising Water or Flood;
  - b. Any interruption of service lasting less than 8 hours; or
  - c. A deliberate act or acts by a supplying utility to shed load to maintain system integrity.

**C. LIMITS OF INSURANCE**

Any payment made under this Coverage Part will not be increased if more than one insured is

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shown in the Declarations.

### 1. Limit Per Accident

The most we will pay for loss and expense arising from any "one accident" is the amount shown as the Limit Per Accident in the Declarations. This limit applies to all coverages under this Coverage Part, including Coverage Extensions. However, costs we incur under the Defense and Supplemental Payments coverage shall not reduce the available Limit Per Accident.

### 2. Coverage Extension Limits

The limit of your insurance under each of the Coverage Extensions from loss or expense arising from any "one accident" is the amount shown in the Declarations for that Coverage Extension. If an amount of time is shown, coverage under that Coverage Extension will continue for that amount of time immediately following the "accident."

If two or more limits apply to the same portion of a loss, we **will** only pay the smaller limit.

## D. DEDUCTIBLE

Unless otherwise indicated in the Declarations, these deductibles apply separately for each applicable coverage.

### 1. Damage to Covered Property

We will not pay for loss or damage resulting from any "one accident" until the amount of loss or damage exceeds the Damage to Covered Property Deductible shown in the -Declarations. We will then pay the amount of loss or damage in excess of the Damage to Covered Property Deductible, up to the applicable Limit of Insurance shown in the Declarations.

This Deductible applies to all coverages, including Coverage Extensions, except as otherwise specified in the Deductible provisions for Business Income, Extra Expense, Spoilage and Off Premises Service Interruption.

### 2. Business Income

The Business Income Deductible applies to any loss of "business income," except as provided in the Coverage Extension-Off Premises Service Interruption.

If a Business Income hour deductible is

shown in the Declarations, we will not be liable for any loss of "business income" occurring during the specified number of hours immediately following the "accident."

If a Business Income dollar deductible is shown in the Declarations, we will first subtract that amount from the amount of "business income" we would otherwise pay arising from any "one accident." We will then pay the amount of loss or expense in excess of the Deductible, up to the applicable Limit of Insurance shown in the Declarations.

If the Business Income dollar deductible is expressed as a number times ADV, that amount will be calculated as follows:

The ADV will be the "business income" for the entire location that would have been earned had no "accident" occurred during the period of interruption of business divided by the number of working days in that period. No reduction shall be made for the "business income" not being earned, or in the number of working days, because of the "accident" or any other scheduled or unscheduled shutdowns during the period of interruption.

The number indicated in the Declarations will be multiplied by the ADV as determined above. The result will be used as a Business Income dollar deductible

### EXAMPLE

Business is interrupted for 10 days. If there had been no "accident," the total "business income" for those 10 days would have been \$5,000. The Business Income Deductible is 3 X ADV.

$\$5,000 / 10 = \$500$  ADV

$3 \times \$500 = \$1,500$  Business Income Deductible

### 3. Extra Expense

If an Extra Expense dollar deductible is shown in the Declarations, we will first subtract that amount from the amount of loss or expense we would otherwise pay with regard to insurance under the Coverage Extension-Extra Expense arising from any "one accident." We will then pay the amount of loss or expense in excess of the Extra Expense Deductible, up to the applicable Limit

of Insurance shown in the Declarations.

If an Extra Expense dollar deductible is expressed as a number times ADV, that amount will be calculated as described in D.2. above.

If an Extra Expense hour deductible is shown in the Declarations, we will not be liable for any loss or expense with regard to insurance under the Coverage Extension-Extra Expense occurring during the specified number of hours immediately following the "accident."

#### 4. Spoilage

With regard to insurance under the Coverage Extension -Spoilage, we will not pay for loss or damage resulting from any "one accident" until the amount of loss or damage exceeds the Spoilage Deductible shown in the Declarations. We will then pay the amount of loss or damage in excess of the Spoilage Deductible, up to the applicable Limit of Insurance shown in the Declarations.

#### 5. Off Premises Service Interruption

If an Off Premises Service Interruption dollar deductible is shown in the Declarations, we will first subtract that amount from the amount of loss or expense we would otherwise pay with regard to insurance under the Coverage Extension-Off Premises Service Interruption arising from any "one accident." We will then pay the amount of loss or expense in excess of the Off Premises Service Interruption Deductible, up to the applicable Limit of Insurance shown in the Declarations.

If an Off Premises Service Interruption dollar deductible is expressed as a number times ADV, that amount will be calculated as described in D.2. above.

If an Off Premises Service Interruption hour deductible is shown in the Declarations, we will not be liable for any loss or expense with regard to insurance under the Coverage Extension-Off Premises Service Interruption occurring during the specified number of hours immediately following the "accident."

Exclusion B.5.b. applies without regard to the Off Premises Service Interruption Deductible.

#### 6. Ammonia Contamination

With regard to insurance under the Coverage

Extension -Ammonia Contamination, we will not pay for loss or damage resulting from any "one accident" until the amount of loss or damage exceeds the Ammonia Contamination Deductible shown in the Declarations. We will then pay the amount of loss or damage in excess of the Ammonia Contamination Deductible, up to the applicable Limit of Insurance shown in the Declarations.

