



PEPIP USA

Insurance Policy

Coverage Incepting 2003

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SECTION I

GENERAL PROVISIONS

A. INSURING AGREEMENT

In consideration of the premium paid by the Insured to this Insurer, the Insurer agrees to insure the following per the terms and conditions herein:

B. NAME OF INSURED

AS PER DECLARATIONS PAGE

and its members or (member agencies) as per the Named Insured Endorsement and any entities or individuals for whom the Named Insured is required to provide coverage as their interests may appear and other organizations and enterprises which now exist or which hereafter may be created or acquired and which are owned, financially controlled or actively managed by the herein named interest, all jointly, severally or in any combination of their interests, for account of whom it may concern.

Lessors and other party(ies) of interest in all property of every description covered hereunder are included herein as additional Insureds for their respective rights and interests, it being understood that the inclusion hereunder of more than one covered party shall not serve to increase the Insurer's limit of liability.

Mortgagees to whom certificates of coverage have been issued are covered hereunder in accordance with the terms and conditions of Form 438 BFU NS, CP12 18 1091, or equivalent as required by the mortgagee.

Loss, if any, shall be adjusted with the Insured and payable to the named insureds as their respective interests may appear, subject however, to the provisions of any mortgagees or payee clauses which may otherwise be herein provided or endorsed hereon.

C. MAILING ADDRESS OF INSURED:

AS PER DECLARATION PAGE

D. POLICY PERIOD:

12 MONTHS AS PER DECLARATION EFFECTIVE DATE AND EXPIRATION DATE

E. LIMITS OF LIABILITY:

The limit of liability as stated below is per occurrence and in the annual aggregate as respects the peril of earthquake shock and also in the annual aggregate as respects the peril of flood.

The provisions of the reinstatement clause as stated elsewhere herein, are null and void as respects the perils of earthquake shock and flood.

Subject to specific exclusions, modifications, and conditions hereinafter provided, the liability of this Insurer in any one occurrence regardless of whether one or more of the coverages of this Policy are involved shall not exceed:

1. AS PER DECLARATION Per occurrence all risk perils except earthquake shock and flood
2. SUBLIMITS

The following sublimits are provided as described in the Declarations. Coverage is provided **only** if a sublimit is shown on the Declarations for that item. Sublimits do not increase the occurrence limit of liability. The absence of a sublimit amount in the Declarations means that no coverage is provided for that item.

- a. Per occurrence, and in the annual aggregate as respects the flood peril, for those members who participate in this Optional Coverage.
- b. Per occurrence, and in the annual aggregate as respects the earthquake shock peril, for those members who participate in this Optional Coverage.
- c. Combined Business Interruption, Extra Expense, Rental Income, Tax Interruption
- d. Miscellaneous Unnamed locations.
- e. Automatic Acquisition. As per policy provisions.
- f. Landscaping, tees, sand traps, greens and athletic fields
- g. Errors & Omissions
- h. Course of Construction
- i. Money and Securities for Fire, Wind, Hail, Explosion, Smoke, Lightning, Riot, Civil Commotion, Impact by Aircraft or Objects falling there from, Impact by Vehicles, Water Damage and Theft (other than by an employee of the Insured)
- j. Unscheduled Fine Arts (terms as defined in the "Fine Arts" section of this policy).
- k. Accidental Contamination including owned land, land values and water owned by the Insured.
- l. Tunnels, bridges, dams, catwalks except those not for public use, roadways, highways, streets, sidewalks, culverts, street lights and traffic signals unless specific values for such items have been reported as part of a members schedule of values, and on file with the insurance company
- m. Demolition and Increased Cost of Construction due to the enforcement of building codes
- n. Transit
- o. Animals
- p. Watercraft
- q. Newly Acquired Vehicles (coverage provided to the extent members participate in the optional elements of automobile coverage)

- r. Off premises services interruption including extra expense resulting from a covered peril at owned/operated locations.
- s. Per Occurrence, per member for Contingent Business Interruption, Contingent Rental Value, and Contingent Extra Expense, separately.
- t. Per occurrence and in the aggregate: Earthquake shock on licensed vehicles, unlicensed vehicles, contractors equipment and fine arts combined for all insureds/members combined that do not purchase optional Earthquake shock coverage.
- u. Claim Preparation Expenses
- v. Expediting Expenses
- w. Furs, jewelry, precious metals and precious stones separately.
- x. Business Interruption for Power Generation Facilities
- y. Terrorism

F. OPTIONAL COVERAGE PARTICIPATION

It is understood and agreed that certain Insureds participate in Optional Coverage on this Policy as set forth below.

OPTIONAL COVERAGES IDENTIFICATION:

- 1. Earthquake Shock
- 2. Licensed Vehicles
- 3. Contractors Equipment/Unlicensed Vehicles
- 4. Scheduled Fine Arts
- 5. Flood – Specified Coverage Per Member, or JPA
- 6. Boiler & Machinery
- 7. Terrorism Risk Insurance Act of 2002

Such participation by insured/members is as indicated in the Declarations Page, and/or by endorsement to this policy.

G. DEDUCTIBLE PROVISIONS:

If two or more deductible amounts provided in the Declaration page apply for a single ‘occurrence,’ the total to be deducted shall not exceed the largest per ‘occurrence’ deductible amount applicable.

Deductibles are shown on the Declarations, or by endorsement.

H. UNIT OF INSURANCE DEFINED:

In the application of the Earthquake Shock Deductible Clause, and the Apportionment of Loss Clause made a part of this Policy, each of the following shall be considered a Separate Unit of Insurance:

1. Each Separate Building or Structure;
2. The Contents of each Building or Structure;
3. Applicable Time Element Coverage of each separate Building or Structure; and
4. Property in each Yard.

This Insurer shall not be liable for loss to any Unit of Insurance covered hereunder unless such loss exceeds the percentages stated in this Policy of the replacement values of such Unit of Insurance at the time when such loss shall happen, and then only for its proportion of such excess.

The Terms and Conditions stated in G (Deductible Provisions) and H (Unit of Insurance Defined) supersede the provisions of any Deductible Clause contained elsewhere in this Policy.

I. DEFINITION OF MEMBER:

The term “member” as used in this policy, means any entity named on the Named Insured – Member Schedule endorsement attached to this policy.

J. STATUTES:

If any of the articles of this Policy conflict with the laws or statutes of any jurisdictions in which this Policy applies, this Policy is amended to conform to such laws or statutes.

SECTION II

PHYSICAL DAMAGE TO PROPERTY

A. COVERAGE:

Subject to the terms, conditions and exclusions hereinafter contained, this Policy insures all property of every description of an insurable nature, both real and personal (including improvements and betterments), of the Insured or property of others in the care, custody or control of the Insured, for which the Insured is liable or under obligation to keep insured.

It is also understood and agreed that the interest of additional covered parties and/or loss payees are automatically included.

B. EXTENSIONS OF COVERAGE:

1. PERSONAL EFFECTS

This Policy is extended to cover only such personal effects and wearing apparel of any of the officials, employees, students and personal effects of the Insured named in this Policy for which the Insured may elect to assume liability while located in accordance with the coverage hereof, but loss, if any, on such property shall be adjusted with and payable to the Insured.

2. PROPERTY IN COURSE OF CONSTRUCTION

It is understood and agreed that as respects course of construction and remodeling projects, this Policy will provide automatic coverage subject to the following conditions:

- a. Project involves only real property on new or existing locations (excluding dams, piers, roads, and bridges)
- b. Value of the project at the location does not exceed \$USD per declarations. Projects that exceed this amount are subject to approval prior to binding. However, inadvertent failure to report shall not void coverage of said Project.
- c. Additional Expense Soft Cost: This coverage applies to new buildings or structures in the course of construction up to the time that the new building (s) or structure (s) is initially occupied or put to its intended use whichever occurs first.

The Insurer will cover the additional expenses of the Insured as defined below for up to 25% of the estimated completed value of the project which results from a delay in the completion of the project beyond the date it would have been completed had no loss or damage occurred.

The delay must be due to direct physical loss or damage to Property Insured and be caused by or result from a peril not excluded by this Policy. The Insurer will pay covered expenses when they are incurred.

- a. Additional Interest Coverage – The Insurer will pay the additional interest on money the insured borrows to finance construction or repair.
- b. Rent or Rental Value Coverage – The Insurer will pay the actual loss of net rental income that results from delay beyond the projected completion date. But the Insurer will not pay more than the reduction in rental income less charges and expenses that do not necessarily continue.
- c. Additional Real Estate Taxes or Other Assessments – The Insurer will pay the additional real estate taxes or other assessments the insured incurs for the period of time that construction is extended beyond the completion date.
- d. Additional Advertising and Promotional Expenses – The Insurer will pay the additional advertising and promotional expense that becomes necessary as a result of a delay in the completion of the project.
- e. Additional Commissions Expense – The Insurer will pay the additional expenses, which result from the renegotiating of leases following an interruption in the project.
- f. Additional Architectural and Engineering Fees – The Insurer will pay the additional architectural and engineering fees that become necessary as a result of a delay in the completion of the project.
- g. Additional License and Permit Fees – The Insurer will pay the additional license and permit fees that become necessary as a delay in the completion of the project.
- h. Legal and Accounting Fees – The Insurer will pay the additional legal and accounting fees the insured incurs as a result of a delay in the completion of the project.)

3. FIRE FIGHTING EXPENSES

It is understood and agreed that the Insurer shall be liable for the actual charges of fire fighting expenses including but not limited to those charged by municipal or private fire departments responding to and fighting fire in/on, and/or protecting property included in coverage provided by this Policy.

4. OFF PREMISES SERVICES

It is understood and agreed that coverage under this Policy is extended to include physical damage, business interruption loss and/or extra expense incurred and/or sustained by the

Insured as a result of damage to or destruction of, by the perils insured against occurring during the policy period, to property of the type not excluded by this Policy of any suppliers furnishing heat, light, power, gas, water, telephone or similar services to an Insured's premises. Coverage provided by this clause is limited to the sublimits and terms noted on the declaration page attached to this form, and Section 1 (General Provisions) Clause E of this form.

5. ARCHITECTS AND ENGINEERS FEES AND LOSS ADJUSTMENT EXPENSES

This Policy also insures as a direct result of physical loss or damage insured hereunder, any of the following:

- a. Architects and engineers fees
- b. Loss adjustment expenses including, but not limited to, auditors, consultants and accountants. However the expenses of public adjusters are specifically excluded.

6. EXPEDITING EXPENSES

In the event of physical loss or damage insured hereunder, it is understood and agreed that coverage under this Policy includes the reasonable extra cost of temporary repair and of expediting the repair of such damaged property of the Insured, including overtime and the extra costs of express or other rapid means of transportation. This coverage is subject to a sublimit per the Declarations.

7. DEBRIS REMOVAL

This Policy also covers expenses incurred in the removal of debris of the property covered hereunder from the premises of the Insured that may be destroyed or damaged by a covered peril(s). This debris removal coverage does not apply to the cost to extract pollutants from land or water, or to remove, restore or replace polluted land or water.

8. BUILDING LAWS

In the event of physical damage to property insured by a covered peril, this Policy is extended to cover the loss occasioned by the enforcement of any local or state ordinance or law regulating the construction, repair or demolition of buildings or structures, which is in force at the time such a loss occurs, which necessitates the demolition of any portion of the covered building not damaged by the covered peril(s).

9. DEMOLITION COST

In the event of physical damage to property insured by a covered peril, this policy is extended to cover the cost of demolishing any undamaged portion of the covered property

including the cost of clearing the site thereof, caused by loss from any covered peril(s) under this Policy and resulting from enforcement of any local or state ordinance or law regulating the construction, repair or demolition of buildings or structures and in force at the time of loss which necessitates such demolition.

10. INCREASED COST OF CONSTRUCTION

In the event of physical damage to property insured by a covered peril this Policy is extended to cover the increased cost of repair or replacement occasioned by the enforcement of any local state ordinance or law regulating the construction, repair or demolition of buildings or structures, which is in force at the time such a loss occurs or which comes into force within 12 months after such a loss occurs, which necessitates in repairing or replacing the building covered hereunder which has suffered damage or destruction by the covered peril(s) or which has undergone demolition, limited, however, to the minimum requirements of such ordinance or law.

The maximum amount of additional loss insured by this policy which results from the above referenced 12 month period is not to exceed 20% of the amount of the physical damage loss from which this additional loss results.

11. ERRORS & OMISSIONS

No unintentional errors or unintentional omissions in description, location of property or valuation of property will prejudice the Insured's right of recovery but will be reported to the Insurer(s) as soon as practicable when discovered. Coverage provided by this clause is limited by the sublimits and terms noted on the Declarations Page attached to this form, and Section 1 (General Provisions) Clause E of this form.

12. ANIMALS

This policy is extended to cover police dogs, horses and other specially trained animals. Coverage includes re-training expenses. Coverage provided by this clause is limited by the sublimits and terms noted on the Declarations Page attached to this form, and Section 1 (General Provisions) Clause E of this form.

13. VALUABLE PAPERS

This policy is extended to cover Valuable Papers or the cost to reconstruct valuable papers physically lost or damaged by a peril insured against during the term of this Policy.

14. TRANSIT

This policy is extended to cover Personal Property of the Insured or property held by the Insured in trust or on commission or on consignment for which the Insured may be held legally liable while in due course of transit, worldwide, against All Risks of Direct Physical Loss or Damage not excluded by this Policy to the property insured occurring during the

period of this Policy. Coverage provided by this clause is limited by the sublimits and terms noted on the Declarations Page attached to this form, and Section 1 (General Provisions) Clause E of this form.

15. VEHICLES WHILE ON INSURED PREMISES

This policy is extended to cover Vehicles while on premises of the Insured against physical loss or damage by a peril insured against during the term of this Policy.

