

COMMON POLICY CONDITIONS

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

A. CANCELLATION

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

B. CHANGES

This policy contains all the agreements between you and us concerning the insurance afforded. The first Named Insured shown in the Declarations is authorized to make changes in the terms of this policy with our

consent. This policy's terms can be amended or waived only by endorsement issued by us and made a part of this policy.

C. EXAMINATION OF YOUR BOOKS AND RECORDS

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

D. INSPECTIONS AND SURVEYS

1. We have the right to:
 - a. make inspections and surveys at any time;
 - b. give you reports on the conditions we find; and
 - c. recommend changes.
2. We are not obligated to make any inspections, surveys, reports or recommendations and any such actions we do undertake relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. And we do not contract to correct the conditions:
 - a. make safety inspections; or
 - b. comply with laws, regulations, codes or standards.
3. Paragraphs 1. and 2. of this condition apply not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.

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

E. PREMIUMS

The first Named Insured shown in the Declarations:

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

F. TRANSFER OF YOUR RIGHTS AND DUTIES UNDER THIS POLICY

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

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

IN WITNESS WHEREOF, we have caused this policy to be executed and attested, and, if required by state law, this policy shall not be valid unless countersigned by our authorized representative.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EFFECTIVE TIME CHANGES - REPLACEMENT OF 12 NOON

This endorsement modifies the **COMMON POLICY DECLARATIONS**.

To the extent that coverage in this policy replaces coverage in other policies terminating noon standard time on the inception date of this policy, coverage under this policy will not become effective until such other coverage has terminated.

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

MICHIGAN CHANGES - CANCELLATION AND NONRENEWAL

This endorsement modifies insurance provided under the following

BOILER AND MACHINERY COVERAGE PART
COMMERCIAL AUTOMOBILE COVERAGE PART
COMMERCIAL GENERAL LIABILITY COVERAGE PART
COMMERCIAL INLAND MARINE COVERAGE PART
CRIME AND FIDELITY COVERAGE PART
EMPLOYMENT-RELATED PRACTICES LIABILITY COVERAGE PART
FARM COVERAGE PART
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART
PROFESSIONAL LIABILITY COVERAGE PART

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A. The Cancellation Common Policy Condition is amended as follows:

1. Paragraph 1. is replaced by the following:

The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us or our authorized agent advance notice of cancellation.

2. Paragraph 3. is replaced by the following:

We will mail or deliver our notice to the first Named Insured's last mailing address known to us or our authorized agent.

3. Paragraph 5. is replaced by the following:

If this policy is cancelled, we will send the first Named Insured any pro rata premium refund due. The minimum refund shall be

shall not be less than the pro rata premium for the expired time or \$25.00, whichever is greater. The cancellation will be effective even if we have not made or offered a refund.

B. The following Condition is added and supersedes any other provision to the contrary:

NONRENEWAL

If we decide not to renew this policy, we will mail or deliver to the first Named Insured's last mailing address known to us or our authorized agent written notice of the non-renewal not less than 30 days before the expiration date.

If notice is mailed, proof of mailing shall be provided.

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

CAPS ON LOSSES FROM CERTIFIED ACTS OF
TERRORISM

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This endorsement modifies insurance coverage under the following:

- AGRIPAK FARM PROPERTY COVERAGE FORM
- AGRIBUSINESS PROTECTION POLICY
- BOILER AND MACHINERY COVERAGE PART
- COMMERCIAL CRIME COVERAGE FORM
- COMMERCIAL CRIME POLICY
- COMMERCIAL INLAND MARINE COVERAGE PART
- COMMERCIAL PROPERTY COVERAGE PART
- EMPLOYEE THEFT AND FORGERY POLICY
- EQUINE CARE, CUSTODY OR CONTROL COVERAGE FORM
- FARM COVERAGE PART
- GOVERNMENT CRIME COVERAGE FORM
- GOVERNMENT CRIME POLICY
- KIDNAP/RANSOM AND EXTORTION COVERAGE FORM
- KIDNAP/RANSOM AND EXTORTION POLICY
- SELECT BUSINESS POLICY
- STANDARD PROPERTY POLICY

A. Cap On Certified Terrorism Losses

"Certified act of terrorism" means an act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act of 2002. The criteria contained in that Act for a "certified act of terrorism" include the following:

1. the act resulted in aggregate losses in excess of \$5 million; and
2. the act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to in-

fluence the policy or affect the conduct of the United States Government by coercion.

With respect to any one or more "certified acts of terrorism" under the federal Terrorism Risk Insurance Act of 2002, we will not pay any amounts for which we are not responsible under the terms of that Act (including subsequent action of Congress pursuant to the Act) due to the application of any clause which results in a cap on our liability for payments for terrorism losses.

Application of Other Exclusions

The terms and limitations of any terrorism exclusion, or the inapplicability or omission of a terrorism exclusion, do not serve to create coverage for any loss which would otherwise be excluded under this Coverage Part or Policy, such as losses excluded by the Nuclear Hazard Exclusion or the War and Military Action Exclusion.