If an Ammonia Contamination Deductible is expressed as a percentage of Loss, we will not be liable for the indicated percentage of the loss or damage insured under the Coverage Extension -Ammonia Contamination. If the dollar amount of such percentage is less than the indicated Minimum Deductible, the Minimum Deductible will be the Ammonia Contamination Deductible.

### E. LOSS CONDITIONS

The following conditions apply in addition to the Common Policy 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, the amount of "business income" or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the property, the amount of "business income" 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.

#### 3. Duties In the Event of Loss or Damage

You must see that the following are done in the event of loss or damage:

- a. Give us prompt notice of the loss or

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- damage. Include a description of the property involved;
- b. As soon as possible, give us a description of how, when and where the loss or damage occurred;
  - c. Allow us a reasonable time and opportunity to examine the property and premises before repairs are undertaken or physical evidence of the "accident" is removed. But you must take whatever measures are necessary for protection from further damage;
  - d. Permit us to inspect the property and records. Also permit us to take samples of damaged and undamaged property for inspection, testing and analysis.
  - e. If requested, permit us to question you under oath, at such times as may be reasonably required about any matter relating to this insurance or your claim including your books and records. In such event, your answers must be signed;
  - f. Send us a signed, sworn statement of loss containing the information we request to settle the claim. You must do this within 60 days after our request;
  - g. Cooperate with us in the investigation and settlement of the claim;
  - h. Promptly send us any legal papers or notices received concerning the loss or damage; and
  - i. Make no statement that will assume any obligation or admit any liability, for any loss or damage for which we may be liable, without our consent.

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. Reducing Your Loss

With respect to Coverage Extensions-Business Income, Extra Expense, Off Premises Service Interruption and Spoilage, you must reduce your loss, if possible, by:

- a. Resuming business, partially or completely;
- b. Using merchandise or other property available to you; or
- c. Using the property or services of others.

### 5. 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;
  - (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.
- b. We will give notice of our intentions within 30 days after we receive the proof of loss.
- c. We will not pay you more than your financial interest in the Covered Property.
- d. 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 owner's property. We will not pay the owners more than their financial interest in the Covered Property.
- e. We will pay for covered loss or damage within 30 days after we receive the sworn proof of loss, if:
  - (1) You have complied with all of the terms of this Coverage Part; and
  - (2) We have reached agreement with you on the amount of loss or an appraisal award has been made and we have not denied the claim.

### 6. Valuation

- a. We will pay you the amount you spend to repair or replace Covered Property directly damaged by an "accident" to an "object." Our payment will be the smallest of:
  - (1) The cost to repair the damaged property;

- (2) The cost to replace the damaged property; or
  - (3) The amount you actually spend that is necessary to repair or replace the damaged property.
- b. If the cost of repairing or replacing a part of an "object" is greater than:
- (1) The cost of repairing the entire "object"; or
  - (2) The cost of replacing the entire "object";
- We will pay only the smallest amount.
- c. If an "object" cannot be repaired or the cost of repairing is more than the cost to replace, and the damage to the "object" equals or exceeds 100% of the actual cash value of the "object," you may choose to apply the following provision.

**New Generation Coverage**-If you want to replace a damaged "object" with a newer generation "object" of the same capacity, we will pay up to 25% more than an "object" of like kind, quality and capacity would have cost at the time of the "accident."

- d. Except for New Generation Coverage, you must pay the extra cost of replacing damaged property with property of a better kind or quality or of a larger capacity.
- e. We will not pay you if the loss or damage is to property that is obsolete or useless to you.
- f. If you do not repair or replace the damaged property within 18 months after the date of the "accident," then we will pay only the smaller of the:
  - (1) Cost it would have taken to repair; or
  - (2) Actual cash value;
 at the time of the "accident."

**7. Spoilage Coverage Valuation**

With regard to insurance under the Coverage Extension -Spoilage, we will pay for perishable goods on the basis of:

- a. The selling price at the time of the "accident" as if no loss or damage had occurred; and
- b. Less any discounts and expenses you

otherwise would have had.

**8. "Media" Valuation**

With regard to insurance under the Coverage Extension -"Media," we will pay for "media" on the following basis:

- a. For "media" that are mass-produced and commercially available, at the replacement cost.
- b. For all other "media," at the cost of:
  - (1) Blank material for reproducing the records; and
  - (2) Labor to transcribe or copy the records when there is a duplicate.

**9. Business Income Report of Values**

You must report to us each year the "business income annual value" for all locations to which the Coverage Extension -Business Income applies.

**10. Business Income Coinsurance**

We will not pay the full amount of any "business income" loss if the "business income actual annual value" is greater than the "business income estimated annual value" shown in your latest report. Instead, we will determine the most we will pay using the following steps:

- a. Divide the "business income estimated annual value" last reported to us by the "business income actual annual value" at the time of the "accident";
- b. Multiply the total amount of the covered loss of "business income" by the figure determined in paragraph a. above;
- c. Subtract the applicable Deductible from the amount determined in paragraph b. above;

The resulting amount, or the Business Income Limit, whichever is less, is the most we will pay. We will not pay for the remainder of the loss.

This provision applies separately to each insured location.