16. ASBESTOS CLEAN UP AND REMOVAL

- a. This policy specifically excludes Asbestos materials clean-up or removal, unless asbestos is itself damaged by a peril covered by this policy, then asbestos clean up or removal within the damaged area, and applicable time element coverages, will be covered by this policy.
- b. In no event will coverage be extended to cover undamaged asbestos, including undamaged asbestos in any portion of the building mandated by any governmental direction or request declaring that asbestos material present in any undamaged portion of the insureds property must be removed or modified, or;

any loss or expense including investigation or defense costs, caused by, resulting from, or arising out of asbestos, exposure to asbestos, or any product containing asbestos, or;

any loss or expense normally provided by demolition, increased cost or building ordinance.

C. PROPERTY NOT COVERED:

This Property Policy does not provide coverage for any of the following:

1. Aircraft, watercraft and rolling stock, except: Watercraft up to 27 feet, unless scheduled and Light rail vehicles, subway trains and related track maintenance vehicles for light rail and subway lines.
2. Standing timber, bodies of water, growing crops.
3. Land, (including land on which covered property is located), and land values (except athletic fields, landscaping, sand traps, tees and greens).
4. Property in due course of ocean marine transit.
5. Shipment by mail after delivery into the custody of the United States Post Office.

6. Power transmission, feeder lines and underground pipes more than 1,000 feet from the premises of the Insured unless specifically approved by underwriters.
7. Tunnels, bridges, dams, catwalks (except those not for public use), roadways, highways, streets, sidewalks, culverts, streetlights, traffic signals, (excess of the sublimit noted on the Declarations Page), unless values have been specifically reported on the Statement of Values on file with the Insurer.
8. Offshore property, oilrigs, underground mines, caverns and their contents. Railroad track is excluded unless values have been reported by the insured.

D. LOSS PAYMENT BASIS/VALUATION

In case of loss to property of an Insured covered hereunder, the basis of adjustment shall be as of the time and place of loss as follows:

1. On all real and personal property, including property of others in the care or control of the Insured at the replacement value (as defined below) at the time of the loss without deduction for depreciation. If property is not replaced within a reasonable period of time, then the actual cash value shall apply.
2. On improvements and betterments at the replacement value at time of loss without deduction for depreciation. If property is not repaired or replaced within a reasonable period of time, then the actual cash value. If replaced or repaired by others for the use of the Insured, there shall be no liability hereunder. The Insurer agrees to accept and consider the Insured as sole and unconditional owner of all improvements and betterments, any contract or lease the Insured may have made to the contrary notwithstanding.
3. On manuscripts, mechanical drawings, patterns, electronic data processing media, books of accounting and other valuable papers, the full replacement cost of the property at the time of loss (including expenses incurred to recreate the information lost, damaged or destroyed) or what it would then cost to repair, replace or reconstruct the property with other of like kind and quality. If not repaired, replaced or reconstructed within a reasonable period of time, then not to exceed the cost of blank or unexposed material.
4. On antique, restored or historical buildings, the cost of acquisition, relocation to the site and renovation or reconstruction. In the event of a partial loss, normal replacement cost coverage, as set forth in Item 1 above would apply.
5. On property of others for which the Insured is liable under contract or lease agreement the Insurer's liability in the event of loss is limited to the Insured's obligation as defined in said contract or lease agreement but not to exceed the replacement cost.

6. The valuation of library contents is as follows:

<u>Category</u>	<u>Value**</u>
Juvenile Picture Book	\$ 16.00
Juvenile Book	\$ 16.00
Juvenile Reference Book	\$ 33.50
Pamphlets	\$ 2.00
Magazines	\$ 4.75
Fiction	\$ 24.00
Law Periodical	\$ 34.95
Non-Fiction	\$ 35.00
Reference	\$ 83.75
Law Reference	\$ 110.00
Art	\$ 71.75
Film (16mm)	\$ 650.00
Film (8mm)	\$ 15.00
Film (Super 8mm)	\$ 15.00
Strips	\$ 8.25
Cassette Film Strips	\$ 57.00
Records	\$ 11.00
Videos (Tapes and CDs)	\$ 51.00
Audio Cassette	\$ 11.75
Computer Software (incl. CDs)	\$ 400.00
(Law) CD ROM	\$ 80.00
Books on Tape	\$ 22.00
Law Magazines	\$ 6.25
Compact Discs	\$ 25.00
Paperback Books	\$ 7.50

These figures are the raw costs of each category of books established from the library association. The figures do not include the "shelving cost" of each book as we recognize that not all books will be replaced. The coverage for shelving is a "valuable papers" exposure i.e. and covered elsewhere in this Policy.

Therefore, the formula for adjusting a library loss is:

“Number of items in a category multiplied by the valuation figure plus shelving cost under "valuable papers" coverage if item is replaced.”

This eliminates the need to adjust each item on its specific actual cash value or replacement cost.

The actual cost per item in the final adjustment is to be computed as of the time and place of loss or damage.

7. Covered vehicles and/or contractors' equipment/unlicensed vehicles on or off premises (as per summary of values on file with the Insured). Unless specified as "replacement cost", the Insurer shall not be liable for more than the actual cash value of the property at the time any loss or damage occurs, and the loss or damage shall be ascertained or estimated according to such actual cash value with proper deduction for depreciation. However, in no event shall the loss exceed what it would then cost to repair or replace, whichever is less, with materials of like kind and quality, nor the amount for which the Insured may be liable.

If summary of values, provided by the Insured, for vehicles/contractors' equipment provides a valuation based on replacement cost, then recovery will be on the same basis if replaced. If not replaced, the basis of recovery shall be actual cash value.

8. Animals: The stated value as per schedule on file with the Insured.
9. Landscape, sand traps, tees, greens and athletic fields; the actual replacement cost of sod, shrubs, sand (pertaining to sand traps within 15 yards of greens), plants and trees; however the Insurer's liability for replacement of trees, plants and shrubs will be limited to the actual size of the destroyed plant, tree or shrub at the time of the loss up to a maximum size of 15 gallons per item.

Wherever the term "actual cash value" is used as respects real property or improvements and betterment's in this clause, or elsewhere herein, it shall mean replacement value less depreciation.

The aforementioned valuations shall also be used for the purpose of the assessment adjustment clause of this Policy.

"Replacement cost" shall mean the cost of repairing, replacing, constructing or reconstructing (whichever is the least) the property on the same site, using new materials of like kind and quality and for like occupancy without deduction for depreciation, subject to the following:

- (i) Until the property is actually repaired, replaced or reconstructed, the maximum amount recoverable shall be the actual cash value of the lost or damaged property;
- (ii) Replacement shall be effected by the insured with due diligence and dispatch;
- (iii) Replacement need not be on same site, or of same or similar construction or occupancy provided that the Insurers shall not be liable for any additional costs that are directly attributable to the inclusion of this provision.

In the event the Insured should fail to comply with any of the foregoing provisions settlement shall be made as if this Replacement Cost provision had not been in effect.

E. SPECIAL CONDITION - AUTOMATIC COVERAGE/REPORTING CONDITIONS

Subject to the terms, conditions and limitations in the Additional Conditions Section entitled “Automatic Acquisition Clause,”

It is understood and agreed that:

- a. This Policy is automatically extended to cover all additional property as described in this Policy and associated Business Interruption / Extra Expense which may be purchased, leased, acquired or otherwise become at the risk of the Insured during the term of this Policy
- b. This Insurer shall automatically cover such property and/or properties, subject to all the terms and conditions of the Policy to which this clause is attached; provided, however, that if there shall be any other insurance covering such additional property this Policy shall not attach or provide coverage thereon until liability of all such other insurance shall have first been exhausted and shall then attach and cover only for its proportion of the excess of loss, if any, over and above the amount due from such other insurance, whether valid or invalid or by solvent or insolvent insurers.
- c. It is understood and agreed as respects earthquake shock at Policy annual inception, for those members that purchase the earthquake shock peril only, per the sublimit that appears on the declaration page, automatic coverage applies for the peril of earthquake shock for a period of 30 days from date of contractual requirement by any bond, certificate of participation or any similar investment, for any new locations where there is such a contractual requirement to provide earthquake shock coverage. Otherwise there is no Automatic Coverage for Earthquake Shock for any other new locations.

F. DEFINITIONS:

1. OCCURRENCE

Each occurrence is defined as a loss, incident or series of losses or incidents not otherwise excluded by this Policy and arising out of a single event or originating cause and includes all resultant or concomitant insured losses. When the term applies to loss or losses from earthquake shock, flood and/or windstorm, the following provisions shall apply:

a. Windstorm

Each loss by windstorm shall constitute a single claim hereunder; provided, if more than one windstorm shall occur within any period of seventy-two (72) hours during the term of this Policy, such windstorm shall be deemed to be a single windstorm within the meaning thereof. The Insured may elect the moment from which each of the aforesaid periods of seventy-two (72) hours shall be deemed to have commenced

but no two such seventy-two (72) hour periods shall overlap. The Insurer shall not be liable for any loss occurring before the effective date and time of the Policy. The Insurer will be liable for any losses occurring for a period of up to seventy-two (72) hours after the expiration of this Policy provided that the first windstorm loss or damage within that seventy-two (72) hours occurs prior to the date and time of expiration of this Policy.

In the event of there being a difference of opinion between the Insured and the Insurer as to whether or not all windstorm losses sustained by the Insured during an elected period of seventy-two (72) hours arose out of, or was caused by a single atmospheric disturbance, the stated opinion of the United States Weather Bureau or comparable Authority in any other country or locality shall govern as to whether or not a single atmospheric disturbance continued throughout the period at the location(s) involved.

b. Flood

Each loss by flood shall constitute a single loss hereunder.

1. If any flood occurs within a period of the continued rising or overflow of any river(s) or stream(s) and the subsidence of same within the banks of such river(s) or stream(s); or
2. If any flood results from any tidal wave or series of tidal waves caused by any one disturbance;

such flood shall be deemed to be a single occurrence within the meaning of this Policy.

Should any time period referred to above extend beyond the expiration date of this Policy and commence prior to expiration, the Insurer shall pay all such flood losses occurring during such period as if such period fell entirely within the term of this Policy.

The Insurer shall not be liable, however, for any loss caused by any flood occurring before the effective date and time of this Policy or commencing after the expiration date and time of this Policy.

Flood shall mean a general condition of partial or complete inundation of normally dry land area from:

1. overflow of inland or tidal water;
2. unusual and rapid accumulation or run off of surface waters from any source.

Flood shall also mean mudslide or mudflow, which is a river or flow of liquid mud caused by flooding as defined in 1. or 2. above.

The definition of flood does not include ensuing loss or damage not otherwise excluded.

c. Earthquake Shock

With respect to the peril of earthquake shock, any and all losses from this cause within a one hundred sixty-eight (168) hour period shall be deemed to be one loss. The Insured may elect the moment from which each of the aforesaid periods of one hundred sixty eight (168) hours shall be deemed to have commenced but no two such one hundred sixty eight (168) hour periods shall overlap.

The Insurer shall not be liable for any loss caused by an earthquake shock occurring before the effective date and time of this Policy. The Insurer will be liable for any losses occurring for a period of up to one hundred sixty eight (168) hours after the expiration of this Policy provided that the first earthquake shock loss or damage within that one hundred sixty eight (168) hours occurs prior to the date and time of the expiration of this Policy.

In the event of there being a difference of opinion between the Insured and the Insurer as to whether or not all earthquake shock losses sustained by the Insured during an elected period of one hundred sixty eight (168) hours arose out of, or were caused by a single earthquake shock, the stated opinion of the National Earthquake Shock Information Service of the United States Department of the Interior or comparable Authority in any other country or locality shall govern as to whether or not a single earthquake shock continued throughout the period at the locations involved.

The term earthquake shock is defined as: earth movement meaning natural faulting of land masses, but not including subsidence, landslide, rock slide, earth rising, earth sinking, earth shifting or settling unless as a direct result of such earth movement. The definition of earthquake shock does not include ensuing loss or damage not otherwise excluded. Further Earthquake Sprinkler Leakage is covered outside of the "Earthquake Shock" definition and subject to the basic peril deductible.

2. PERSONAL PROPERTY OF OTHERS

Means, any property (other than real property) belonging to others for which an Insured has assumed liability. This includes but is not limited to:

- Articles of Clothing
- Jewelry
- Sound Equipment
- Fine Arts (up to the sub-limit of unscheduled fine arts)
- EDP Media & Hardware
- Valuable Papers

- Portable Electronic Equipment
- Employee Tools

3. IMPROVEMENTS AND BETTERMENTS

Means, additions or changes made by an Insured/lessee at their own expense to a building they are occupying that enhance the building's value.

SECTION III

INTERRUPTION OF BUSINESS EARNINGS/EXTRA EXPENSE AND RENTAL INCOME

Subject to the terms, conditions and exclusions stated elsewhere herein, this Policy provides coverage for:

A. COVERAGE:

1. BUSINESS INTERRUPTION

Against loss resulting directly from interruption of business, services or rental value caused by direct physical loss or damage, as covered by this Policy to real and/or personal property insured by this Policy, occurring during the term of this Policy.

In the event of such loss or damage the Insurer shall be liable for the actual loss sustained by the Insured for gross earnings as defined herein and rental value as defined herein resulting from such interruption of business, services, or rental value; less all charges and expenses which do not necessarily continue during interruption of business for only such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair or replace such part of the property as has been damaged or destroyed, commencing with the date of such damage or destruction and not limited by the date of expiration of this Policy. Due consideration shall be given to the continuation of normal charges and expenses including payroll expenses to the extent necessary to resume operations of the Insured with the same quality of service which existed immediately preceding the loss.

With respect to business interruption for power generation facilities, coverage is limited to \$ per declarations.