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COMMERCIAL INLAND MARINE CONDITIONS

The following conditions apply in addition to the Common Policy Conditions and applicable Additional Conditions in Commercial Inland Marine Coverage Forms:

Loss Conditions

A. Abandonment

There can be no abandonment of any property to us.

B. Appraisal

If we and you disagree on the value of the property or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the property and amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

1. pay its chosen appraiser; and
2. bear the other expenses of the appraisal and umpire equally.

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

C. Duties in the Event of Loss

You must see that the following conditions in the event of loss or damage to Covered Property:

1. Notify the police if a law may have been broken.
2. Give us prompt notice of the loss or damage. Include a description of the property involved.

3. As soon as possible, give us a description of how, when and where the loss or damage occurred.

Take reasonable steps to protect the covered property from further damage, and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the Limit of Insurance. However, we will not pay for any subsequent loss or damage resulting from a cause of loss that is not a Covered Cause of Loss. Also, if feasible, set the damaged property aside and in the best possible order for examination.

5. You will not, except at your own cost, voluntarily make a payment, assume any obligation, or incur any expense without our consent.
6. As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records.

Also permit us to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.

7. We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required about any matter relating to this insurance or the claim, including an insured's books and records. In the event of an examination, an insured's answers must be signed.

8. Send us a signed, sworn proof of loss containing the information we request to settle the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.

9. Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or suit.

10. Cooperate with us in the investigation or settlement of the claim.

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Limit of Insurance under this Coverage Part bears to the Limits of Insurance of all insurance covering on the same basis.

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

D. Insurance Under Two or More Coverages

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

E. Loss Payment

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

F. Other Insurance

1. You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this Coverage Part. If you do, we will pay our share of the covered loss or damage. Our share is the proportion that the applicable

G. Pair, Sets or Parts

1. Pair or Set

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

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

2. Parts

In case of loss or damage to any part of Covered Property consisting of several parts when complete, we will only pay for the value of the lost or damaged part.

H. Recovered Property

If either you or we recover any property after loss settlement, that party must give the other prompt notice. At your option, the property will be returned to you. You must then return to us the amount we paid to you for the property. We will pay recovery expenses and the expenses to repair the recovered property, subject to the Limit of Insurance.

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I. Limit After Loss

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

J. Transfer of Rights of Recovery Against Others to Us

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

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

This will not restrict your insurance.

General Conditions

A. Concealment, Misrepresentation or Fraud

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

1. this Coverage Part;
2. the Covered Property;
3. your interest in the Covered Property; or
4. a claim under this Coverage Part.

B. Control of Property

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

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

C. Legal Action Against Us

Only you may bring a legal action against us under this Coverage Part unless:

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

D. No Benefit to Bailees

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

E. Policy Period, Coverage Territory

We cover loss or damage commencing:

1. during the policy period shown in the Declarations; and
2. within the coverage territory.

F. Valuation

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

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

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

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BUILDERS RISK PLUS® COVERAGE FORM

Various provisions of this policy restrict coverage. Read the entire policy carefully to determine rights, duties, and what is or is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the company providing this insurance.

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

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A. Coverage

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

1. Covered Property, as used in this Coverage Form, means:

- a. your property and property for which you are legally responsible, in your care custody or control, consisting of: building materials and supplies, equipment, machinery and fixtures;
- b. fences, foundations, excavations, underground pipes, drains, paving, and/or pilings at any construction job-site covered by this Coverage Form;

which is, or is intended to become, a permanent part of the structure(s) at the job-site(s) described in the Declarations.

2. Property Not Covered

Covered Property does not include:

- a. water, land (including land on which the property is located), grading or fill;
- b. contraband or property in the course of illegal transportation or trade;
- c. growing crops;
- d. accounts, bills, currency, deeds, evidences of debt, money, notes or securities;

- e. contractor's equipment, aircraft, motor vehicles, watercraft, machinery, tools or similar property which will not become a permanent part of the structure(s) at the job-site described in the Declarations;

- f. bridges, tunnels, piers, wharves and dams whether or not in the course of construction, reconstruction, renovation or repair;

- g. buildings or structures that exist prior to any alteration, addition, improvement, renovation or repair;

- h. property while waterborne (other than while on regularly scheduled ferries or railroad car floats).

3. Covered Causes of Loss

Covered Causes of Loss means risks of direct physical "loss" to Covered Property except those causes of "loss" listed in the Exclusions.

4. Additional Coverages

Additional Coverages, as described below, apply per location and are in addition to the Limit of Insurance located on Section A. of the Declarations Page.