**EXAMPLE 1 (Underinsurance)**

When:

The "business income actual annual value" at the location of loss at the time of the "accident" is \$400,000.

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The "business income estimated annual value" in your latest report for the location of loss is \$200,000.

The actual loss of "business income" resulting from the "accident" is \$80,000.

The Business Income Limit is \$1,000,000.

The Business Income Deductible is \$5,000.

Step 1:  $\$200,000 / \$400,000 = .5$

Step 2:  $\$80,000 \times .5 = \$40,000$

Step 3:  $\$40,000 - \$5,000 = \$35,000$

The total "business income" loss recovery, after deductible, would be \$35,000. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

### EXAMPLE 2 (Adequate insurance)

When:

The "business income actual annual value" at the location of loss at the time of the "accident" is \$400,000.

The "business income estimated annual value" in your latest report for the location of loss is \$400,000.

The actual loss of "business income" resulting from the "accident" is \$80,000.

The Business Income Limit is \$1,000,000.

The Business Income Deductible is \$5,000.

Step 1:  $\$400,000 / \$400,000 = 1$

Step 2:  $\$80,000 \times 1 = \$80,000$

Step 3:  $\$80,000 - \$5,000 = \$75,000$

The total "business income" loss recovery, after deductible, would be \$75,000.

## 11. Conditional Suspension of Coinsurance

The Business Income Coinsurance provision is suspended if we have received from you a Business Income Report of Values as follows:

- a. The report must provide a "business income estimated annual value" for the location or locations affected by the "accident"; and
- b. The "business income estimated annual value" must apply to an annual period ending no later than 90 days before the date of the "accident."

## 12. Joint Loss

- a. In the event of loss or damage insured under this Coverage Part and also under a Commercial Property Policy(ies) or Coverage Part(s) that is not part of this

Policy, and there is a disagreement between the insurers with respect to:

- (1) Whether such damage or destruction was caused by an "accident" insured against by this Coverage Part or by a peril insured against by such Commercial Property Policy(ies) or Coverage Part(s); or
  - (2) The extent of participation of this Coverage Part and of such Commercial Property Policy(ies) or Coverage Part(s) in a loss which is insured against, partially or wholly, by any or all of said Policies or Coverage Parts.
- b. We shall, upon written request from you, pay to you one-half of the amount of the loss which is in disagreement, but in no event more than we would have paid if there had been no Commercial Property Policy(ies) or Coverage Part(s) in effect, subject to the following conditions:
- (1) The amount of the loss which is in disagreement, after making provisions for any undisputed claims payable under the Policies or Coverage Parts and after the amount of the loss is agreed upon by you, us, and the provider of Commercial Property insurance, is limited to the minimum amount remaining payable under either this Coverage Part or the Commercial Property Policy(ies) or Coverage Part(s);
  - (2) The Commercial Property insurer(s) shall simultaneously pay to you one-half of the amount which is in disagreement;
  - (3) The payments by us and the Commercial Property insurer(s) hereunder and acceptance of those sums by you signify the agreement of us and the agreement of us and the commercial property with arbitration within 90 days of such payment;

The arbitrators shall be three in number, one of whom shall be appointed by us and one of whom shall be appointed by the commercial property insurer(s) and the third appointed by consent of the other two, and the decision by the arbitrators shall be

binding on us and the Commercial Property insurer(s) and that judgment upon such award may be entered in any court of competent jurisdiction;

- (4) You agree to cooperate in connection with such arbitration but not to intervene therein;
- (5) The provisions of this condition shall not apply unless such other Policy(ies) or Coverage Part(s) issued by the Commercial Property insurer(s) is similarly endorsed; and
- (6) Acceptance by you of any payment pursuant to the provisions of this condition, including any arbitration award, shall not operate to alter, waive or surrender or in any way affect the rights you have against us or the commercial property insurer(s).

#### F. ADDITIONAL CONDITIONS

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

##### 1. Cancellation

As respects this Coverage Part, part 2 of the "Cancellation,- Condition of this Policy is replaced by the following:

We may cancel this Coverage Part 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. The number of days indicated in the Declarations for Notice of Cancellation before the effective date of cancellation for any other reason.

##### 2. Concealment, Misrepresentation or Fraud

This Coverage Part is void in any case of fraud by you relating to it. It is also void if you or any other Named 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.

##### 3. Legal Action Against Us

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

- a. There has been full compliance with all the terms of this Policy; and
- b. The action is brought within two years and one day next after the date of the "accident"; or
- c. We agree in writing that you have an obligation to pay for damage to Covered Property of others or until the amount of that obligation has been determined by final judgment or arbitration award. No one has the right under this Policy to bring us into an action to determine your liability.

##### 4. Adjustment of Premium

- a. The premium charged at the inception of each policy year is an advance premium. We will determine an adjusted premium for this insurance based on your reports of value.
- b. If the adjusted premium is less than the advance premium, we will return the excess premium to you. Such excess premium will not exceed 75% of the advance premium.
- c. If the adjusted premium is greater than the advance premium, we will charge the additional premium.

##### 5. 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.

##### 6. Other Insurance

- (a) 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 limits under this Coverage Part bear to the Limits of Insurance of all insurance covering on the same basis.
- (b) If there is other insurance covering the same loss or damage, other than that

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described in (a) above, we will pay only the amount of covered loss or damaged in excess of the amount due from that other insurance, whether you can collect on it or not.