2. EXTRA EXPENSE

This Policy is extended to cover the necessary extra expenses occurring during the term of this Policy at any location as hereinafter defined, incurred by the Insured in order to continue as nearly as practicable the normal operation of the Insured's business following damage to or destruction as covered by this Policy of real or personal property insured by this Policy which is on premises owned, leased or occupied by the Insured. In the event of such damage or destruction, the Insurer shall be liable for such necessary extra expense incurred for only such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair or replace such part of the property as has been damaged or destroyed commencing with the date of damage or destruction and not limited by the date of expiration of this Policy (hereinafter referred to as the period of restoration).

B. EXTENSIONS OF COVERAGE:

1. INGRESS/EGRESS

This Policy is extended to insure the actual loss sustained during the period of time not exceeding four consecutive weeks when, as a direct result of physical loss or damage caused by a covered peril(s) by this Policy, ingress to or egress from property covered by this Policy is prevented. Coverage under this extension is subject to a 24-hour waiting period.

2. INTERRUPTION BY CIVIL AUTHORITY

This Policy is extended to include the actual loss sustained by the Insured, as covered hereunder during the length of time not exceeding four consecutive weeks when, as a direct result of damage to or destruction of property by the covered peril(s), access to property covered by this policy is specifically prohibited by order of civil authority. Coverage under this extension is subject to a 24-hour waiting period.

3. DEMOLITION AND INCREASED TIME TO REBUILD

The Insurer shall, in the case of loss covered under this Policy, be liable also for loss to the interest covered by the Policy, occasioned by the enforcement of any local or state ordinance or law regulating the construction, repair or demolition of buildings or structures and in force at the time such loss occurs, which necessitates the demolition of any portion of the described building(s) not damaged by the covered peril(s). The Insurer shall also be liable for loss due to the additional period of time required for repair or reconstruction in conformity with the minimum standards of such ordinance or law of the building(s) described in this Policy damaged by a covered peril.

THE INSURER SHALL NOT BE LIABLE UNDER THIS CLAUSE FOR:

- a. More than the limit of liability as shown elsewhere in this Policy.
- b. Any greater proportion of any loss to the interest covered by this Policy than the amount covered under this Policy on said interest bears to the total insurance and coverage on said interest, whether all such insurance contains this clause or not

4. NON PRODUCTIVE PROPERTY

If the Real and/or Personal Property sustaining loss or damage do not produce an income the actual loss sustained shall be the continuing fixed charges and expenses directly attributable to such non-productive property.

5. CONTINGENT BUSINESS INTERRUPTION AND/OR EXTRA EXPENSE AND/OR RENTAL VALUE

Subject to the terms, conditions and exclusions of this Policy to which this extension is attached and to the following conditions, the business interruption, extra expense, rental

value coverage provided by this Policy is extended to cover loss directly resulting from physical damage to property of the type not otherwise excluded by this Policy at supplier or customer locations (whether such location is owned by the Insured or not) that prevents a supplier of goods and/or services to the Insured from supplying such goods and/or services, or that prevents a recipient of goods and/or services from the Insured from accepting such goods and/or services.

This extension is subject to a sublimit for each of these coverages of \$per declarations per occurrence per member unless a higher value is scheduled and agreed to by underwriters via an endorsement to this policy.

6. EXTENDED PERIOD OF INDEMNITY EXTENSION

Subject to the terms, conditions and exclusions of the Policy to which this extension is attached, the business interruption and/or extra expense and/or rental value coverage provided by this Policy is extended to provide coverage for the additional length of time required to restore the business of the Insured to the condition that would have existed had no loss occurred commencing on either;

- a. the date on which the Insurer's liability would otherwise terminate or;
- b. the date on which rebuilding, repairing or replacement of such property as has been lost, damaged or destroyed is actually completed, whichever is later.

The Insurer's liability under this extension shall terminate no later than thirty days (30) from the commencement date set forth above, unless a different time period is agreed to by underwriters through an endorsement to this policy.

7. EXPENSES TO REDUCE LOSS:

This Policy also covers such expenses as are necessarily incurred for the purpose of reducing loss under this section (except incurred to extinguish a fire); but in no event to exceed the amount by which loss is thereby reduced.

C. EXCLUSIONS

1. The Insurer shall not be liable for any increase of loss which may be occasioned by the suspension, lapse, or cancellation of any lease or license, contract or order, unless such suspension, lapse, or cancellation results directly from the interruption of business and, then this Insurer shall only be liable for such loss as affects the Insured's earnings during and limited to, the period of indemnity covered under this Policy.

With respect to loss resulting from damage to or destruction of media for, or programming records pertaining to, electronic data processing or electronically controlled equipment, including data thereon, by the perils insured against, the length of time for which underwriters shall be liable hereunder shall not exceed:

- i. Thirty (30) consecutive calendar days or the time required with exercise of due diligence and dispatch to reproduce the data thereon from duplicates or from originals of the previous generation, whichever is less; or,
- ii. the length of time that would be required to rebuild, repair or replace such other property herein described as has been damaged or destroyed, but not exceeding eighteen (18) calendar months,

whichever is the greater length of time.

D. CONDITIONS APPLICABLE TO BUSINESS INTERRUPTION/EXTRA EXPENSE/ RENTAL VALUE

If the Insured could reduce the loss resulting from the interruption of business:

1. by complete or partial resumption of operation of the property whether or not such property be lost or damaged, or;
2. by making use of merchandise or other property at the Insured's location or elsewhere;

such reduction shall be taken into account in arriving at the amount of the loss hereunder.

E. DEFINITIONS:

1. GROSS EARNINGS

"Gross Earnings" is defined as the sum of:

- a. total net sales and;
- b. other earnings derived from the operation of the business

less the cost of;

- c. merchandise sold including packaging materials and;
- d. materials and supplies consumed directly in supplying the service(s) sold by the Insured, and;

- e. service(s) purchased from outside (not employees of the Insured) for resale that does not continue under contract.

No other cost shall be deducted in determining gross earnings.

In determining gross earnings, due consideration shall be given to the experience of the business before the date of loss or damage and the probable experience thereafter, had no loss occurred.

2. MERCHANDISE

Shall be understood to mean, goods kept for sale by the Insured, which are not the products of manufacturing operations conducted by the Insured.

3. EXTRA EXPENSE

The term "extra expense", whenever used in this Policy, is defined as the excess (if any) of the total cost incurred during the period of restoration chargeable to the operation of the Insured's business over and above the total cost that would normally have been incurred to conduct the business during the same period had no damage or destruction occurred. Any salvage value of property obtained for temporary use during the period of restoration, which remains after the resumption of normal operations, shall be taken into consideration in the adjustment of any loss hereunder.

4. RENTAL VALUE

The term "rental value" is defined as the sum of:

- a. the total anticipated gross rental income from tenant occupancy as furnished and equipped by the Insured, and;
- b. the amount of all charges which are the legal obligation of the tenant(s) and which would otherwise be obligations of the Insured, and;
- c. the fair rental value of any portion of said property which is occupied by the Insured, and;
- d. any amount in excess of a., b. and c. (above) which is an obligation due under the terms and conditions of any revenue bond, certificate of participation or other financial instrument.

In determining rental value, due consideration shall be given to the experience before the date of loss or damage and the probable experience thereafter had no loss occurred.

5. PERIOD OF RESTORATION

The period during which business interruption and or rental interruption applies will begin on the date direct physical loss occurs and interrupts normal business operations and ends on the date that the damaged property should have been repaired, rebuilt or replaced with due diligence and dispatch (i.e. “normal speed”).

SECTION IV

GENERAL CONDITIONS

A. PERILS COVERED

Subject to the terms, conditions and exclusions stated elsewhere herein, this Policy provides insurance against all risk of direct physical loss or damage occurring during the period of this Policy.

B. PERILS EXCLUDED

This Policy does not insure against any of the following:

1. Loss or damage caused by or resulting from moths, vermin, termites, or other insects, inherent vice, latent defect, faulty materials, error in design, faulty workmanship, wear, tear or gradual deterioration, contamination, rust, corrosion, wet or dry rot, unless physical loss or damage not otherwise excluded herein ensues and then only for such ensuing loss.
2. Physical losses or damage by normal settling, shrinkage or expansion in building or foundation.
3. Delay or loss of markets (this exclusion shall be inapplicable to the extent inconsistent with any time element coverage provided elsewhere herein).
4. Breakdown or derangement of machinery and/or steam boiler explosion, unless physical loss or damage not otherwise excluded herein ensues and then only for such ensuing loss. (This exclusion applicable only to boilers owned or controlled by Insured.) This exclusion does not apply to data processing equipment or media.
5. Loss or damage caused by or resulting from misappropriation, conversion, inventory shortage, unexplained disappearance, infidelity or any dishonest act on the part of the Insured, it's employees or agents or others to whom the property may be entrusted (bailees and carriers for hire excepted) or other party of interest.
6. Loss or damage caused by or resulting from electrical injury or disturbance from artificial causes to electrical appliances, devices of any kind or wiring, unless physical loss or damage not otherwise excluded herein ensues and then only for such ensuing loss. This exclusion does not apply to data processing equipment or media.
7. Loss or damage to personal property resulting from shrinkage, evaporation, loss of weight, leakage, breakage of fragile articles, marring, scratching, exposure to light or change in color, texture or flavor, unless such loss is caused directly by fire or the combating thereof, lightning, windstorm, hail, explosion, strike, riot, or civil commotion, aircraft, vehicles, breakage of pipes or apparatus, sprinkler leakage, vandalism and malicious mischief, theft, attempted theft, flood or earthquake shock. (Earthquake Shock, and Flood, in the states of Alaska, California and Washington shall only apply to locations that are scheduled for Earthquake Shock and Flood).

8. Loss or shortage disclosed upon taking inventory or mysterious disappearance of property (except property in the custody of carriers or bailees for hire).
9. Loss or damage caused by rain, sleet or snow to personal property in the open (except in the custody of carriers or bailees for hire).
10. Loss caused directly or indirectly, by:
 - a. hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack
 - i. by any government or sovereign power (de jure or de facto), or by any Authority maintaining or using military, naval or air forces; or
 - ii. by military, naval or air forces; or
 - iii. by an agent of any such government, power, authority or forces;
 - b. any weapon of war employing atomic fission or radioactive force whether in time of peace or war;
 - c. insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental Authority or hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade.
11. Loss by nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by the covered peril(s) in this Policy; however, subject to the foregoing and all provisions of this Policy, direct loss by fire resulting from nuclear reaction or nuclear radiation or radioactive contamination is insured by this Policy.
12. As respects course of construction the following exclusions shall apply:
 - a. The cost of making good, faulty or defective workmanship, material, construction or design, but this exclusion shall not apply to damage by a peril not excluded resulting from such faulty or defective workmanship, material, construction or design.
 - b. The cost of non-compliance of, or delay in completion of contract.
 - c. The cost of non-compliance with contract conditions.
 - d. Contractors' equipment or tools not a part or destined to become a part of the installation.

The following additional exclusions apply to loss or damage to animals covered under this Policy:

- a. Death of any animal(s) from natural causes.
- b. Death of any animal(s) that dies from an unknown cause unless:
 - i. upon the death of such animal a post-mortem examination made of such animal by a licensed veterinarian, and if
 - ii. the veterinarian's post-mortem report shows the cause of death to clearly fall within the coverages of this Policy.
- c. Death of any animal(s) as a result of surgical operation, including inoculation, unless the necessity for same arises from an event covered by this Policy.
- d. The death or destruction of any animal(s) caused by resulting from, or made necessary by physical injury caused by or resulting from the activities of the injured animal or other animals unless such death or destruction is the result of any event otherwise covered by this Policy.
- e. The death of any animal(s) caused directly or indirectly by the neglect or abuse of the Insured, his agent, employees or bailees (carriers for hire excepted) unless such loss is a result of an event otherwise covered by this Policy.
- f. The loss by death of any animal(s) as a result of parturition or abortion.
- g. Loss resulting from depreciation in value caused by any animal(s) covered hereunder becoming unfit for or incapable of filling the function or duties for which it is kept, employed or intended unless such loss is the result of an event otherwise covered by this Policy.
- h. Loss by destruction of any animal(s) on the order of the federal or any state government, or otherwise as a result of having contracted or been exposed to any contagious or communicable disease.
- i. The removal or disposal of the remains of any animal(s) or the expense thereof unless such loss is the result of an event otherwise covered by this Policy.
- j. The loss of any animal(s) that has been unnerved (the term "unnerved" to be considered as meaning the operation of neurotomy for lameness.)
- k. Any claim consequent upon delay, deterioration, or loss of use or loss of market arising from an event covered by this Policy.

C. TERRITORIAL LIMITS

This Policy insures property within the United States. Personal property while in transit therein is extended to worldwide coverage subject to \$50,000 per occurrence per member.

D. REINSTATEMENT

Any reduction in the amount insured hereunder due to payment of any loss or losses shall be automatically reinstated for the balance of the term of this contract except as respects to those perils that are subject to annual aggregate limitation.

E. F.O.B. SHIPMENTS

This Insurer shall be liable for the interest of the Insured at sole option of the Insured, the interest of the consignee in merchandise, which has been sold by the Insured under terms of F.O.B. point of origin or other terms usually regarded as terminating shippers' responsibility short of point of delivery.

F. PROTECTION AND PRESERVATION OF PROPERTY

In case of actual or imminent physical loss or damage of the type insured against by this Policy, the expenses incurred by the Insured in taking reasonable and necessary actions for the temporary protection and preservation of property insured hereunder shall be added to the total physical loss or damage otherwise recoverable under the Policy and be subject to the applicable deductible and without increase in the limit provisions contained in this Policy.