- a. We will pay up to the Limit of Insurance shown in Section B. of the Declarations for "loss" from a Covered Cause to Temporary Structures while located at a construction job-site de-

sample

scribed in the Declarations. This insurance applies as excess of any other insurance that would apply for your benefit

This property will be valued at the lesser of:

- (1) its actual cash value; or
- (2) the amount for which you are legally liable, if the property is not owned by you.

b. We will pay for "loss" to Covered Property from a Covered Cause while it is at Temporary Locations, but only for the first 180 days that the property is located there, and not beyond the end of the policy period.

The most we will pay for any one "loss" at a Temporary Location is the Limit of Insurance shown in Section B. of the Declarations.

c. We will pay up to the Limit of Insurance shown in Section B. of the Declarations for "loss" from a Covered Cause to Scaffolding, Construction Forms, Falsework, and Temporary Fences while they are located at a construction job-site described in the Declarations. This insurance applies as excess of any other insurance that would apply for your benefit.

This property will be valued at the lesser of:

- (1) its actual cash value; or
- (2) the amount for which you are legally liable, if the property is not owned by you.

d. We will pay up to the Limit of Insurance shown in Section B. of the Declarations for your actual net expense to remove Covered Property from a location covered by this insurance, if removal is necessary to avoid imminent "loss" from a Covered Cause. We will insure such Covered Property at the location to which it has been removed for safekeeping, for a period up to 30 days. Also, we will insure

such Covered Property while in transit via truck or rail between the original covered locations and the safekeeping location.

e. We will pay up to the Limit of Insurance shown in Section B. of the Declarations for your liability for Fire Department Service Charges when the fire department is called to save or protect Covered Property from a Covered Cause of Loss. This coverage is provided when your liability is:

- (1) assumed by contract or agreement prior to "loss"; or
- (2) required by local ordinance.

f. We will pay up to the Limit of Insurance shown in Section B. of the Declarations for "loss" to Lawns, Trees, Shrubs and Plants if the "loss" is caused by fire, lightning, explosion, aircraft, civil disturbance or riot. The most we will pay for any one lawn, tree, shrub or plant including removal, is \$500.

The coinsurance provision of your policy does not apply to these Additional Coverages.

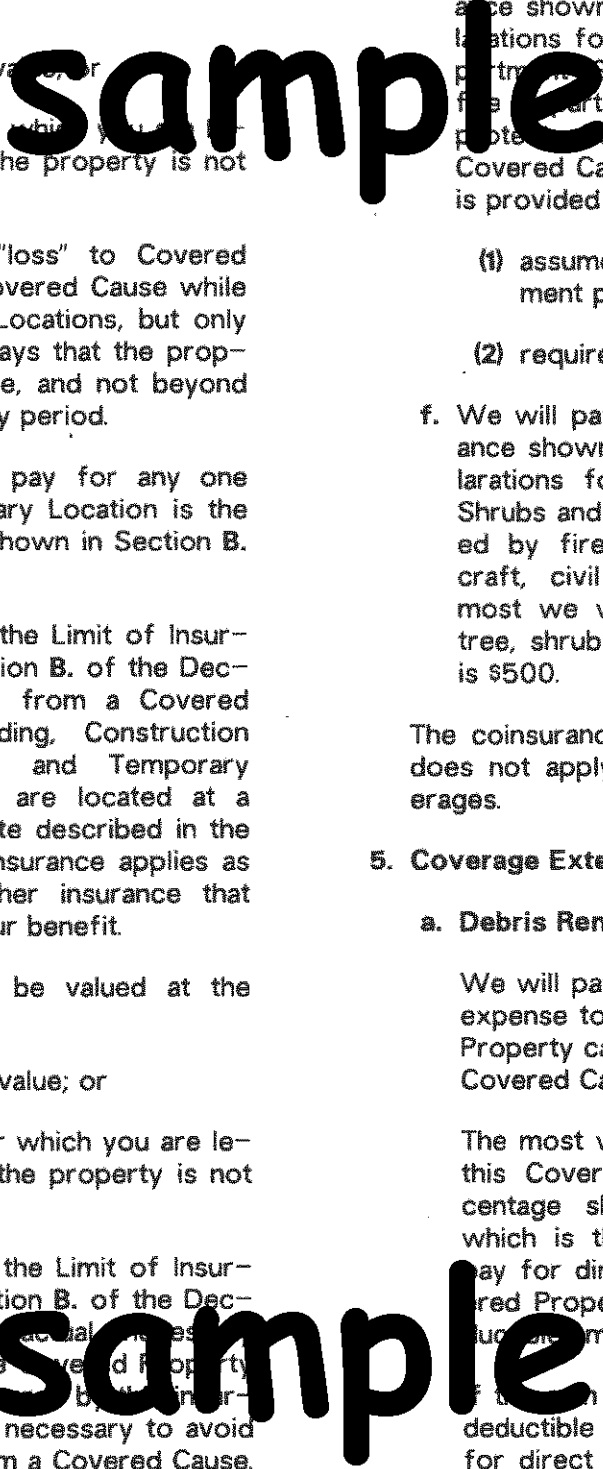
5. Coverage Extensions

a. Debris Removal

We will pay your actual and necessary expense to remove debris of Covered Property caused by or resulting from a Covered Cause of Loss.