In no case will we pay more than the applicable limits.

### 7. Policy Period, Coverage Territory

Under this Coverage Part:

- a. The "accident" must occur:
  - (1) During the Policy Period shown in the Declarations; and
  - (2) Within the Coverage Territory.
- b. The Coverage Territory is:
  - (1) The United States of America (including its territories and possessions);
  - (2) Puerto Rico; and
  - (3) Canada.

### 8. 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:

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

This will not restrict your insurance.

### 9. Additional Insured

If a person or organization is designated in this Coverage Part as an additional insured, we will consider them to be an insured under this Coverage Part only to the extent of their interest.

### 10. Bankruptcy

The bankruptcy or insolvency of you or your estate will not relieve us of any obligation under this Coverage Part.

### 11. Suspension

Whenever an "object" is found to be in, or exposed to, a dangerous condition, any of our representatives may immediately suspend the insurance against loss from an "accident" to that "object." This can be done by delivering or mailing a written notice of suspension to:

- a. Your last known address; or
- b. The address where the "object" is located.

Once suspended in this way, your insurance can be reinstated only by an endorsement for that "object."

### 12. Mortgage Holders

- a. The term mortgage holder includes trustee.
- b. We will pay for direct damage to Covered Property due to an "accident" to an "object" to each mortgage holder shown in the Declarations in their order of precedence, as interests may appear.
- c. The mortgage holder has the right to receive loss payment even if the mortgage holder has started foreclosure or similar action on the Covered Property.
- 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 mortgage holder will still have the right to receive loss payment if the mortgage holder:
  - (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 or occupancy or substantial change in risk known to the mortgage holder.

All of the terms of this Coverage Part will

then apply directly to the mortgage holder.

- e. If we pay the mortgage holder for any loss 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 mortgage holder's right under the mortgage will be transferred to us to the extent of the amount we pay; and
  - (2) The mortgage holder's right to recover the full amount of the mortgage holder's claim will not be impaired.

At our option, we may pay to the mortgage holder 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 mortgage holder 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 mortgage holder at least 10 days before the expiration date of this policy.

**G. DEFINITIONS**

- 1. **"Accident"** means a sudden and accidental breakdown of the "object" or part of the "object." At the time the breakdown occurs, it must become apparent by physical damage that requires repair or replacement of the "object" or part of the "object."  
None of the following is an "accident":
  - a. Depletion, deterioration, corrosion, erosion, or wear and tear, unless a sudden and accidental breakdown ensues;
  - b. The breakdown of any structure or foundation; or
  - c. The functioning of any safety or protective device.

- 2. **"Business Income"** means the sum of:
  - a. The 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.
- 3. **"Business Income Actual Annual Value"** means the "business income" for the current fiscal year that would have been earned had no "accident" occurred.  
In calculating the "business income actual annual value," we will take into account the actual experience of your business before the "accident" and the probable experience you would have had without the "accident."
- 4. **"Business Income Estimated Annual Value"** means the "business income" as estimated by you in the most recent Business Income Report of Values we have on file.
- 5. **"Extra Expense"** means:  
The additional cost you incur to operate your business during the interruption over and above the cost that normally would have been incurred to operate the business during the same period had no "accident" occurred.
- 6. **"Media"** means all forms of electronic and magnetic tapes and discs, converted data, program or instruction for use in any electronic computer or electronic data processing equipment.
- 7. **"Object"** means:
  - a. Any of the following, unless otherwise excluded:
    - (1) Boiler, fired vessel, unfired vessel normally subject to vacuum or internal pressure other than weight of its contents, refrigerating and air conditioning vessels, and any metal piping and its accessory equipment;
    - (2) Mechanical or electrical machine or apparatus used for the generation, transmission or utilization of mechanical or electrical power.
    - (3) Any of the following vessels listed below are included within the provisions of this section when used with an "object":
      - (a) Condensate return tank;