G. BREACH OF CONDITIONS

If any breach of a clause, condition or warranty of this Policy shall occur prior to a loss affected thereby under this Policy, such breach shall not void the Policy nor avail the Insurer to avoid liability unless such breach shall exist at the time of such loss under this contract or Policy, and be a contributing factor to the loss for which claim is presented hereunder, it being understood that such breach of clause or condition is applicable only to the property affected thereby. Notwithstanding the foregoing, if the Insured establishes that the breach, whether contributory or not, occurred without its knowledge or permission or beyond its control, such breach shall not prevent the Insured from recovering under this Policy.

H. PERMITS AND PRIVILEGES

Anything in the printed conditions of this Policy to the contrary notwithstanding, permission is hereby granted:

1. to maintain present and increased hazards;
2. to make additions, alterations, extensions, improvements and repairs, to delete, demolish, construct and reconstruct, and also to include all materials, equipment and supplies incidental to the foregoing operations of the property covered hereunder, while in, on and/or about the premises or adjacent thereto;

3. for such use of the premises as usual and/or incidental to the business as conducted therein and to keep and use all articles and materials usual and/or incidental to said business in such quantities as the exigencies of the business require;
4. to be or become vacant or unoccupied without limit of time.

Nor shall this Policy be prejudiced by:

5. error in stating the name, number, street, or location of any building(s) and contents covered hereunder, or any error or omission involving the name or title of the Insured;
6. any act or neglect of the owner of the building, if the Insured hereunder is not the owner, or of any occupant of the within described premises other than the Insured, when such act or neglect is not within the control of the Insured, named herein; or
7. by failure of the Insured to comply with any of the warranties or conditions endorsed hereon in any portion of the premises over which the Insured has no control.

I. PROTECTIVE SAFEGUARDS

The Insured shall exercise due diligence in maintaining in complete working order all protective safeguard equipment and services.

J. NOTICE OF LOSS

In the event of loss or damage insured against under this Policy, the Insured shall give immediate notice thereof to DRIVER ALLIANT INSURANCE SERVICES, INC., 1301 Dove, Suite 200, Newport Beach, CA 92658-6450 (949) 756-0271, FAX (949) 756-2713 of such loss.

K. PROTECTION OF PROPERTY

The Insured shall protect the property from further damage forthwith; separate the damaged and undamaged personal property stored in the best possible order and furnish a complete inventory of the destroyed, damaged and undamaged property. The expense for same are covered expenses under this Policy.

L. ARBITRATION OF VALUE

In case the Insured and the Insurer shall fail to agree as to the amount of loss, then, on the written demand of either, each shall select a competent and disinterested appraiser and notify the other of the appraisers selected. The appraiser shall first select a competent and disinterested umpire, and failing to agree upon such umpire, then, on request of the Insured or the Insurer such umpire shall be selected by judge of a court of record in the state in which the property covered is located.

The appraisers shall as soon as practicable, appraise the loss stating separately the loss of each item and failing to agree, shall submit their differences only to the umpire. An award in writing so itemized, of any two appraisers when filed with the Insurer shall determine the amount of loss. The party selecting him shall pay each appraiser and the expenses of appraisal and umpire shall be paid by the parties equally.

M. PROOF OF LOSS

The Insured shall render a signed and sworn proof of loss as soon as practical after the occurrence of a loss, stating the time, place and cause of loss, the interest of the Insured and of all others in the property, the value thereof and the amount of loss or damage thereto.

N. SUBROGATION

In the event of any loss payment under this Policy, the Insurer, shall be subrogated to all the Insured's rights of recovery thereof against any person or organization and the Insured shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights

As respects subrogation it is agreed that, after expenses incurred in subrogation are deducted, the Insured and the Insurer shall share proportionately to the extent of their respective interests as determined by the amount of their net loss. Any amount thus found to be due to either party from the other shall be paid promptly.

This Policy shall not be prejudiced by agreement made by the Insured releasing or waiving the Insured's right to recovery against third parties responsible for the loss, under the following circumstances only:

1. If made before the loss has occurred, such agreement may run in favor of any third party;
2. If made after loss has occurred, such agreement may run only in favor of a third party falling within one of the following categories at the time of loss:
 - a. a third party covered under this Policy; or
 - b. a corporation, firm, or entity
 - i. owned or controlled by the Insured or in which the Insured owns capital stock or other proprietary interest, or
 - ii. owning or controlling the Insured or owning or controlling capital stock or other proprietary interest in the Insured

- iii. whether made before or after loss had occurred, such agreement must release or waive the entire Right of Recovery of the named Insured against such Third party or
- iv. a Tenant of the Named Insured.

O. CANCELLATION

This Policy may be canceled by the Insured at any time by written notice or surrender of this Policy. This Policy may also be canceled by or on behalf of the Insurer by delivering to the Insured or by mailing to the Insured, by registered, certified or other first class mail at the Insured's address as shown in this Policy, written notice, not less than ninety (90) days prior to the effective date of cancellation. The mailing of such notice as aforesaid shall be sufficient proof and this Policy shall terminate at the date and hour specified in such notice. Notwithstanding what has been stated above, however, should this Policy be canceled for non-payment of assessment, the Insurer shall only be required to give the Insured ten (10) days notice.

It is further agreed that this Insurer will abide by all the laws regulating the non-renewal or cancellation of insurance instituted by the State Department of Insurance, regardless of whether or not the Insurer is an admitted carrier in the State having jurisdiction over the named insured.

If this insurance in total shall be cancelled by the Insured, the Insurer shall retain the customary short rate proportion of the premium hereon. If the Insurer elects to cancel coverage mid-term, then such cancellation shall be handled on a pro-rata basis without short rate penalty.

In the event of cancellation the aggregate retention and specific limit amount shall be applied pro rata with the balance, if any, to be paid to the Insured.

Payment or tender of any unearned premium by the Insurer shall not be condition precedent to the effectiveness of cancellation but such payment shall be made forthwith.

Cancellation shall not effect coverage on any shipment in transit on date of cancellation. Coverage will continue in full force until such property is safely delivered and accepted at place of final destination.

P. ABANDONMENT

There shall be no abandonment to the Insurer of any property.

Q. ASSIGNMENT

Assignment or transfer of this Policy shall not be valid except with the written consent of the Insurer.

R. SALVAGE

When, in connection with any loss hereunder, any salvage is received prior or subsequent to the payment of such loss, the loss shall be figured on the basis on which it would have been settled had the amount of salvage been known at the time the loss was originally determined.

S. OTHER INSURANCE

Permission is hereby granted to the Insured to carry more specific insurance on any property covered under this Policy. This Policy shall not attach or become insurance upon any property which at the time of loss is more specifically described and covered under any other policy form until the liability of such other insurance has first been exhausted and shall then cover only the excess of value of such property over and above the amount payable under such other insurance, whether collectible or not. This Policy, subject to its conditions and limitations, shall attach and become insurance upon such property as respects any peril not covered by such other insurance and not otherwise excluded herein.

In the event of a loss that is covered by other insurance, wherein this Policy is excess of any amount paid by such other insurer shall be applied to the deductible amount stated elsewhere. Should the amount paid by such other insurance exceed these deductibles, no further deductibles shall be applied under this Policy.

T. EXCESS INSURANCE

Permission is granted for the Insured to maintain excess insurance over the limit of liability set forth in this Policy without prejudice to this Policy and the existence of such insurance, if any, shall not reduce any liability under this Policy. Also it is understood and agreed as respects earthquake shock or flood, that in the event of reduction or exhaustion of the aggregate limits of liability under the underlying Policy(s) by reason of loss(es) hereunder, this Policy shall:

1. in the event of reduction, pay out excess of the reduced underlying limit and
2. in the event of exhaustion, continue in force as the underlying Policy.

U. RIGHT TO REVIEW RECORDS FOLLOWING AN INSURED LOSS

The Insured as often as may be reasonably required, shall submit and so far as within their power, cause all other persons interested in the property or employees to submit to examination under oath by any person named by the Insurer relative to any and all matters in connection with a claim, and produce for examination all books of account, bills, invoices and other vouchers or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by the Insurer or their representatives and shall permit extracts and copies thereof to be made.

V. CONCEALMENT AND FRAUD

This entire Policy shall be void, if whether before or after a loss, the Insured has willfully concealed or misrepresented any material facts or circumstance concerning this Policy of the subject thereof, or the interest of the Insured therein, or in case of any fraud or false swearing by the Insured relating thereto.

W. LOSS PAYABLE CLAUSE

In the event of a loss occurring under this Policy, the loss payment will be made in favor of the Insured(s) submitting the claim alone, and not to the program name.

X. FULL WAIVER

The terms and conditions of this form and endorsements attached thereto are substitute for those of the Policy to which it is attached, all terms, conditions and endorsements of latter being waived.

Y. SUIT AGAINST COMPANY

No suit, action or proceeding for the recovery of any claim under this Policy shall be sustainable in any court of law or equity unless the Insured shall have fully complied with all the requirements of this Policy, nor unless the same be commenced within twelve (12) months next after the date of the loss provided, however, that if under the laws of the jurisdiction in which the property is located such limitation is invalid, then any such claims shall be void unless such action, suit or proceedings be commenced within the shortest limit of time permitted by the laws of such jurisdiction.

SECTION V

FINE ARTS FLOATER

A. COVERAGE:

This policy insures against all risks of physical loss of or damage occurring during the policy period to fine arts, which are the property of the Insured or the property of others in the custody or control of the Insured while on exhibition or otherwise within the limits of the Continental United States, except as hereinafter provided.

If any of the property covered by this Section is also covered under any other provisions of the Policy of which this Section is made a part, those provisions are hereby amended to exclude such property, the intent being that the coverage under this Section is the sole coverage on such property.

1. PROPERTY COVERED

Objects of art of every kind and description, and property incidental thereto, which is the property of the Insured, or the property of others in the custody and control of the Insured, or in transit at the insureds risk, and property in which the Insured shall have a fractional ownership interest which are owned by or have been leased, loaned, rented or otherwise made available to the Insured. "Property" shall mean paintings, drawings, etchings, prints, rare books, manuscripts, rugs, tapestries, furniture, pictures, bronzes, potteries, porcelains, marbles statuary and all other bonafide works of art and other objects of rarity, historic value, cultural interest or artistic merit, which are part of the collections of the Insured, or in the care, custody or control of the Insured, and their frames, glazing and shadow boxes.

2. "WALL TO WALL" ("NAIL TO NAIL") COVERAGE

This Section covers the Insured's property on a "Wall to Wall" ("Nail to Nail") basis, or domicile to domicile basis, as applicable, from the time said property is removed from its normal repository incidental to shipment until returned thereto or other point designated by the owner or owner's agent prior to return shipment, including while in transit to or from points of consolidation or deconsolidation, packing, repacking or unpacking, while at such locations during such processes or awaiting shipment.

Coverage shall terminate upon arrival of the covered property at the final destination designated by the owner or owner's agent, or upon expiration of this Policy, whichever may occur first, except that expiration of this Policy shall not prejudice coverage of any risk then in transit.

B. EXTENSIONS OF COVERAGE:

None

C. EXCLUSIONS:

1. Loss or damage occasioned by: wear and tear, gradual deterioration, insects, vermin, inherent vice or damage sustained due to and resulting from any repairing, restoration or retouching process;
2. Loss or damage caused by or resulting from:
 - a. Hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack;
 - i. by any government or sovereign power (de jure or de facto), or by any authority maintaining or using military, naval or air forces; or
 - ii. by military, naval or air forces; or
 - iii. by an agent of any such government, power, authority or forces;
 - b. Any weapon of war employing atomic fission or radioactive force whether in time of peace or war;
 - c. Insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade.
3. Loss by nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by the covered perils covered against in this endorsement; however, subject to the foregoing and all provisions of this endorsement, direct loss by fire resulting from nuclear reaction or nuclear radiation or radioactive contamination is covered against by this endorsement.
4. Any dishonest, fraudulent or criminal act by the Insured, a partner therein or an officer, director, employee or trustee thereof, whether acting alone or in collusion with others.

For the purpose of this exclusion an act of vandalism or malicious damage by an employee shall not constitute a dishonest, fraudulent or criminal act.

D. LOSS PAYMENT BASIS/VALUATION

The valuation of each article of property covered by this Section shall be determined as follows:

- a. Property of the Insured shall be covered for and valued at the current fair market value of each article indicated on the books and records of the Insured prior to loss, according to the Insured's valuation of each object covered.
- b. Property of others loaned to the Insured and for which the Insured may be legally liable, or which the Insured has been instructed to insure, shall be covered for and valued at the amount agreed upon for each article by the Insured and owner(s) as recorded on the books and records of the Insured prior to loss.
- c. Otherwise, in the absence of recorded current fair market values or agreed values for each article covered, the Insurer shall not be liable beyond the fair market value of the property at the time any loss or damage occurs. Said value shall be ascertained by the Insured and the Insurer or, if they differ, then the amount of value or loss shall be determined as provided in the following appraisal clause.

E. SPECIAL CONDITIONS:

1. **Misrepresentation and Fraud:** This entire Section shall be void if, whether before or after a loss, the Insured has concealed or misrepresented any material fact or circumstance concerning this Policy or the subject thereof, or the interest of the Insured therein, or in case of any fraud or false swearing by the Insured relating thereto.
2. **Notice of Loss:** The Insured shall as soon as practicable report in writing to the Insurer or its agent every loss, damage or occurrence which may give rise to a claim under this Section and shall also file with the Insurer or its agent within ninety (90) days from the date of discovery of such loss, damage or occurrence, a detailed sworn proof of loss.
3. **Examination under Oath:** The Insured, as often as may be reasonably required, shall exhibit to any person designated by the Insurer all that remains of any property herein described, and shall submit, and insofar as is within its power cause its employees, Insured and others to submit to examination under oath by any person named by the Insurer and subscribe the same; and, as often as may be reasonably required, shall produce for examination all writings, books of account, bills, invoices and other vouchers, or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by the Insurer or its representative and shall permit extracts and copies thereof to be made. No such examination under oath or examination of books or documents, nor any act of the Insured or any of its employees or representatives in connection with the investigation of any loss or claim hereunder, shall be deemed a waiver of any defense which the Insured might

otherwise have with respect to any loss or claim, but all such examinations and acts shall be deemed to have been made or done without prejudice to the Insurer's liability.