The most we will pay for "loss" under this Coverage Extension is the percentage shown on the Declarations which is the sum of the amount we pay for direct physical "loss" to Covered Property plus the applicable deductible amount.

If the sum of debris removal expense, deductible amount and our payment for direct physical "loss" exceeds the applicable Limit of Insurance, we will pay up to the limit shown in the Declarations for additional debris removal expense.



This Coverage Extension doesn't apply to the cost to:

- (1) extract "pollutants" from land or water; or
- (2) remove, restore or replace polluted land or water.

b. Pollutant Clean Up and Removal

We will pay your necessary expense to extract "pollutants" from land or water at a job-site if the release, discharge or dispersal of the "pollutants" results from a Covered Cause of Loss to Covered Property that occurs during the policy period. Your expenses will be paid only if they are reported to us within 180 days of the earlier of:

- (1) the date of the "loss"; or
- (2) the end of the policy period.

The most we will pay under this Coverage Extension is the limit shown in the Declarations for the sum of all such expenses for each separate policy period up to 12 months.

The limit of Pollutant Clean Up and Removal is separate from the Limits of Insurance stated elsewhere in the policy.

c. Loss Data Preparation

We will pay up to the limit shown in the Declarations for your actual cost of preparing a statement of loss or any other exhibits required in connection with any claim under this Coverage Form.

B. Exclusions

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

a. Governmental Action

Seizure or destruction of property by order of governmental authority.

But we will pay for acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread if the fire would be covered under this Coverage Form.

Nuclear Hazard

Any weapon employing atomic fission or fusion; or

- (2) nuclear reaction or radiation, or radioactive contamination from any other cause. But we will pay for direct "loss" caused by resulting fire if the fire would be covered under this Coverage Form.

c. War and Military Action

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

d. Earth Movement

- (1) Any earth movement (other than "sinkhole collapse") such as earthquake, landslide, mine subsidence or earth sinking, rising, shifting, expanding, contracting or any other earth movement. But if loss or damage by fire, theft, or explosion results, we will pay for the resulting "loss."
- (2) Volcanic eruption, explosion or effusion. But if "loss" by fire or volcanic action results, we will pay for that resulting "loss."

Volcanic action means direct "loss" resulting from the eruption of a volcano when the "loss" is caused by:

- (a) airborne volcanic blast or airborne shock waves;
- (b) ash, dust or particulate matter; or
- (c) lava flow.

All volcanic eruptions that occur within any 168 hour period will constitute a single occurrence.

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

e. Water

- (1) flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not.
- (2) mudslide or mudflow;
- (3) water that backs up from a sewer or drain; or
- (4) water under the ground surface pressing on, or flowing or seeping through:
 - (a) foundations, walls, floors or paved surfaces;
 - (b) basements, whether paved or not; or
 - (c) doors, windows or other openings.
- (5) water damage as a result of freezing, unless:
 - (a) you have shut off the water supply and drained the plumbing systems; or
 - (b) made a reasonable effort to maintain heat in an enclosed building.

But if "loss" by fire, explosion, theft or sprinkler leakage results, we will pay for that resulting "loss."

f. Building Ordinance

The enforcement of any ordinance or law:

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

g. "Fungus," Wet Rot, Dry Rot and Bac-

(1) presence, growth, proliferation, spread, destruction, decomposition or any other activity of "fungus," wet rot, dry rot, or bacteria;

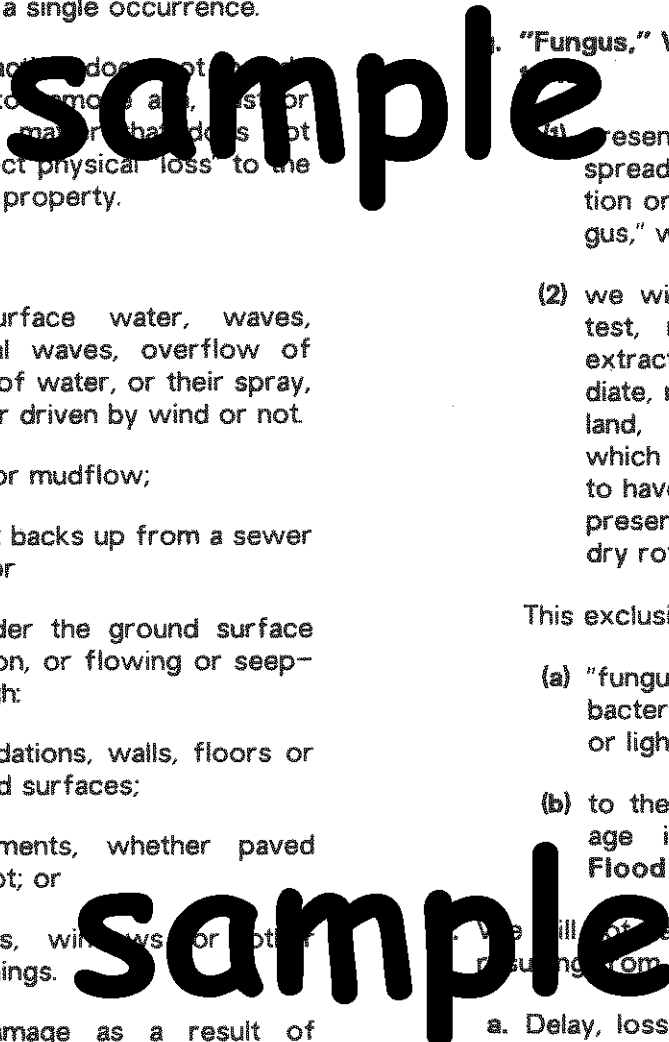
(2) we will not pay for the cost to test, monitor, contain, remove, extract, dispose of, treat, remediate, neutralize, or decontaminate land, water, or any property which has been (or is suspected to have been) contaminated by the presence of "fungus," wet rot, dry rot or bacteria.