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- (b) Cushion or expansion tank used with a hot water heating boiler.
  - (4) Fiber optic cable.
  - b. "Object" does not mean any:
    - (1) Part of a boiler, fired vessel or electric steam generator that does not contain steam or water;
    - (2) Insulating or refractory material;
    - (3) Non-metallic vessel, unless it is constructed and used in accordance with the American Society of Mechanical Engineers Code; (A.S.M.E.)
    - (4) Catalyst;
    - (5) Buried vessel or piping;
    - (6) Sewer piping, piping forming a part of a fire protection system or water piping other than:
      - (a) Feed water piping between any boiler and its feed pump or injector; or
      - (b) Boiler condensate return piping; or
      - (c) Water piping forming a part of refrigerating and air conditioning vessels and piping used for cooling, humidifying or space heating purposes;
    - (7) Part of a vessel that is not under:
      - (a) Pressure of the contents of the vessel; or
      - (b) Internal vacuum;
    - (8) Oven, stove, furnace, incinerator, pot or kiln;
    - (9) Structure, foundation, cabinet or compartment containing the object;
    - (10) Power shovel, dragline, excavator, vehicle, aircraft, floating vessel or structure, penstock, draft tube or well-casing;
    - (11) Conveyor, crane, elevator, escalator or hoist, but not excluding any electrical machine or electrical apparatus mounted on or used with this equipment;
    - (12) "Media" used with any electronic computer or electronic data processing equipment;
    - (13) Machine or apparatus that is used for research, medical, diagnostic, surgical, dental or pathological purposes;
    - (14) Felt, wire, screen, die, extrusion plate, swing hammer, grinding disc, cutting blade, cable, chain, belt, rope, clutch plate, brake pad, nonmetallic part or any part or tool subject to frequent, periodic replacement;
    - (15) "Object" manufactured by you for sale.
  - c. For any boiler or fired vessel, the furnace of the "object" and the gas passages from there to the atmosphere will be considered as outside the "object."
  - d. When a vessel uses a heat transfer medium other than water or steam, we will consider the medium or its vapor as substitutes for the words-water or steam.
  - e. For any gas turbine, "accident" does not include the cracking of any part of the object exposed to the products of combustion.
  - f. If Production Machines are shown as Excluded in the Declarations, "object" does not mean any production or process machine or apparatus that processes, forms, cuts, shapes, grinds, or conveys raw materials, materials in process or finished products. But "object" does mean any:
    - (1) Pressure vessel or vacuum vessel, described in Paragraph a. above, other than any cylinder containing a movable plunger or piston;
    - (2) Pump, compressor, fan, or blower that conveys raw materials, materials in process or finished products;
    - (3) Separate enclosed gear set connected by a coupling, clutch or belt; or
    - (4) Separate driving electrical or mechanical machine connected by a coupling clutch or belt.
8. **"One Accident"** means:  
If an initial "accident" causes other "accidents," all will be considered "one accident."

All "accidents" at any one location that manifest themselves at the same time and are the result of the same cause will be considered "one accident."

9. "**Suit**" means a civil proceeding to which this insurance applies and includes:

a. An arbitration proceeding in which dam-

ages are claimed and to which you must submit or do submit with our consent; or

b. Any other alternative dispute resolution proceeding in which damages are claimed and to which you submit with our consent.

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

## **SPECIAL LOCATION SCHEDULE**

This endorsement modifies insurance provided under the following:

### **BOILER AND MACHINERY COVERAGE FORM**

The following is being used on this policy instead of a specific schedule of "locations" attached to the policy.

All "locations" owned, operated or under the care, custody or control of the Named Insured, that are located in the United States of America (including its territories and possessions), Puerto Rico and Canada and are on file with us, are considered as individually inserted in any "location" entry area of any Declarations or Endorsement, unless specifically changed by endorsement.

At each anniversary of the policy:

1. You must submit an updated list of all "locations" to be covered under the policy for the upcoming policy year; and
2. The "Automatic Coverage" extension ceases to apply at any "location" acquired prior to that anniversary date and not on the most current list filed with us.

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

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

This endorsement modifies insurance provided under the following:

BOILER AND MACHINERY COVERAGE PART  
BUSINESSOWNERS POLICY  
COMMERCIAL AUTO COVERAGE PART  
COMMERCIAL CRIME COVERAGE PART\*  
COMMERCIAL GENERAL LIABILITY COVERAGE PART  
COMMERCIAL INLAND MARINE COVERAGE PART  
COMMERCIAL PROPERTY COVERAGE PART  
FARM COVERAGE PART  
LIQUOR LIABILITY COVERAGE PART  
POLLUTION LIABILITY COVERAGE PART  
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART

\*This endorsement does not apply to coverage provided for employee dishonesty (Coverage Form A), forgery or alteration (Coverage Form B), or public employee dishonesty (Coverage Forms O and P).

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

### **2. All Policies In Effect For 60 Days Or Less:**

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

- a. 10 days before the effective date of cancellation if we cancel for:
  - (1) Nonpayment of premium; or
  - (2) Discovery of fraud or material misrepresentation by:
    - (a) Any insured or his or her representative in obtaining this insurance; or
    - (b) You or your representative in pursuing a claim under this policy.
- b. 30 days before the effective date of cancellation if we cancel for any other reason.

### **3. All Policies in Effect For More Than 60 Days**

- a. If this policy has been in effect for more than 60 days, or is a renewal of a policy we issued, we may cancel this policy only upon the occurrence, after the effective date of the policy, of one or more of the following:
  - (1) Nonpayment of premium, including payment due on a prior policy we issued and due during the current policy term covering the same risks.
  - (2) Discovery of fraud or material misrepresentation by:
    - (a) Any insured or his or her representative in obtaining this insurance; or
    - (b) You or your representative in pursuing a claim under this policy.
  - (3) A judgment by a court or an administrative tribunal that you have violated a California or Federal law, having as one of its necessary elements an act which materially increases any of the risks insured against.
  - (4) Discovery of willful or grossly negligent acts or omissions, of any violations

of state laws or regulations establishing safety standards, by you or your representative, which materially increase any of the risks insured against.