4. **Settlement of Loss:** All adjusted claims shall be paid or made good to the Insured within sixty (60) days after presentation and acceptance of satisfactory proof of interest and loss at the office of the Insurer. No loss shall be paid or made good if the Insured has collected the same from others.
5. **No Benefit to Bailee:** This Section shall in no way inure directly or indirectly to the benefit of any carrier or other bailee.
6. **Subrogation or Loan:** If in the event of loss or damage the Insured shall acquire any right of action against any individual, firm or corporation for loss of, or damage to, property covered hereunder, the Insured will, if requested by the Insurer, assign and transfer such claim or right of action to the Insurer or, at the Insurer's option, execute and deliver to the Insurer the customary form of loan receipt upon receiving an advance of funds in respect of the loss or damage; and will subrogate the Insurer to, or will hold in trust for the Insurer, all such rights of action to the extent of the amount paid or advanced, and will permit suit to be brought in the Insured's name under the direction of and at the expense of the Insurer.
7. **Loss Clause:** Any loss hereunder shall not reduce the amount of this Section, except in the event of payment of claim for total loss of an item specifically scheduled hereon.
8. **Protection and Preservation of Property:** In case of actual or imminent physical loss or damage of the type insured against by this Policy, the expenses incurred by the Insured in taking reasonable and necessary actions for the temporary protection and preservation of property insured hereunder shall be added to the total physical loss or damage otherwise recoverable under the Policy and be subject to the applicable deductible and without increase in the limit provisions contained in this Policy.
9. **Appraisal:** If the Insured and the Insurer fail to agree as to the amount of loss, each shall on the written demand of other, made within sixty (60) days after receipt of proof of loss by the Insurer, select a competent and disinterested appraiser, and the appraisal shall be made at a reasonable time and place. The appraisers shall first select a competent and disinterested umpire, and failing for fifteen (15) days to agree upon such umpire, then on the request of the Insured or the Insurer, such umpire shall be selected by a judge of a court of record in the state in which such appraisal is pending. The appraisers shall then appraise the loss, stating separately the fair market value at the time of loss and the amount of loss, and failing to agree shall submit their differences to the umpire. An award in writing of any two shall determine the amount of loss. The Insured and the Insurer shall each pay their chosen appraiser and shall bear equally the other expenses of the appraisal and umpire. The Insured shall not be held to have waived any of its rights by any act relating to appraisal.

10. **Civil Authority:** Property covered under this Section against the peril of fire is also covered against the risk of damage or destruction by Civil authority during a conflagration and for the purpose of retarding the same; provided that neither such conflagration nor such damage or destruction is caused or contributed to by a peril otherwise excluded herein.
11. **Conformity to Statute:** Terms of this Section that are in conflict with the statutes of the state wherein this Section is issued are hereby amended to conform to such statutes.
12. **Changes:** Notice to any agent or knowledge possessed by any agent or by any other person shall not effect a waiver or a change in any part of this Section or stop the Insured from asserting any right under the terms of this Section, nor shall the terms of this Section be waived or changed except by endorsement issued to form a part of this Section.
13. **Additional Covered Party(ies):** The owner and owners defined as associations, corporations, firms, institutions, museums, persons and others who own or control collections, objects or articles who make them available to the Insured, and temporary borrowers or custodians (but not carriers, packers or shippers) of property covered, are additional Insured(s) hereunder, but only as respects coverage afforded said Insured's property.
14. **Packing:** It is agreed by the Insured that the property covered hereunder be packed and unpacked by competent packers.
15. **Other Insurance:** This fine arts floater Section is excess coverage over any other valid and collectible insurance which may apply to any objects of art for which coverage would apply under this Policy.
16. **Pair And Set:** IN the event of the total loss of any article or articles which are a part of a set, the Insurer agrees to pay the Insured the full amount of the value of such set and the Insured agrees to surrender the remaining article or articles of the set to the Insurer.

SECTION VI

MOBILE / CONTRACTORS EQUIPMENT

A. COVERAGE:

This Policy insures only mobile machines, including equipment thereof while attached thereto or located thereon, such as bulldozers, drag lines, power shovels, derricks, drills, concrete mixers and other machinery of a mobile nature.

This extension insures against all risks of direct loss or damage occurring during the policy period to the above described property from any external cause except as provided below.

1. Loss or damage due to wear, tear, rust, corrosion, latent defect, mechanical breakage or improper assemblage.
2. Loss or damage due to the weight of the load imposed on the machine exceeding the capacity for which such machine was designed.
3. Loss or damage to crane or derrick boom(s) and jib(s) of lattice construction while being operated unless directly caused by fire, lightning, hail, windstorm, earthquake shock, explosion, riot, riot attending a strike, civil commotion, actual physical contact with an aircraft or airborne missile including objects falling therefrom, collision with other vehicles or other contractors equipment whether or not such other equipment is covered hereunder, landslide, or upset of the unit of which it is a part (but only when and to the same extent that such other perils are covered by the Policy).
4. Loss or damage due to explosion arising from within steam boilers.
5. Loss or damage to dynamos, exciters, lamps, switches, motors or other electrical appliances or devices, including wiring, caused by lightning or other electrical currents (artificial or natural) unless fire ensues and then for the loss by fire only.
6. Loss or damage due to dishonesty of Insured's employees or persons to whom the Insured's property is entrusted.
7. Loss or damage caused by or contributed to failure of the Insured to keep and maintain the property in a thorough state of repair.
8. Loss or damage caused by or resulting from:
 - a. hostile or warlike action in time of peace or, including action in hindering, combating or defending against an actual, impending or expected attack,
 - i. by any government or sovereign power (de jure or de facto) or by any authority maintaining using military, naval or air forces; or
 - ii. any military, naval or air forces; or
 - iii. by an agent of any such government, power, authority or forces;

- b. any weapon of war employing atomic fission or radioactive force whether in time of peace or war;
 - c. insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade;
9. Loss by nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by the peril(s) covered against in this endorsement; however, subject to the foregoing and all provisions of this Policy, direct loss by fire resulting from nuclear reaction or nuclear radiation or radioactive contamination is covered against by this Policy.

B. EXTENSIONS OF COVERAGE:

None

C. EXCLUSIONS:

- 1. Automobiles, motorcycles, motor trucks, or parts thereof.
- 2. Buildings used as camps or otherwise.
- 3. Machinery or equipment or building materials to be installed in any building for the purpose of becoming a part thereof; nor on any property which has become a permanent part of any structure.
- 4. Property that is located underground.
- 5. Property while waterborne except while being transported on any regular ferry.
- 6. Storage risks at premises controlled or leased by the Insured, except where incidental to the regular or frequent use of the equipment or property.
- 7. Plans, blue prints, designs or specifications.

D. LOSS PAYMENT BASIS/VALUATION:

See specific Sections regarding Loss Payment Basis/Valuation.

E. SPECIAL CONDITIONS:

This extension covers only within the limits of the United States of America.

It is a condition of this Policy that all articles covered hereunder are in sound condition at the time of attachment of this Policy.

F. DEFINITIONS:

Contractors Equipment shall include but is not limited to:

Land vehicles including equipment and apparatus attached thereto, whether or not self-propelled and not subject to motor vehicle registration.

SECTION VII

ACCOUNTS RECEIVABLE

A. COVERAGE:

This Policy covers the loss of or damage resulting from “all risks of direct physical loss or damage” to the Insured’s records of accounts receivable as defined below, occurring during the Policy period.

B. EXTENSIONS OF COVERAGE:

None

C. EXCLUSIONS:

In addition to the exclusions in the General Conditions, this Extension does not apply:

1. To loss due to any fraudulent, dishonest or criminal act by the Insured, a partner therein, or an officer, director, employee or trustee thereof, while working or otherwise and whether acting alone or in collusion with others.

For the purpose of this exclusion an act of vandalism or malicious damage by an employee shall not constitute a dishonest, fraudulent or criminal act.

2. To loss due to bookkeeping, accounting or billing errors or omissions.
3. To loss, the proof of which as to factual existence, is dependent upon an audit of records or an inventory computation; but this shall not preclude the use of such procedures in support if claim for loss which the Insured can prove through evidence wholly apart therefrom, is due solely to a risk of loss to records of accounts receivable not otherwise excluded hereunder.
4. To loss due to alteration, falsification, manipulation, concealment, destruction or disposal of records of accounts receivable committed to conceal the wrongful giving, taking, obtaining or withholding of money, securities or other property, but only to the extent of such wrongful giving, taking, obtaining or withholding.

D. LOSS PAYMENT BASIS/VALUATION:

DETERMINATION OF RECEIVABLES; DEDUCTIONS

When there is proof that a loss covered by this Policy has occurred but the Insured cannot accurately establish the total amount of accounts receivable outstanding as of the date of such loss, such amount shall be based on the Insured’s monthly statements and shall be computed as follows:

- a. Determine the amount of all outstanding accounts receivable at the end of the same fiscal month in the year immediately preceding the year in which the loss occurs;
- b. Calculate the percentage of increase or decrease in the average monthly total of accounts receivable for the twelve (12) months immediately preceding the month in which the loss occurs as compared with such average for the months of the preceding year;
- c. The amount determined under (a) above, increased or decreased by the percentage calculated under (b) above, shall be the agreed total amount of accounts receivable as of the last day of the fiscal month in which said loss occurs;
- d. The amount determined under (c) above shall be increased or decreased in conformity with the normal fluctuations in the amount of accounts receivable during the fiscal month involved, due consideration being given to the experience of the business since the last day of the last fiscal month for which statement has been rendered.

There shall be deducted from the total amount of accounts receivable, however established, the amount of such accounts evidenced by records not lost or damaged or otherwise established or collected by the Insured, and an amount to allow for probable bad debts which would normally have been uncollectible by the Insured. All unearned interest and service charges shall be deducted.

E. SPECIAL CONDITIONS:

None

F. DEFINITIONS:

ACCOUNTS RECEIVABLE:

- a. All sums due the Insured from customers provided the Insured is unable to effect collection thereof as the direct result of loss or damage to records of accounts receivable.
- b. Interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage.
- c. Collection expense in excess of normal collection cost and made necessary because of such loss or damage.
- d. Other expenses, when reasonably incurred by the Insured, in re-establishing records of accounts receivable following such loss or damage.

SECTION VIII

ADDITIONAL CONDITIONS

1. JOINT LOSS ADJUSTMENT – BOILER & MACHINERY

In the event of damage to or destruction of property, at a location designated in this Policy and also designated in a boiler and machinery insurance policy, and there is a disagreement between the Insurers and the Insured with respect to:

- (1) Whether such damage or destruction was caused by a peril covered against by this Policy or by an accident covered against by such boiler and machinery insurance policy(ies) or
- (2) The extent of participation of this Policy and of such boiler and machinery insurance policy in a loss that is covered against, partially or wholly, by one or all of said policy(ies).

This Insurer shall, upon written request of the Insured, pay to the Insured one-half of the amount of the loss which is in disagreement, but in no event more than this Insurer would have paid if there had been no boiler and machinery insurance policy(ies) in effect, subject to the following conditions:

- (1) The amount of loss which is in disagreement after making provisions for any undisputed claims payable under the said policy(ies) and after the amount of the loss is agreed by the Insured and the Boiler and Machinery Insurer and this Insurer is limited to the minimum amount remaining payable under either the boiler and machinery insurance policy(ies).
- (2) The boiler and machinery insurer(s) shall simultaneously pay to the Insured, one-half of the said amount, which is in disagreement.
- (3) The payments by the insurer(s) hereunder and acceptance of the same by the Insured signify the agreement of the insurer(s) to submit to and proceed with arbitration within ninety (90) days of such payments:

The arbitrators shall be three (3) in number, one of whom shall be appointed by the boiler insurer(s) and one of whom shall be appointed by the Insurer hereon and the third appointed by consent of the other two, and the decision by the arbitrators shall be binding on the insurer(s) and the Insured and that judgment upon such award may be entered in any court of competent jurisdiction.

- (4) The Insured agrees to cooperate in connection with such arbitration but not to intervene therein.
- (5) This agreement shall be null and void unless the Policy of the boiler and machinery Insurer is similarly endorsed.

2. JOINT LOSS ADJUSTMENT – EXCESS PROPERTY

In the event of damage to or destruction of property at a location designated in this Policy and also designated in an excess insurance policy(ies) and if there is disagreement between the insurers with respect to:

- (1) whether such damage or destruction was caused by a single event or by multiple events or;
- (2) the extent of participation of this Policy and any excess insurance policy in a loss covered against partially or wholly, by one of said Policy or policy(ies).

This Insurer shall, upon written request of the Insured, pay to the Insured one-half of the amount of the loss which is in disagreement, but in no event more than this Insurer would have paid if there had been no excess insurance or policy(ies) in effect, subject to the following conditions:

- (1) the amount of loss which is in disagreement after making provisions for any undisputed claims payable under the said policy(ies) and after the amount of the loss is agreed by the Insured and the insurers is limited to the minimum amount remaining payable under either the primary insurance policy or excess insurance policy(ies);
- (2) the excess insurers shall simultaneously pay to the Insured one-half of the said amount which is in disagreement; and,
- (3) the payments by the Insurers hereunder and acceptance of the same by the member signify the agreement of the insurers to submit to and proceed with arbitration within ninety (90) days of such payments.