This exclusion does not apply to:

- (a) "fungus," wet rot or dry rot or bacteria which results from a fire or lightning; or
- (b) to the extent that limited coverage is provided by Optional Flood Coverage.

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

- a. Delay, loss of use, loss of market or any other consequential loss.
- b. Dishonest or criminal acts by you, any of your partners, members, officers, managers, employees (including leased employees), directors, trustees, authorized representatives or anyone with an interest in the property (including their employees and authorized repre-



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sentatives) or anyone else (other than a carrier for hire) to whom you entrust the property:

- (1) acting alone or in collusion with others;
- (2) whether or not occurring during the hours of employment.

This exclusion does not apply to acts of destruction by your employees (including leased employees); but theft by employees (including leased employees) is not covered.

- c. Rain, sleet, snow, hail, ice or dust to property not in a fully enclosed building. This exclusion does not apply to property in the custody of a carrier for hire, nor "loss" due to collapse of a structure caused by weight of rain, sleet, snow, hail, ice or dust.
- d. Unexplained loss, mysterious disappearances or shortage disclosed upon taking inventory. This exclusion does not apply to property while in the custody of a carrier for hire or public warehouseman.

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

- a. Collapse or weather conditions. But this exclusion only applies if weather conditions or collapse contribute in any way with a cause or event excluded in Paragraph 1. above to produce the "loss."
- b. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.
- c. Gradual deterioration, hidden or latent defects, any quality in the property that causes it to damage or destroy itself, wear and tear, depreciation, corrosion, rust, dampness or dryness, cold or heat, insects, rodents, birds or other animals.

d. Settling, cracking, shrinking, bulging or expansion of the earth, foundations, footings or structures.

4. We will not pay for "loss" caused by or resulting from the following causes. But, if as a result of the following there is "loss" to other Covered Property by a Covered Cause of Loss, we will pay for that resulting "loss."

(1) Faulty, inadequate or defective: artificial generated electric current that creates a short circuit or other electric disturbance within electrical devices, appliances or wires. But we will pay for direct "loss" caused by resulting fire if the fire would be covered under this Coverage Form.

b. Mechanical breakdown of machinery including rupture or bursting caused by centrifugal force.

c. Faulty, inadequate or defective:

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

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

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

(4) maintenance.

5. We will not pay for:

a. Penalties for noncompletion or non-compliance with contract conditions, or liquidated damages (as defined in the construction contract for the specific covered project).

b. Any "loss" covered under any guarantee, warranty or other expressed or implied obligation of any contractor, manufacturer or supplier. This exclusion applies whether or not such contractor, manufacturer or supplier is a Named Insured.

C. Limits of Insurance

The most we will pay for "loss" due to Covered Causes of Loss is the applicable Limit of Insurance shown in the Declarations. The Limits of Insurance applicable to Additional Coverages and Optional Coverages are in addition to the Limits of Insurance, unless stated otherwise.

D. Deductible

We will pay the amount of the adjusted "loss" in excess of the Deductible amount shown in the Declarations, up to the applicable Limit of Insurance.

E. Additional Conditions

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

1. Coinsurance

Covered Property, (except property at temporary storage locations or in transit), must be insured for its total "completed value" at the time of loss or you will incur a penalty. The penalty is that we will pay only the proportion of any "loss" that the applicable Limit of Insurance shown in the Declarations bears to the total "completed value" of Covered Property.

2. Valuation

General Condition F. Valuation in the Commercial Inland Marine Conditions is replaced by the following:

a. Building or Structure

We will adjust a "loss" to buildings or structures on the basis of replacement cost, at the time of loss, including the contractor's reasonable overhead and profit.

b. Other Covered Property

We will adjust "loss" to:

- (1) owned property at the time of loss, including labor and delivery charges;

- (2) property of others at the cost to repair or replace but not more than the amount for which you are legally liable.