- (5) Failure by you or your representative to implement reasonable loss control requirements, agreed to by you as a condition of policy issuance, or which were conditions precedent to our use of a particular rate or rating plan, if that failure materially increases any of the risks insured against.
  - (6) A determination by the Commissioner of Insurance that the:
    - (a) Loss of, or changes in, our reinsurance covering all or part of the risk would threaten our financial integrity or solvency; or
    - (b) Continuation of the policy coverage would:
      - (i) Place us in violation of California law or the laws of the state where we are domiciled; or
      - (ii) Threaten our solvency.
  - (7) A change by you or your representative in the activities or property of the commercial or industrial enterprise, which results in a materially added, increased or changed risk, unless the added, increased or changed risk is included in the policy.
- b. We will mail or deliver advance written notice of cancellation, stating the reason for cancellation, to the first Named Insured, at the mailing address shown in the policy, and to the producer of record, at least
- (1) 10 days before the effective date of cancellation if we cancel for a reason listed in Paragraph **3.a.(1)** or **3.a.(2)**;  
or
  - (2) 30 days before the effective date of cancellation if we cancel for any other reason listed in Paragraph **3.a.**

B. The following provision is added to the Cancellation Common Policy Condition:

#### **7. Residential Property**

This provision applies to coverage on real property which is used predominantly for residential purposes and consisting of not more than four dwelling units, and to coverage on tenants' household personal property in a residential unit, if such coverage is written under one of the following:

Businessowners Policy

Commercial Property Coverage Part

Farm Coverage Part - Farm Property Coverage Form

- a. If such coverage has been in effect for 60 days or less, and is not a renewal of coverage we previously issued, we may cancel this coverage for any reason, except as provided in b. and c. below.
- b. We may not cancel this policy solely because the first Named Insured has:
  - (1) Accepted an offer of earthquake coverage; or
  - (2) Cancelled or did not renew a policy issued by the California Earthquake Authority (CEA) that included an earthquake policy premium surcharge.

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

- c. We may not cancel such coverage solely because corrosive soil conditions exist on the premises. This restriction (c.) applies only if coverage is subject to one of the following, which excludes loss or damage caused by or resulting from corrosive soil conditions:
  - (1) Businessowners Policy - Businessowners Special Property Coverage Form;
  - (2) Commercial Property Coverage Part - Causes of Loss - Special Form; or

- (3) Farm Coverage Part - Farm Property Coverage Form; Covered Causes Of Loss - Special.

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

**NONRENEWAL**

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

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

**2. Residential Property**

This provision applies to coverage on real property used predominantly for residential purposes and consisting of no more than four dwelling units, and to coverage on tenants' household property contained in a residential unit, if such coverage is written under one of the following:

Businessowners Policy

Commercial Property Coverage Part

Farm Coverage Part - Farm Property Coverage Form

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

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

- (1) The nonrenewal is based on sound underwriting principles that relate to the coverages provided by this policy and that are consistent with the

approved rating plan and related documents filed with the Department of Insurance as required by existing law;

- (2) The Commissioner of Insurance finds that the exposure to potential losses will threaten our solvency or place us in a hazardous condition. A hazardous condition includes but is not limited to, a condition in which we make claims and payments for losses resulting from an earthquake that occurred within the preceding two years and that required a reduction in policyholder surplus of at least 25% for payment of those claims; or

(3) We have:

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

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

- c. We will not refuse to renew such coverage solely because the First Named Insured has cancelled or did not renew a policy, issued by the California Earthquake Authority that included an earthquake policy premium surcharge.

- d. We only refuse to renew such coverage solely because corrosive soil conditions exist on the premises. This restriction (d.) applies only if coverage is subject to one of the following, which exclude loss or damage caused by or resulting from corrosive soil conditions:

- (1) Businessowners Policy Business-owners Special Property Coverage Form;
- (2) Commercial Property Coverage Part - Causes Of Loss - Special Form; or

(3) Farm Coverage Part - Farm Property Coverage Form; Covered Causes Of Loss - Special.

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

- a. If the transfer or renewal of a policy, without any changes in terms, conditions, or rates, is between us and a member of our insurance group.
- b. If the policy has been extended for 90 days or less, provided that notice has been given in accordance with Paragraph **C.1**.
- c. If you have obtained replacement coverage, or if the first Named Insured has agreed, in writing, within 60 days of the

termination of the policy, to obtain that coverage.

- d. If the policy is for a period of no more than 60 days and you are notified at the time of issuance that it will be renewed.
- e. If the first Named Insured requests a change in the terms or conditions or risks covered by the policy within 60 days of the end of the policy period.
- f. If we have made a written offer to the first Named Insured, in accordance with the time frames shown in Paragraph **C.1**., to renew the policy under changed terms or conditions or at an increased premium rate, when the increase exceeds 25%.

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

## **CALIFORNIA CHANGES - ACTUAL CASH VALUE**

This endorsement modifies insurance provided under the following:

BOILER AND MACHINERY COVERAGE PART  
COMMERCIAL CRIME COVERAGE PART  
COMMERCIAL INLAND MARINE COVERAGE PART  
COMMERCIAL PROPERTY COVERAGE PART  
FARM COVERAGE PART  
STANDARD PROPERTY POLICY

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

Actual cash value is calculated as the amount it would cost to repair or replace Covered Property, at the time of loss or damage, with material of like kind and quality, subject to a deduction for deterioration, depreciation and obsolescence. Actual cash value

applies to valuation of Covered Property regardless of whether that property has sustained partial or total loss or damage.