The arbitrators shall be three (3) in number, one of whom shall be appointed by the excess insurer(s) and one of whom shall be appointed by this Insurer and the third appointed by consent of the other two, and the decision by the arbitrators shall be binding on the insurers and the Insured, and that judgment upon such award may be entered in any court of competent jurisdiction.

- (4) The Insured agrees to cooperate in connection with such arbitration but not to intervene therein.

**3. SEEPAGE AND/OR POLLUTION AND/OR CONTAMINATION EXCLUSION;
DEBRIS REMOVAL AND COST OF CLEAN UP EXTENSION;
AUTHORITIES EXCLUSION**

Notwithstanding any provision in the Policy to which the endorsement is attached, this Policy does not insure against loss, damage, costs or expenses in connection with any kind or description of seepage and/or pollution and/or contamination, direct or indirect, arising from any cause whatsoever.

Nevertheless if fire is not excluded from this Policy and a fire arises directly or indirectly from seepage and/or pollution and/or contamination, any loss or damage covered under this Policy arising directly from that fire shall, (subject to the terms, conditions and limitations of the Policy) be covered.

However, if the covered property is the subject of direct physical loss or damage for which the Insurer has paid or agreed to pay, then this Policy (subject to its terms, conditions and limitations) insures against direct physical loss or damage to the property covered hereunder caused by resulting seepage and/or pollution and/or contamination.

The Insured shall give notice to the Insurer of intent to claim **NO LATER THAN TWELVE (12) MONTHS AFTER THE DATE OF THE ORIGINAL PHYSICAL LOSS OR DAMAGE.**

DEBRIS REMOVAL AND COST OF CLEAN UP EXTENSION:

Notwithstanding the provisions of the preceding exclusions in this endorsement or any provision respecting seepage and/or pollution and/or contamination, and/or debris removal and/or cost of clean up in the Policy to which this endorsement is attached, in the event of direct physical loss or damage to the property covered hereunder, this Policy (subject otherwise to its terms, conditions and limitations, including but not limited to any applicable deductible) also insures, within the sum covered:

- (a) expenses reasonably incurred in removal of debris of the property hereunder destroyed or damaged from the premises of the Insured;

and/or

- (b) cost of clean up at the premises of the Insured made necessary as a result of such direct physical loss or damage;

PROVIDED that this Policy does not insure against the costs of decontamination or removal of water, soil or any other substance on or under such premises.

It is a condition precedent to recovery under this extension that the Insurer shall have paid or agreed to pay for direct physical loss or damage to the property covered hereunder unless such payment is precluded solely by the operation of any deductible and that the Insured shall give notice to the Insurer of intent to claim for cost of removal of debris or cost of clean up **NO LATER THAN TWELVE (12) MONTHS AFTER THE DATE OF SUCH PHYSICAL LOSS OR DAMAGE.**

AUTHORITIES EXCLUSION:

This Policy does not cover expenses, fines, penalties or cost incurred or sustained by the Insured or imposed on the Insured at the order of any Government Agency, Court of other Authority, in connection with any kind or description of environmental impairment including seepage or pollution or contamination of any cause.

Nothing in this endorsement shall override any radioactive contamination exclusion clause in the Policy to which this endorsement is attached.

4. MINIMUM EARNED ASSESSMENTS AND QUARTERLY ADJUSTMENTS

It is understood and agreed that if the insured cancels, this Policy is subject to 25% minimum earned assessments (premium) regardless of the length of time coverage is in force.

Additional, or return premium due for endorsements issued during the policy term, such as those for additions or deletions of values within or greater than as that which is provided in any “automatic acquisition sublimit” (including those for existing members, new members to the PEP/IP program, or new members to existing JPA members) will be processed on a quarterly basis. Issuance of the endorsements and calculation of pro-rata or return premium, for these changes will be processed as of, and at the time of the transaction.

5. LENDER'S LOSS PAYABLE

The following provisions (or equivalent) apply as required by "mortgages" and "lenders" to whom certificates of coverage have been issued.

1. Loss or damage, if any, under this policy, shall be paid to the Payee named on the first page of this policy, its successors and assigns, hereinafter referred to as "the Lender," in whatever form or capacity its interests may appear and whether said interest be vested in said Lender in its individual or in its disclosed or undisclosed fiduciary or representative capacity, or otherwise, or vested in a nominee or trustee of said Lender.
2. The insurance under this policy, or any rider or endorsement attached thereto, as to the interest only of the Lender, its successors and assigns, shall not be invalidated nor suspended: (a) by any error, omission, or change respecting the ownership, description, possession, or location of the subject of the insurance or the interest therein, or the title thereto; (b) by the commencement of foreclosure proceedings or the giving of notice of sale of any of the property covered by this policy by virtue of any mortgage or trust deed; (c) by any breach of warranty, act, omission, neglect, or non-compliance with any of the provisions of this policy, including any and all riders now or hereafter attached thereto, by the named insured, the borrower, mortgagor, trustor, vendee, owner, tenant, warehouseman, custodian, occupant, or by the agents of either or any of them or by the happening of any event permitted by them or either of them, or their agents, or which they failed to prevent, whether occurring before or after the attachment of this endorsement, or whether before or after a loss, which under the provisions of this policy of insurance or of any rider or endorsement attached thereto would invalidate or suspend the insurance as to the named insured, excluding here from, however, any acts or omissions of the Lender while exercising active control and management of the property.
3. In the event of failure of the insured to pay any premium or additional premium which shall be or become due under the terms of this policy or on account of any change in occupancy or increase in hazard not permitted by this policy, this Insurer agrees to give written notice to the Lender of such non-payment of premium after sixty (60) days from and within one hundred and twenty (120) days after due date of such premium and it is a condition of the continuance of the rights of the Lender hereunder that the Lender when so notified in writing by this Insurer of the failure of the insured to pay such premium shall pay or cause to be paid the premium due within ten (10) days following receipt of the Insurer's demand in writing therefore. If the Lender shall decline to pay said premium or additional premium, the rights of the Lender under this Lender's Loss Payable Endorsement shall not be terminated before ten (10) days after receipt of said written notice by the Lender.
4. Whenever this Insurer shall pay to the Lender any sum for loss or damage under this policy and shall claim that as to the insured no liability therefore exists, this Insurer, at its option, may pay to the Lender the whole principal sum and interest and other indebtedness due or to become due from the insured, whether secured or unsecured, (with refund of all interest not accrued), and this Insurer, to the extent of such payment, shall thereupon receive a full assignment and transfer, without recourse, of the debt and all rights and securities held as collateral thereto.

5. If there be any other insurance upon the within described property, this Insurer shall be liable under this policy as to the Lender for the proportion of such loss or damage that the sum hereby insured bears to the entire insurance of similar character on said property under policies held by, payable to and expressly consented to by the Lender. Any Contribution Clause included in any Fallen Building Clause Waiver or any Extended Coverage Endorsement attached to this contract of insurance is hereby nullified, and also any Contribution Clause in any other endorsement or rider attached to this contract of insurance is hereby nullified except Contribution Clauses for the compliance with which the insured has received reduction in the rate charged or has received extension of the coverage to include hazards other than fire and compliance with such Contribution Clause is made a part of the consideration for insuring such other hazards. The Lender upon the payment to it of the full amount of its claim, will subrogate this Insurer (pro rata with all other insurers contributing to said payment) to all of the Lender's rights of contribution under said other insurance.
6. This Insurer reserves the right to cancel this policy at any time, as provided by its terms, but in such case this policy shall continue in force for the benefit of the Lender for ten (10) days after written notice of such cancellation is received by the Lender and shall then cease.
7. This policy shall remain in full force and effect as to the interest of the Lender for a period of ten (10) days after its expiration unless an acceptable policy in renewal thereof with loss there under payable to the Lender in accordance with the terms of this Lender's Loss Payable Endorsement, shall have been issued by some insurance company and accepted by the Lender.
8. Should legal title to and beneficial ownership of any of the property covered under this policy become vested in the Lender or its agents, insurance under this policy shall continue for the term thereof for the benefit of the Lender but, in such event, any privileges granted by this Lender's Loss Payable Endorsement which are not also granted the insured under the terms and conditions of this policy and/or under other riders or endorsements attached thereto shall not apply to the insurance hereunder as respects such property.
9. All notices herein provided to be given by the Insurer to the Lender in connection with this policy and this Lender's Loss Payable Endorsement shall be mailed to or delivered to the Lender at its office or branch described on the first page of the policy.

Approved:

Board of Fire Underwriters of the Pacific
California Bankers' Association
Committee on Insurance

6. SEVERABILITY NOTICE

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

7. ACCIDENTAL CONTAMINATION EXTENSION

In consideration of the premium charged and notwithstanding the terms, conditions and stipulations contained in the Policy (except as regards the Policy term and Limits of Liability), including all other endorsements attached thereto, (especially Endorsement No. 3 Seepage and/or Pollution and/or Contamination Exclusion; Debris And Cost of Clean Up Extension; Authorities Exclusion to the extent that it is in conflict herewith), to which this endorsement is attached this Policy is hereby extended to cover Business Interruption and Property Damage loss from accidental contamination from any source to Insured Property, as covered by this Policy, including expenses necessarily incurred to clean up, remove and dispose of contaminated substances so as to restore the Insured Property as covered by this Policy to the same condition as existed prior to loss, all as a result of accidental contamination, discharge or dispersal in an amount not exceeding the sub-limit of liability of \$per declarations for each occurrence per program declaration unless such contamination or dispersal is itself caused by fire, lightning, impact from aircraft, explosion, riot, civil commotion, smoke, collapse, vehicles, windstorm, hail, vandalism, malicious mischief or leakage and accidental discharge from automatic fire protective systems whereupon this extension shall provide coverage up to full limit of liability provided by this Policy.

For the purposes of this extension the term "Insured Property" as covered by this Policy, is held to include Land (and Land Values) on which Covered Property is located, as part of the below stated sublimit, whether or not the same are excluded by this Policy. It being specifically understood and agreed that this extension shall not afford coverage to land, (including land on which Covered Property is located), and land Values for loss in excess of \$per declarations per member and \$per declarations in the aggregate sublimit liability.

It is further understood and agreed that this extension shall not override anything contained in Asbestos Clean Up and Removal in this Policy.

The sublimit of liability stated above forms part of the limit(s) of liability provided by this Policy and does not increase it (them).

8. ADDITIONAL INSUREDS/LOSS PAYEES

It is hereby understood and agreed that the interest of Additional Insureds and/or Loss Payees is automatically included, as per Schedule on File with Driver Alliant Insurance Services, Inc.

9. EXCLUDED PERILS, EARTHQUAKE & FLOOD

It is hereby understood and agreed that as respects Insureds where Optional Coverage “A” is not shown as applicable on the Optional Coverage Participation List, the following Exclusion is added to the Policy:

Any earth movement, including, but not limited to earthquake, landslide or earth sinking, earth rising or shifting (this exclusion shall not apply to loss or damage by ensuing fire or explosion or any other perils insured under this Policy).

As respects those Insureds where Optional Coverage “A” is shown as applicable, the terms and conditions of this endorsement are not applicable, but only as respects locations specifically declared and for which a premium has been charged.

FLOOD EXCLUSION

It is hereby understood and agreed that as respects Insureds where Optional Coverage “E” is not shown as applicable on the Optional Coverage Participation List, the following Exclusion is added to the Policy:

Flood, meaning a general condition of partial or complete inundation of normally dry land area from:

- a) overflow of inland or tidal water;
- b) unusual and rapid accumulation or run off of surface waters from any source.

Flood shall also mean mudslide or mudflow, which is a river or flow of liquid mud caused by flooding as defined in a.) or b.) above.

The definition of flood does not include ensuing loss or damage not otherwise excluded.

As respects those Insureds where Optional Coverage “E” is shown as applicable, the terms and conditions of this endorsement are not applicable, but only as respects locations specifically declared and for which a premium has been charged.

10. PRIORITY OF PAYMENTS

In the event of loss caused by or resulting from more than one peril or coverage, the limit of liability of the primary/underlying coverage shall apply first to the peril(s) or coverage(s) not insured by this Policy and the remainder, if any, to the peril(s) or coverage(s) insured hereunder. Upon exhaustion of the limit of liability of the primary/underlying coverage, this Policy shall then be liable for loss uncollected from the peril(s) or coverage(s) insured hereunder, subject to the limit of liability and the other terms and conditions as specified.

11. LEASEHOLD INTEREST ENDORSEMENT

In the event of physical loss or damage of the type insured against by this Policy to real property of the type insured this Policy, which is leased by the Insured, this Policy is extended to cover:

- (1) If as a result of such loss or damage the property becomes wholly untenable or unusable and the lease agreement requires continuation of the rent, the Insurer shall indemnify the Insured for the actual rent payable for the unexpired term of the lease; or
- (2) If as a result of such loss or damage the property becomes partially untenable or unusable and the lease agreement requires continuation of the rent, the Insurer shall indemnify the Insured for the proportion of the rent applicable thereto; or
- (3) If as a result of such loss or damage the lease is cancelled by the lessor pursuant to the lease agreement or by operation of law, the Insurer shall indemnify the Insured for its Lease Interest for the first three months following such loss or damage and for its Net Lease Interest for the remaining unexpired term of the lease;

provided, however, that the Insurer shall not be liable for any increase in the amount recoverable hereunder resulting from the suspension, lapse or cancellation of any license, or from the Insured exercising an option to cancel the lease; or from any act or omission of the Insured which constitutes a default under the lease; and provided further that the Insured shall use any suitable property or service owned or controlled by the Insured or obtainable from another source to reduce the loss hereunder.

The following definitions shall apply to this coverage:

- (1) Lease Interest means the excess rent paid for the same or similar replacement property over actual rent payable plus cash bonuses or advance rent paid (including any maintenance or operating charges) for each month during the unexpired term of the Insured's lease.
- (2) Net Lease Interest means that sum which placed at 8% interest compounded annually would equal the Lease Interest (less any amounts otherwise payable hereunder).