Property will be valued as of the time the "loss" occurs.

The most we will pay is:

the amount necessary to repair the Covered Property; or

- (2) the amount necessary to replace the Covered Property with materials of the same kind or quality; or

- (3) the applicable Limit of Insurance;

whichever is less.

3. Duty to Preserve Rights of Recovery

a. Before a "loss" you may waive your rights of recovery against any individual, corporation or other entity except:

- (1) any architect, engineer, or other party or entity responsible for any design, specifications, or plans for the fabrication, erection or completion of the property insured with respect to any loss or damage that may be caused by:

(i) fault, defect, error or omission in such design, specifications, or plans;

(ii) performance of, or failure to perform, supervisory or management functions related to the construction project(s).

- (2) Any contractor, manufacturer or supplier of Covered Property that has agreed to make good any loss or damage under a guarantee or warranty.

In the absence of agreement of your insurer, or agreement of your insurer to recover for "loss" as described above, we will not cover the "loss."

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- b. We will not cover any "loss" which you settle or compromise without our written consent.

- f. this Coverage Form is cancelled; or
- g. the end of the policy period.

4. Cancellation

The following is added to Common Policy Conditions, Paragraph 5. If the first Named Insured cancels this policy, we will retain at least the Minimum Premium amount shown in the Declarations.

5. Where Coverage Applies

Coverage applies while Covered Property is:

- a. at the construction job-site premises described in the Declarations; or
- b. in transit by truck or railroad to the covered job-site, to off site fabrication or to temporary safekeeping locations;

all while within the United States, the District of Columbia, or Canada, but excluding while in transit to and from Alaska; to and from Hawaii.

6. When Coverage Begins and Ends

We cover from the time the Covered Property is at your risk starting on or after the date this policy begins.

This coverage will end on each structure when any of the following occurs:

- a. the purchaser accepts it;
- b. your interest in the Covered Property ceases; or you abandon the construction;
- c. 90 days after the structure is "substantially completed" (if no work on the structure has taken place during that period);
- d. when a structure is occupied or put to its intended use, without our written consent;
- e. any other insurance covers the property as a completed building or structure;

F. Optional Coverages

Coverage under this section is provided only if a Limit of Insurance for the coverage selected appears in the Declarations. The coverage limits selected apply per location, and are in addition to the Limit of Insurance, except for Equipment Breakdown where coverage is included in the Section A. Limit of Insurance. If there is no separate deductible indicated, the policy deductible will apply to these optional coverages.

1. Equipment Breakdown

a. Coverage

(1) We will pay for "loss" caused by or resulting from Accident to "Covered Equipment." As used in this Coverage Form, an Accident means direct physical "loss" as follows:

- (a) mechanical breakdown of machinery including rupture or bursting caused by centrifugal force;
- (b) artificially generated electric current that creates a short circuit or other electric disturbance within electrical devices, appliances or wires; or
- (c) explosion of steam boilers, steam piping, steam engines or steam turbines.

If a single Accident causes other Accidents, all will be considered one Accident. All Accidents that are the result of the same event will be considered one Accident.

(2) The following additional coverages also apply to "loss" caused by or resulting from an Accident:

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(a) Expediting Expenses

With respect to your damaged Covered Property, we will pay up to \$25,000 for your reasonable extra expenses to:

- (i) make temporary repairs and
- (ii) expedite permanent repairs or replacement.

(b) Hazardous Substances

We will pay for the additional costs, up to \$5,000, to repair or replace Covered Property because of contamination by a hazardous substance. This includes the additional expenses to clean up or dispose of such property.

Hazardous Substances means any substance other than ammonia that has been declared to be hazardous to health by a government agency. Additional Costs mean those beyond that which would have been required had no hazardous substance been involved.

(3) As respects this Optional Coverage, Section B. Exclusions is amended as follows:

- (a) Paragraph 4. is deleted in its entirety.
- (b) The following exclusion is added:

We will not pay under this Coverage Form for loss caused by or resulting from any of the following:

- (i) the breakdown of any structure, foundation, cabinet, compartment or air-supported structure or building;

(ii) the breakdown of any insulating or refractory material;

(iii) the breakdown of any sewer piping; any underground vessels or piping; any piping forming a part of a sprinkler system; or any water piping other than boiler feed water piping, boiler condensate return piping or water piping forming a part of a refrigerating or air conditioning system; or

(iv) the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.

(4) As respects this Optional Coverage, the following condition is added to Section E. Additional Conditions:

Suspension

When any "Covered Equipment" is found to be in, or exposed to a dangerous condition, any of our representatives may immediately suspend the insurance against loss from an Accident to that equipment. We can do this by mailing or delivering a written notice of suspension to your address as shown in the Declaration or to the address where the equipment is located. Once suspended in this way, your insurance can be reinstated only by written notice from us. If we suspend your insurance, you will get a pro rata refund of premium. But the suspension will be effective even if we have not yet made or offered a refund.