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

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

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

This endorsement modifies insurance provided under the following:

BOILER AND MACHINERY COVERAGE PART  
BUSINESSOWNERS POLICY  
COMMERCIAL AUTO COVERAGE PART  
COMMERCIAL CRIME COVERAGE PART\*  
COMMERCIAL GENERAL LIABILITY COVERAGE PART  
COMMERCIAL INLAND MARINE COVERAGE PART  
COMMERCIAL PROPERTY COVERAGE PART  
EMPLOYMENT-RELATED PRACTICES LIABILITY COVERAGE PART  
FARM COVERAGE PART  
LIQUOR LIABILITY COVERAGE PART  
POLLUTION LIABILITY COVERAGE PART  
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART  
PROFESSIONAL LIABILITY COVERAGE PART

\*This endorsement does not apply to coverage provided for employee dishonesty (Coverage Form **A**), forgery or alteration (Coverage Form **B**), or public employee dishonesty (Coverage Forms **O** and **P**).

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

**2. All Policies In Effect For 60 Days Or Less:**

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

- a. 10 days before the effective date of cancellation if we cancel for:
  - (1) Nonpayment of premium; or
  - (2) Discovery of fraud or material misrepresentation by:
    - (a) Any insured or his or her representative in obtaining this insurance; or
    - (b) You or your representative in pursuing a claim under this policy.
- b. 30 days before the effective date of cancellation if we cancel for any other reason.

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

- a. If this policy has been in effect for more than 60 days, or is a renewal of a policy we issued, we may cancel this policy only upon the occurrence, after the effective date of the policy, of one or more of the following:
  - (1) Nonpayment of premium, including payment due on a prior policy we issued and due during the current policy term covering the same risks.
  - (2) Discovery of fraud or material misrepresentation by:
    - (a) Any insured or his or her representative in obtaining this insurance; or
    - (b) You or your representative in pursuing a claim under this policy.
  - (3) A judgment by a court or an administrative tribunal that you have violated a California or Federal law, having as one of its necessary elements an act which materially increases any of the risks insured against.

- (4) Discovery of willful or grossly negligent acts or omissions, of any violations of state laws or regulations establishing safety standards, by you or your representative, which materially increase any of the risks insured against.
- (5) Failure by you or your representative to implement reasonable loss control requirements, agreed to by you as a condition of policy issuance, or which were conditions precedent to our use of a particular rate or rating plan, if that failure materially increases any of the risks insured against.
- (6) A determination by the Commissioner of Insurance that the:
  - (a) Loss of, or changes in, our reinsurance covering all or part of the risk would threaten our financial integrity or solvency; or
  - (b) Continuation of the policy coverage would:
    - (i) Place us in violation of California law or the laws of the state where we are domiciled; or
    - (ii) Threaten our solvency.
- (7) A change by you or your representative in the activities or property of the commercial or industrial enterprise, which results in a materially added, increased or changed risk, unless the added, increased or changed risk is included in the policy.

- b. We will mail or deliver advance written notice of cancellation, stating the reason for cancellation, to the first Named Insured, at the mailing address shown in the policy, and to the producer of record, at least:
  - (1) 10 days before the effective date of cancellation if we cancel for a reason listed in Paragraph **3.a.(1) or 3.a.(2).**; or
  - (2) 30 days before the effective date of cancellation if we cancel for any other reason listed in Paragraph **3.a.**

B. The following provision is added to the **Cancellation** Common Policy Condition:

## 7. Residential Property

This provision applies to coverage on real property which is used predominantly for residential purposes and consisting of not more than four dwelling units, and to coverage on tenants' household personal property in a residential unit, if such coverage is written under one of the following:

Businessowners Policy

Commercial Property Coverage Part

Farm Coverage Part - Farm Property - Farm Dwellings, Appurtenant Structures And Household Personal Property Coverage Form

- a. If such coverage has been in effect for 60 days or less, and is not a renewal of coverage we previously issued, we may cancel this coverage for any reason, except as provided in b. and c. below.
- b. We may not cancel this policy solely because the first Named Insured has:
  - (1) Accepted an offer of earthquake coverage; or
  - (2) Cancelled or did not renew a policy issued by the California Earthquake Authority (CEA) that included an earthquake policy premium surcharge.

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

- c. We may not cancel such coverage solely because corrosive soil conditions exist on the premises. This Restriction **(c.)** applies only if coverage is subject to one of the following, which exclude loss or damage caused by or resulting from corrosive soil conditions:
  - (1) Businessowners Policy – Business-owners Special Property Coverage Form;
  - (2) Commercial Property Coverage Part - Causes Of Loss - Special Form; or
  - (3) Farm Coverage Part - Causes Of Loss Form - Farm Property, Paragraph **D. Covered Causes Of Loss -Special.**

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

**NONRENEWAL**

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

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

**2. Residential Property**

This provision applies to coverage on real property used predominantly for residential purposes and consisting of not more than four dwelling units, and to coverage on tenants' household property contained in a residential unit, if such coverage is written under one of the following:

Businessowners Policy

Commercial Property Coverage Part

Farm Coverage Part - Farm Property - Farm Dwellings, Appurtenant Structures And Household Personal Property Coverage Form

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

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

- (1) The nonrenewal is based on sound underwriting principles that relate to the coverages provided by this policy and that are consistent with the approved rating plan and related documents filed with the Department of Insurance as required by existing law;

(2) The Commissioner of Insurance finds that the exposure to potential losses will threaten our solvency or place us in a hazardous condition. A hazardous condition includes but is not limited to, a condition in which we make claims and payments for losses resulting from an earthquake that occurred within the preceding two years and that required a reduction in policyholder surplus of at least 25% for payment of those claims; or

(3) We have:

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

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

c. We will not refuse to renew such coverage solely because the first Named Insured has cancelled or did not renew a policy, issued by the California Earthquake Authority that included an earthquake policy premium surcharge.