**12. REVENUE INTERRUPTION PROTECTION
(EXCLUDING EARTHQUAKE AND FLOOD)**

- 1) Type of revenue to be covered: XX Sales Tax, XX Property Tax, XX Other - whenever the word "Revenue" appears in this form, it shall mean only such revenue as specified.
- 2) Except as hereinafter or heretofore excluded, this Policy covers only against loss resulting directly from necessary interruption of revenue as specified above collected by or due to the Insured caused by damage to or destruction by a peril not excluded of any of the real or personal property insured by this Policy and referred to any contribution property(ies) and which is not operated by the Insured against all risks of direct physical loss or damage by a peril not excluded by this Policy during the term of this Policy, which wholly or partially prevents the generation of revenue for the account of the Insured.
- 3) In the event of such damage or destruction, the Insurer shall be liable, with limitations as indicated, if the following conditions (A) and (B) are both met:
 - (A) The total revenue is reduced to less than 97.5% of the insured's anticipated revenue had no loss occurred.
 - (B) The Insurer shall be liable for the actual loss sustained by the insured from direct damage by perils insured to one or more contributing properties which results in the interruption of revenue for only the length of time as would be required with exercise of due diligence and dispatch to rebuild, replace or repair the contributing property commencing with the date of damage to the contributing property, but not limited by the expiration date of this Policy.

If the insured has reported Revenue Interruption values for which premium has been charged, such loss recovery after deductible shall be limited to whichever is the least of:

1. The limit insured on the Policy;
2. The actual loss sustained;
3. The difference in amount between 97.5% of the anticipated revenue and the actual total revenue after the loss.

If the insured has not reported Revenue Interruption values for which premium has been charged, such loss recovery after deductible shall be limited to whichever is the least of:

1. The policy sublimit
2. The latest values for these items declared by the member making the claim or \$100,000 per occurrence if no values have been declared by the member making the claim.

- 4) **DEDUCTIBLE:** Each loss or series of losses arising out of one event at each location shall be adjusted separately and from the aggregate amount of all such losses 2.50% of the annual revenue value shall be deducted.

13. ELECTRONIC DATE RECOGNITION EXCLUSION

(All Risks Write Back)

Notwithstanding any provision of this Policy which may appear to the contrary, this Policy does not insure any loss, damage, cost, claim or expense, whether preventative, remedial or otherwise, directly or indirectly arising out of or relating to:

- a) the recognition, interpretation, calculation, comparison, differentiation, sequencing or processing of data involving one or more dates or times, including the Year 2000, by any computer system, hardware, program or software, or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the Insured or not; or
- b) any change, alteration, correction or modification involving one or more dates or times, including the Year 2000, to any such computer system, hardware, program or software, or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the Insured or not.

Except as provided in the next paragraph, this Electronic Date Recognition Clause shall apply regardless of any other cause or event that contributes concurrently or in any sequence to the loss, damage, cost, claim or expense.

If direct physical loss or damage not otherwise excluded by this Policy results, then subject to all its terms and conditions, this Policy shall be liable only for such resulting loss or damage. Such resulting loss or damage shall not include physical loss or damage to data resulting directly from a) or b) above, nor the cost, claim or expense, whether preventative, remedial, or otherwise, arising out of or relating to any change, alteration, correction or modification relating to the ability of any damaged computer system, hardware, program or software, or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment to recognize, interpret, calculate, compare, differentiate sequence or process any data involving one or more dates or times, including the Year 2000.

14. NAMED INSURED - MEMBER SCHEDULE

The members of the _____ (association/pool) _____ are:

(LIST NAMED INSUREDS/ MEMBERS HERE)

_____ (association/pool) _____ shall be deemed the sole agent of each and every Association/Pool member for the purpose of:

- (1) Giving notice of cancellation,
- (2) Giving instructions for changes in the Policy and accepting changes in this Policy, and
- (3) The payment of assessments/premiums or receipt of return assessments/premiums.

15. AUTOMATIC ACQUISITION CLAUSE

The following automatic acquisition provisions apply only to those public entities that are currently provided coverage under the PEP/IP insurance master program.

This Policy is automatically extended to insure additional property and/or interests as described in this Policy, which may be acquired or otherwise become at the risk of the Insured during the Policy Term, within the United States of America, subject to the values of such additional property and/or interests not exceeding US \$25,000,000 any one acquisition.

In the event of coverage being required for additional property and/or interest where the value exceeds US \$25,000,000 any one acquisition details of said property and/or interest are to be provided to Underwriters for their agreement not later than ninety (90) days from the date of the said additional property and/or interest have become at the risk of the Insured, this Policy providing coverage automatically for such period of time up to a maximum limit of US \$100,000,000. Underwriters retain the right to determine the acceptability of all such property(ies). Additional premium will be calculated from the date of acquisition.

In the event that the Insured fails to comply with the above reporting provision, then coverage hereunder is sublimited to US \$10,000,000 any one occurrence.

16. MISCELLANEOUS UNNAMED LOCATIONS

As respects to existing members only, coverage is extended to include property at any other location (including buildings or structures, owned, occupied or which the insured is obligated to maintain insurance) located within the territorial limitations set by this declaration. Coverage provided by this clause is limited to any sublimit noted on the declaration page attached to this form, and by terms and conditions of this policy form. This coverage extension does not apply to the peril of Earthquake Shock or Flood in the states of California, Alaska or Washington.

17. LOSS PAYABLE PROVISIONS

This endorsement is a modification of the Insurance Services Office endorsement form number CP 12 18 10 91 and modifies insurance provided as follows:

A. LOSS PAYABLE

For covered property in which both insured and a Loss Payee shown in the Schedule or in the Declarations have an insurable interest, underwriters will:

1. Adjust losses with the insured; and
2. Pay any claim for loss or damage jointly to the insured and the Loss Payee, as interests may appear.

B. LENDER'S LOSS PAYABLE

1. The Loss Payee shown in the Schedule or in the Declarations is a creditor, including a mortgage holder or trustee, whose interest in Covered Property is established by such written instruments as:
 - a. Warehouse receipts;
 - b. A contract for deed;
 - c. Bills of lading;
 - d. Financing statements; or
 - e. Mortgages, deeds of trust or security agreements.
2. For Covered Property in which both the insured and a Loss Payee have an insurable interest:
 - a. We will pay for covered loss or damage to each Loss Payee in their order of precedence, as interests may appear.
 - b. The Loss Payee has the right to receive loss payment even if the Loss Payee has started foreclosure or similar action on the Covered Property.
 - c. If underwriters deny the insured claim because of the insured act or because the insured have failed to comply with the terms of the Coverage Part, the Loss Payee will still have the right to receive loss payment if the Loss Payee:
 - (1) Pays any premium due under this Coverage Part at our request if the insured have failed to do so;
 - (2) Submits a signed, sworn proof of loss within 60 days after receiving notice from us of the insured failure to do so; and
 - (3) Has notified us of any change in ownership, occupancy or substantial change in risk known to the Loss Payee.

All of the terms of this Coverage Part will then apply directly to the Loss Payee.

- d. If underwriters pay the Loss Payee for any loss or damage and deny payment to the insured because of the insured acts or because the insured have failed to comply with the terms of this Coverage Part:
 - (1) The Loss Payee's rights will be transferred to us to the extent of the amount underwriters pay; and
 - (2) The Loss Payee's rights to recover the full amount of the Loss Payee's claim will not be impaired.

At our option, underwriters may pay to the Loss Payee the whole principal on the debt plus any accrued interest. In this event, the insured will pay the insured remaining debt to us.

3. If underwriters cancel this policy, underwriters will give written notice to the Loss Payee at least:
 - a. Ten (10) days before the effective date of cancellation if underwriters cancel for the insured nonpayment of premium; or
 - b. Thirty (30) days before the effective date of cancellation if underwriters cancel for any other reason.
4. If underwriters elect not to renew this policy, underwriters will give written notice to the Loss Payee at least 10 days before the expiration date of this policy.

C. CONTRACT OF SALE

1. The Loss Payee shown in the Schedule or in the Declarations is a person or organization the insured have entered a contract with for the sale of Covered Property.
2. For Covered Property in which both the insured and the Loss Payee have an insurable interest underwriters will:
 - a. Adjust losses with the insured; and
 - b. Pay any claim for loss or damage jointly to the insured and the Loss Payee, as interests may appear:
3. The following is added to the OTHER INSURANCE Condition:

For Covered Property that is the subject of a contract of sale, the word "the insured" includes the Loss Payee.

18. ELECTRONIC DATA EXCLUSION

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

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

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

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

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

Listed Perils

Fire
Explosion

2. Electronic Data Processing Media Valuation

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

Should electronic data processing media insured by this Policy suffer physical loss or damage insured by this Policy, then the basis of valuation shall be the cost to repair, replace or restore such media to the condition that existed immediately prior to such loss or damage, including the cost of reproducing any ELECTRONIC DATA contained thereon, providing such media is repaired, replaced or restored. Such cost of reproduction shall include all reasonable and necessary amounts, not to exceed USD \$10,000,000 any one loss, incurred by the Assured in recreating, gathering and assembling such ELECTRONIC DATA. If the media is not repaired, replaced or restored the basis of valuation shall be the cost of the blank media. However this Policy does not insure any amount pertaining to the value of such ELECTRONIC DATA to the Assured or any other party, even if such ELECTRONIC DATA cannot be recreated, gathered or assembled.

(NMA2914)

19. LOSS ADJUSTMENT SERVICES

Maxson Young, Inc., One Sansome Street, Suite 950, San Francisco, CA 94104 is hereby authorized to represent the Insurer in the investigation and adjustment of any loss or damage under this Policy at the expense of the Insurer and without regard to the amount of loss or damage and/or applicable deductible if any.

However, Insurers reserve the right to utilize other adjusting firms if and when they feel it necessary.

20. MOLD / FUNGUS EXCLUSION

It is agreed that this policy does not insure against the following:

- A. All loss, cost or expense directly or indirectly arising out of, resulting from or in any manner related to Fungal Pathogens or Bacteria whether or not there is another cause of loss which may have contributed concurrently or in any sequence to a loss.

“Fungal Pathogens” as utilized herein, shall mean any fungus or mycota or any byproduct or type of infestation produced by such fungus or mycota, including but not limited to mold, mildew, mycotoxins, spores or any biogenic aerosols.

21. BIOLOGICAL OR CHEMICAL MATERIALS EXCLUSION

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

NMA2962

06/02/03

Form approved by Lloyd's Market Association [Non-Marine]

22. TERRORISM COVERAGE EXTENSION

In consideration of the premium charged, it is agreed that this insurance includes physical loss or damage directly caused by any “act of terrorism.”

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

Coverage provided by this endorsement is limited to USD 7,500,000 per occurrence and in the annual aggregate separately for each declaration.

Upon erosion of the above aggregate limit, the NMA 2920 Terrorism Exclusion Endorsement attached to the policy Wording shall apply.

NB The USD 7,500,000 limit may be eroded by other interests within the Public Entity Property Insurance Program

23. TERRORISM EXCLUSION

Notwithstanding any provision to the contrary within this insurance or any endorsement thereto it is agreed that except for any sublimit of coverage as indicated on the declaration page attached to this form, and Section 1 (General Provisions, Clause E of this form.) this insurance excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any act of terrorism regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

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

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

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

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

**NMA2920
08/10/2001**

ALL OTHER TERMS AND CONDITIONS REMAIN UNALTERED

24. BOILER AND MACHINERY BREAKDOWN EXTENSION

1. Perils Insured

In consideration of the premium paid and subject to the terms, General Conditions and General Exclusions of the policy to which this Extension is attached, and to the following terms and conditions, this Insurance is extended to cover direct damage to Covered Property caused by a Covered Cause of Loss.

2. Additional Coverage

(a) Hazardous Substance:

The additional expense incurred for cleanup, repair or replacement or disposal of damaged, contaminated or polluted property as a result of an Accident, which causes property to become damaged, contaminated or polluted by a substance declared hazardous to health by an authorized governmental agency.

“Additional expense” means any expense that would not have incurred, if no substance hazardous to health had been involved in the accident.

(b) Ammonia Contamination

The loss, including salvage expense, incurred with respect to damage by ammonia contacting or permeating property under refrigeration or in process requiring refrigeration, as a result of any one Accident to one or more Objects.

(c) Water Damage

The loss, including salvage expense, with respect to property damaged by water, resulting from any one Accident.

(d) Media Coverage

The loss to all forms of electronic, magnetic and optical tapes and discs used in any electronic computer or electronic data processing equipment directly damaged by an Accident to an Object. For the purpose of this coverage, the valuation basis for “Media” is as follows:

- i. For “Media” that are mass-produced and commercially available, at the replacement cost.
- ii. For all other “Media,” at the cost of blank material for reproducing the records.

(e) “Consequential Damage”

The “Consequential Damage” to refrigerated and frozen goods of the Insured or for which the Insured is legally liable or under the Insured’s care, custody or control caused solely by an Accident to an Object. For the purpose of this coverage, “Consequential Damage” is defined as loss due to spoilage from lack of power, light, heat, steam or refrigeration, resulting from Accident.

(f) Utility Interruption

The loss caused by an Accident to an Object that is owned, operated or controlled by a public or private entity that the Insured has contracted with to furnish them with electrical utility service including all direct electrical suppliers.

(g) CFC Refrigerants and Halon

The replacement of any CFC (chlorofluorocarbon) refrigerant used in refrigeration or air conditioning equipment or Halon used in a fire suppression system due to an “Accident” to an Object.