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- (5) As respects this Optional Coverage, the following definitions are added to Section G. Definitions:

"Covered Equipment" means Covered property including fired or unfired pressure vessels built to operate under vacuum or pressure, other than weight of contents, or used for the generation, transmission or utilization of energy. However, "Covered Equipment" does not include "Production Machinery."

"Production Machinery" means any machine or apparatus, including any cylinder containing a movable plunger or piston, that processes or produces a product intended for eventual sale.

2. Plans and Records

We will pay up to the Limit of Insurance shown in Section C. of the Declarations to reproduce, replace or restore valuable papers or records (such as blueprints, plans, drawings, or data stored on electronic media, such as tapes, discs or CDs) located at any construction premises covered by this Optional Coverage.

The Coinsurance Additional Condition of your policy does not apply to valuable papers and records.

3. Fire Protection Equipment

We will pay your:

- a. "loss" to your fire protection equipment from a Covered Cause of Loss; and
- b. actual expense to recharge such equipment which was discharged while fighting a fire at, or while in transit to, a construction job-site described in the Declarations.

The most we will pay for this Optional Coverage is the Limit of Insurance shown in Section C. of the Declarations for the sum of the "loss" and expense coverage provided.

The Coinsurance Additional Condition of your policy does not apply to fire protection equipment.

4. Inflation Protection

We will pay up to the Limit of Insurance shown in Section C. of the Declarations for your actual increased cost of labor and/or substantially identical materials to repair or replace Covered Property lost or damaged by a Covered Cause of Loss.

We will pay this additional amount only:

- a. if the job-site limit is insufficient at the time of loss, but was in compliance with the Coinsurance condition when coverage began; and
- b. to the extent that the increase in cost is the direct result of inflation of your costs and not changes in the job.

This coverage does not apply to, and we will not pay to rebuild, any structure that existed before the construction job insured by this policy began, even if coverage for "loss" to such structure is provided by endorsement to the Coverage Form.

5. Extra Expense

We will pay up to the Limit of Insurance shown in Section C. of the Declarations for your actual, necessary, additional expense to continue normal construction operations at a construction job-site described in the Declarations, which is incurred as a direct result of a "loss" to Covered Property from a Covered Cause of Loss, at such job-site.

6. Flood Coverage

a. Coverage

Coverage added by this Optional Coverage applies only to locations which are not within the flood plain as determined by the Federal Emergency Management Agency and identified in Section of the Declarations.

Covered Causes of Loss added by Flood Coverage are:

- (1) Flood meaning a general and temporary condition of partial or complete inundation of normally dry land area from inland or tidal waters.
- (2) Tsunami meaning a large wave caused by earthquake or volcanic eruption.
- (3) Release of water impounded behind a dam.

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b. Limit of Insurance

The most we will pay for water damage from a Covered Cause of Loss in any one "loss" is the Limit of Insurance or sub-limit shown in Section C. of the Declarations. If a Covered Cause of Loss begins in one "policy year" and continues into the subsequent "policy year," the Limit of Insurance for the first "policy year" will apply to the entire flooding event. The subsequent "policy year" Limit of Insurance will not apply.

c. Deductible

As respects your claim for "loss" to Covered Property caused by Covered Causes of Loss listed in Paragraph a. above, we will pay the amount of the adjusted "loss" in excess of the applicable deductible up to the applicable Limit of Insurance.

d. Additional Coverages

The following additional coverages apply to direct physical "loss" at a covered location if they are a direct result of the Flood Coverage causes of loss shown in Paragraph 6.a. above.

The limits for these Additional Coverages are included in the Limit of Insurance shown in Section C. of the Declarations for Flood.

(1) "Fungus," Wet Rot, Dry Rot, Bacteria

We will pay your direct physical "loss" caused by "fungus," wet rot, dry rot and bacteria including

the cost of removal of the "fungus," wet rot, dry rot or bacteria; and the following related costs:

- i. the costs to tear out and replace any part of the building or other property to gain access to the "fungus," wet rot or bacteria;
- ii. the cost of testing performed during the "remediation" process;
- iii. the cost of testing performed after such removal, repair or restoration is completed.

If Time Element Coverage applies to the Covered Location and

- (i) there is a covered "suspension" of "operations" due to a covered direct physical "loss" from a Covered Cause of Loss listed in 6.a. above; and
- (ii) "remediation" of the resulting "fungus," wet rot, dry rot or bacteria is not completed by the time other repairs are completed, the "period of delay in completion" and "post loss period of reconstruction" will be extended up to 30 days.