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

- (1) Businessowners Policy – Business-owners Special Property Coverage Form;
- (2) Commercial Property Coverage Part - Causes Of Loss - Special Form; or
- (3) Farm Coverage Part - Causes Of Loss Form - Farm Property, Paragraph D. Covered Causes Of Loss - Special.

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

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

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

## **EXCLUSION OF CERTAIN COMPUTER-RELATED LOSSES DUE TO DATES OR TIMES**

This endorsement modifies insurance provided under the following:

BOILER AND MACHINERY COVERAGE PART  
COMMERCIAL CRIME COVERAGE PART  
COMMERCIAL INLAND MARINE COVERAGE PART  
COMMERCIAL PROPERTY COVERAGE PART  
DELUXE PROPERTY COVERAGE PART

- A. We will not pay for loss ("loss") or damage caused directly or indirectly by any of the following. Such loss ("loss") or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss ("loss") or damage.
1. The failure, malfunction or inadequacy of:
    - a. Any of the following, whether belonging to any insured or to others:
      - (1) Computer hardware, including microprocessors;
      - (2) Computer application software;
      - (3) Computer operating systems and related software;
      - (4) Computer networks;
      - (5) Microprocessors (computer chips) not part of any computer system; or
      - (6) Any other computerized or electronic equipment or components; or
    - b. Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed in Paragraph **A.1.a.** of this endorsement;
- due to the inability to correctly recognize, process, distinguish, interpret or accept one or more dates or times. An example is the inability of computer software to recognize the year 2000.
2. Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done
- by you or for you to determine, rectify or test for, any potential or actual problems described in Paragraph **A.1.** of this endorsement.
- B. If an excluded Cause of Loss as described Paragraph A. of this endorsement results:
1. In a Covered Cause of Loss under the Boiler and Machinery Coverage Part, the Commercial Crime Coverage Part or the Commercial Inland Marine Coverage Part; or
  2. Under the Commercial Property Coverage Part:
    - a. In a "Specified Cause of Loss", in elevator collision resulting from mechanical breakdown, or from theft (if insured) under the Causes of Loss - Special Form; or
    - b. In a Covered Cause of Loss under the Causes of Loss - Basic Form or the Causes of Loss - Broad Form; or
  3. In a "Specified Cause of Loss", in elevator collision resulting from mechanical breakdown, or from theft under the Deluxe Property Coverage Part;
- we will pay only for the loss ("loss") or damage caused by such "Specified Cause of Loss", elevator collision, theft, or a Covered Cause of Loss.
- C. We will not pay for repair, replacement or modification of any items in Paragraphs **A.1.a.** and **A.1.b.** of this endorsement to correct any deficiencies or change any features.

## NOTICE TO POLICYHOLDERS JURISDICTIONAL INSPECTIONS

Dear Policyholder;

Many states and some cities issue certificates permitting the continued operation of certain equipment such as boilers, water heaters, pressure vessels, etc. Periodic inspections are normally required to renew these certificates. In most jurisdictions, insurance company employees who have been licensed are authorized to perform these inspections.

- You own or operate equipment that requires a certificate from a state or city to operate legally, and
- We Insure that equipment under this Policy, and
- You would like us to perform the next required inspection;

Then;

Call this toll-free number – **1-800-425-4119**

When you call this number, our representative will ask you for the following information:

- Name of your business (as shown on this Policy)
- Policy Number
- Location where the equipment is located. Including Zip Code.
- Person to contact and phone number for scheduling of inspection
- Type of equipment requiring inspection
- Certificate inspection date and certificate number

Or;

Fill in the form on the reverse side of this notice and fax it to the toll-free number indicated on that form.

Please note the following:

- Your jurisdiction may charge you a fee for renewing a certificate. It is your responsibility to pay such a fee.
- All the provisions of the INSPECTIONS AND SURVEYS Condition apply to the inspections described in this notice.

### REMINDER

If new equipment is installed or old equipment replaced that requires a jurisdictional inspection please let us know by calling our toll-free number listed above.

# REQUEST FOR JURISDICTIONAL INSPECTION

Name of Business: \_\_\_\_\_  
(As Shown on Policy)

Policy Number: \_\_\_\_\_

Location of Equipment:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

City State Zip Code

Person to Contact for Scheduling Inspection: \_\_\_\_\_

Telephone Number of Person to Contact: \_\_\_\_\_

Equipment Type	Certificate Number	Certificate Expiration Date

**Fax Form to 1-877-764-9535**

Completed by: \_\_\_\_\_ Phone Number: \_\_\_\_\_