(h) Ordinance or Law

If an Accident to an Object at the Insured’s location damages a building that is “Covered Property,” Underwriters will pay for

- i. Loss to the Undamaged Portion of the Building, meaning loss to the undamaged portion of the building caused by enforcement of any ordinance or law that:
 - a. Requires the demolition of parts of the same building not damaged by the Accident to an Object; or
 - b. Regulates the construction or repair of buildings, or establishes zoning or land use requirements at the location of the building.
- ii. Demolition Cost meaning the cost to demolish and clear the site of undamaged parts of the building, caused by the enforcement of building, zoning, or land ordinance or use.
- iii. Increased Cost of Construction, meaning the increased cost to:
 - a. Repair or reconstruct damaged portions of the building; and
 - b. Reconstruct or remodel undamaged portions of the building whether or not demolition is required;

when the increased cost is a consequence of enforcement of building, zoning or land use ordinance or law. But Underwriters will only pay for this increased

cost if the building is repaired, reconstructed or remodeled. Also, if the building is repaired, reconstructed or remodeled, it must be intended for similar occupancy as the current building, unless such occupancy is not permitted by zoning or land use ordinance or law.

Insurance under this section only applies with respect to ordinance or law that is in force at the time of the Accident to an Object. Insurance under this section does not apply to:

- a. Costs associated with the enforcement of any ordinance or law which requires any Insured or others to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize, or in any way respond to, or assess the effects of substances declared to be hazardous to health by a governmental agency; or
- b. Loss due to any ordinance or law that:
 - i. The Insured was required to comply with before the Accident to an Object even if the building was undamaged; and
 - ii. The Insured failed to comply with.

3. Definition of Accident

Accident shall mean a sudden and accidental breakdown of the Object, or a part thereof, which manifests itself at the time of its occurrence by physical damage to the Object that necessitates repair or replacement of the Object or part thereof; but Accident shall not mean:

- a. depletion, deterioration, corrosion, or erosion of material;
- b. wear and tear;
- c. leakage at any valve, fitting, shaft seal, gland packing, joint or connection;
- d. the breakdown of any vacuum tube, gas tube or brush;
- e. the breakdown of any structure or foundation supporting the Object or any part thereof;
- f. the functioning of any safety device or protective device.

4. Definition of Object

Except as otherwise specifically designated herein, Object as described below shall mean any equipment or apparatus which is owned by, leased by or operated under the control of the Insured subject to the Exclusions and Special Provisions specified herein:

- a. Any boiler, any fired vessel, any unfired vessel subject to vacuum or internal pressure other than static pressure of contents, any refrigerating and air conditioning vessels, or any piping and its accessory equipment, but such Object shall not include:
 1. Any boiler setting, any insulating or refractory material,

2. Any sewer piping, any underground gas piping, any piping forming a part of a sprinkler system or any water piping other than
 - (a) Feed water piping between any boiler and its feed pumps or injectors
 - (b) Boiler condensate returning piping
- b. Any mechanical or electrical machine or electrical apparatus used for the generation, transmission or utilization of mechanical or electrical power, but Object shall not include
 1. Any structure or foundation other than a bedplate of a machine,
 2. Any vehicle, elevator, crane, hoist, power shovel or drag line, but not excluding any electrical equipment used with said machine or apparatus,
 3. Any refractory material, or
 4. Any penstock or draft tube.

5. Covered Cause of Loss

A Covered Cause of Loss is an "Accident to an Object insured hereon. An Object must be in use or connected ready for use at the location specified for is at the time of the Accident.

6. Covered Property

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

- a. The Insured owns; or
- b. Is in the Insured's' care, custody or control and for which they are legally liable

7. Special Provisions

- a. As respects any boiler, fired or unfired vessel, refrigerating system or piping, the underwriters shall not be liable for loss from an Accident while said Object is undergoing a hydrostatic, pneumatic or gas pressure test that exceeds manufacturers recommended limits.
- b. As respects any boiler of fired vessel, the Underwriters shall not be liable for loss from an explosion of gas or unconsumed fuel within the furnace of such Object or within the passages from the furnace to the atmosphere, whether or not such explosion (a) is contributed to or aggravated by an Accident to any part of said Object that contains steam or water, or (b) is caused in whole or in part, directly or indirectly, by any Accident to any Object, or part thereof, nor shall the Underwriters be liable for any loss from an Accident caused directly or indirectly by such explosion.

- c. As respects any unfired vessel which is used for the storage of gas or liquid and which is periodically filled, moved, emptied and refilled in the course of its normal service, such vessel shall be considered as “connected ready for use” within the terms of this Extension of the Policy.
- d. As respects any Object or part of an Object that is being dismantled, reassembled or is in storage, will be considered as “connected ready for use” within the terms of this Extension of the Policy.
- e. As respects any electrical machine or electrical apparatus, Exclusion 2(b) of this Extension of the Policy is changed to read:

“(1) from fire outside said electrical machine or electrical apparatus concomitant with or following an Accident”
- f. As respects any gas turbine of the internal combustion type, (a) the combustor or such Object shall not be considered to be a “furnace” as the word is used in the Definition of Accident or in Special Provision 2 above and (b) the Definition of Accident shall not mean the cracking of any part of the Turbine exposed to the production of combustion.
- g. As respects new turbine generator units, coverage shall not apply until the unit has been contractually accepted by the Insured, that all tests required by the contractor have been performed and satisfied and the unit has been placed in commercial operation.

8. Valuation

- a. Underwriters will pay the Insured the amount the Insured spends to repair or replace the property directly damaged by an Accident. Underwriters payment will be the smallest of:
 - 1) The Limit of Insurance;
 - 2) The cost at the time of the Accident to repair the damaged property with property of like kind, capacity, size and quality;
 - 3) The cost at the time of the Accident to replace the damaged property on the same site with other property:
 - a) Of like kind, capacity, size and quality; and
 - b) Used for the same purpose
 - 4) The amount the Insured actually spends that is necessary to repair or replace the damaged property.
- b. As respects any Object if the cost of repairing or replacing only a part of the Object is greater than:
 - 1) the cost of repairing the Object; or

- 2) the cost of replacing the entire Object on the same site;

Underwriters will pay only the smaller of (1) or (2). The repair parts or replacement Object must be:

- 1) of like kind, capacity, size and quality; and
- 2) used for the same purpose.

c. Underwriters will not pay:

- 1) if the loss or damage is to property that is obsolete or useless to the Insured; or
- 2) for any extra cost if the Insured decide to repair or replace the damaged property with property of a better kind or quality or of larger capacity,

d. If the Insured does not repair or replace the damaged property within 18 months after the date of the Accident then Underwriters will pay on the smaller of the:

- 1) cost it would have taken to repair; or
- 2) actual cash value;

at the time of the “accident.”

Paragraph (d) does not apply to any time period beyond the 18 months that Underwriters agree to in writing.

e. As respects CFC (chlorofluorocarbon) refrigerant or Halon, the following valuation basis is applicable:

- 1) If the CFC refrigerant or Halon is replaceable, the Insured may, at their option, elect to:
 - a) Repair or replace the damaged refrigeration equipment, air conditioning equipment or fire suppression system and replace the lost CFC refrigerant or Halon subject to it being of like kind, capacity, size and quality and used for the same purpose; or
 - b) Change the refrigeration equipment, air conditioning equipment or fire suppression system, through modification or replacement, to:
 - i. Refrigeration or air conditioning equipment that uses an approved non-CFC refrigerant; or
 - ii. A fire suppression system that uses an approved non – Halon agent.

But this option is available only if the change to the equipment or system is made within 18 months after the date of the Accident or within any extended time period that Underwriters agree to in writing.

If Option 1) b) above is elected, Underwriters will not pay more than the least of the following amounts:

- a) The Limit of Insurance
- b) The cost at the time of the Accident to repair the damaged refrigeration equipment, air conditioning equipment or fire suppression system, retrofit the equipment or system to accept non – CFC refrigerant or non – Halon fire suppressant, and charge the equipment or system with that refrigerant or fire suppressant.
- c) The cost at the time of the Accident to replace the damaged refrigeration equipment, air conditioning equipment or fire suppression system with equipment or a system that is functionally equivalent and uses an approved non – CFC refrigerant or non – Halon fire suppressant;
- d) The amount that the Insured actually spend that is necessary to change the refrigeration equipment, air conditioning equipment or fire suppression system, through modification or replacement, to equipment or a system that uses an approved non – CFC refrigerant or non – Halon fire suppressant; or
- e) One hundred twenty-five percent (125%) of the amount Underwriters otherwise would have paid for loss to the refrigeration equipment, air conditioning equipment or fire suppression system.
- f) If the CFC refrigerant or Halon is not replaceable and:
 - (1) The Insured repairs or replaces the damaged equipment within 18 months after the date of the Accident or within any extended time that underwriters agree to in writing, Underwriters will pay the least of the following amounts:
 - (a) The Limit of Insurance;
 - (b) The cost at the time of the Accident to repair the damaged refrigeration equipment, air conditioning equipment or fire suppression system, retrofit the equipment or system to accept non – CFC refrigerant or non – Halon fire suppressant, and charge the equipment or system with that refrigerant or fire suppressant;

- (c) The cost at the time of the Accident to replace the damaged refrigeration equipment, air conditioning equipment or fire suppression system with equipment or a system that is functionally equivalent and uses an approved non – CFC refrigerant or non – Halon fire suppressant;
 - (d) The amount that the Insured actually spend that is necessary to change the refrigeration equipment, air conditioning equipment or fire suppression system, through modification or replacement, to equipment or a system that uses an approved non – CFC refrigerant or non – Halon fire suppressant.
- (2) If the Insured does not replace the damaged equipment within 18 months after the date of the Accident or within the extended time period that Underwriters agree to in writing, Underwriters will not pay more than the lesser of:
- (a) The amount that Underwriters would have paid if repair or replacement of the damaged equipment had been made as determined in F 1 above; or

The actual cash value of the damaged equipment at the time of the Accident.

- g. As respects Insurance under Ordinance and Law, the most Underwriters will pay as a result of any one Accident for:
- a) Loss to the Undamaged portion of the building is included in the Limit of Insurance that otherwise applies to the damaged building. But in no event will the amount Underwriters pay for loss to the building, including the loss in value of the undamaged portion of the building due to enforcement of an ordinance or law to which this coverage applies, exceed:
 - i. The amount that the Insured actually spend to repair, rebuild or replace the building, but not more than the amount it would cost to restore the building on the same premises and to the same height, floor area, style and comparable quality of the original property insured; or
 - ii. The actual cash value of the building at the time of loss if the building is not repaired or replaced.

b) Demolition and increased Cost of Construction is USD 500,000, subject to the following:

i. With respect to the coverage provided for Demolition Cost, Underwriters will not pay more than the amount the Insured actually spend to demolish and clear the site of the undamaged parts of the building;

ii. With respect to the coverage provided for Increased Cost of Construction:

(a) We will not pay for the Increased Cost of Construction:

Until the building is actually repaired or replaced at the same or another premises; and

Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not to exceed 18 months. We may extend this period in writing during the 18 months.

(b) If the building is repaired or replaced at the same location, or if the Insured elect to rebuild at another location, the most Underwriters will pay for the increased cost of construction is the increased cost of construction at the same location.

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

H. If a claim or “suit” is brought against the Insured alleging that the Insured is liable for damage to property of another that was caused by an Accident to an Object, Underwriters will either:

1. Settle the claim or “suit”, or
2. Defend the Insured against the “suit” but reserve the right for themselves to settle at any point.

9. Exclusions

- a. To loss:
 - 1) from explosion of an Object other than:
 - a) Any steam boiler, steam piping, steam turbine, gas turbine, steam engine, or
 - b) Any machine when such loss is caused by centrifugal force or mechanical breakdown,
- b. Nuclear reaction or radiation or radioactive contamination however caused, however this exclusion shall not apply to nuclear medicine at covered hospitals,
- c. From fire concomitant with or following an Accident.
- d. From an Accident caused directly or indirectly by fire
- e. From a combustion explosion outside the Object concomitant with or following an Accident,
- f. From an Accident caused directly or indirectly by a combustion explosion outside an Object,

10. Conditions:

A. Inspection

The Underwriters shall be permitted but not obligated to inspect the Insured's property and operations at any reasonable time. Neither the right to make inspections nor the making thereof nor any advice or report resulting therefrom shall constitute an undertaking, on behalf of or for the benefit of the Insured or others, to determine or warrant that such property or operations are safe or healthful, or are in compliance with any law, rule or regulation.

B. Suspension

Upon the discovery of a dangerous condition with respect to any Object, Driver Alliant Insurance Services, Inc., may immediately suspend the insurance, with respect to an Accident to said Object, by written notice mailed or delivered to the Insured at the address of the Insured stated in the declarations, or at the location of the Object, as stated for it in a schedule or endorsement. The insurance so suspended may be reinstated by the Underwriters but only by an endorsement issued to form a part of this Policy. The Insured shall be allowed the unearned portion of the premium paid for such suspended insurance, pro rata for the period of suspension.

C. Notice of Accident and Adjustments

When an Accident occurs, written notice shall be given to the Underwriters as soon as practicable. The Underwriters shall be given like notice of any claim made on account of such Accident. Underwriters or their representative shall have reasonable time and opportunity to examine the property, and the Insured's Location of Risk, before repairs are undertaken or physical evidence of the Accident is removed, except for protection or salvage. Proof of loss shall be made in such form as the Underwriters may require. If suit is brought against the Insured for loss to which this Section of the Policy is applicable, any summons or other process served upon the Insured shall be forwarded immediately to the Underwriters.

D. Deductible

In the event of an Accident to an Object as insured under this Extension that is concomitant with or followed by physical loss or damage incurred under the All Risks policy that this Extension attaches to, the deductible to be applied to the total loss shall be the applicable Boiler & Machinery deductible.