The most we will pay for your direct physical "loss" and Time Element loss under this Additional Coverage is \$15,000. Regardless of the number of claims, number of locations, or number of occurrences of a Cause of Loss, this limit is the most we will pay for the total of all "loss," damage, expenses and Time Element loss sustained in any one "policy year."

(2) Debris Removal

The following applies to direct physical "loss" from a Covered Cause of Loss listed in 6.a. above:

- i. We will pay your expense to remove debris of Covered Property and other debris

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that is on the premises of a Covered Location, when such debris is the direct result of a Covered Cause of Loss listed in 6.a. above.

single Earthquake or Volcanic Eruption. The expiration of this policy will not reduce the 168 hour period.

However, we will not pay to remove mud or earth from grounds of Covered Locations.

- ii. Also, we will pay to remove the debris of Covered Property which has floated from or been removed from a Covered Location by a Covered Cause of Loss listed in 6.a. above.

The most we will pay for Debris Removal is the lesser of:

- i. \$250,000, or
- ii. 25% of the amount we pay for direct physical "loss" to Covered Property at all Covered Locations, caused by Flood Covered Causes of Loss listed in 6.a. above.

e. Exclusions

The following exclusion is added to Section B. Paragraph 1. of this coverage form:

We will not pay for any "loss," caused by a flood, which begins before the inception of this insurance.

7. Earthquake and Volcanic Eruption Coverage

a. Coverage

Coverage added by this Optional Coverage includes:

- 1. Earthquake; and
- 2. Volcanic Eruption, meaning the eruption, explosion, or effusion of a volcano.

All Earthquake shocks or Volcanic Eruptions that occur within any 168 hour period will constitute a

b. Limit of Insurance

The Limit of Insurance is shown in Section C. of the Declarations Page and the most we will pay for loss caused by an Earthquake or Volcanic Eruption

If an earthquake or volcanic eruption begins in one "policy year" and continues into the subsequent "policy year," the Limit of Insurance for the first "policy year" will apply to the entire Earthquake or Volcanic Eruption event. The subsequent "policy year" Limit of Insurance will not apply.

c. Deductible

- 1. As respects your claim for "loss" to Covered Property caused by Earthquake or Volcanic Eruption, we will pay the amount of the adjusted "loss" in excess of the applicable deductible up to the applicable Limit of Insurance.
- 2. Time Element Waiting Period - if your policy covers time element losses (such as loss of income, rental value or extra expense), we will pay for only the portion of the covered loss which exceeds the applicable waiting period.

d. Exclusions

- 1. In addition to Section B. Exclusions, we will not pay for "loss" caused directly or indirectly by any of the following. Such "loss" is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

Fire, explosion (other than volcanic explosion), tidal waves, tsunami, flood, surface water, water which backs up through sewers or drains, water below the sur-

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face of the ground (including that which flows, leaks or seeps on or into Covered Property), mudslide or mudflow, release of water impounded by a dam, even if attributable to an Earthquake or Volcanic Eruption.

- (b) Any Earthquake or Volcanic Eruption that begins before the inception of this insurance.
- (c) Earth movement other than Earthquake, such as landside or earth sinking, rising or shifting. But if loss or damage by another Covered Cause of Loss results, we will pay for that resulting loss.
- (d) The cost to remove volcanic ash, dust or particulate matter that does not cause direct physical loss to Covered Property.
- (e) The failure of power or other utility service supplied to a covered location, however caused, if the failure occurs away from the covered locations.

G. Definitions

"Completed Value" means the total value of all Covered Property (including buildings, fences, foundations, underground pipes, drains, paving and pilings that are a permanent part of the covered job) when the job will have been finished at the end of the construction period. The "Completed Value" includes labor, cost of materials and the contractors reasonable overhead and profit.

"Completed Value" does not include:

1. the cost of land; nor
2. the cost of development to make it suitable for building (e.g., clearing, filling, grading).

"Fungus" means any type or form of fungus, including mold, mildew, yeast, or mushroom and any toxin, mycotoxin, spore, scent, waste product or byproduct produced or released by any fungus or by metabolism, growth, death or decay of any fungus.

"Loss" means accidental loss or damage.

"Policy Year" means a twelve-month period starting with the beginning of the current policy period.

"Waste" means solid, liquid, gaseous or thermal pollutant or contaminant, including inorganic, organic, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

"Remediation" means:

- b. the tearing out and replacing any part of the building to gain access to the "fungus," wet rot, dry rot or bacteria;
- c. the removal of "fungus," wet rot, dry rot or bacteria;
- d. testing performed during the remedial process;
- e. testing performed after such removal, repair or restoration is complete.

"Sinkhole Collapse" means the sudden sinking or collapse of the land into underground empty space(s) created by action of water on limestone or similar rock formations.

It does not include:

- a. the value of land;
- b. the cost of filling sinkhole(s);
- c. indirect or consequential loss, the loss of use arising from sinkhole collapse;
- d. sinking of the land into man-made structures.

"Substantially Completed" means construction project structure(s) is usable for its intended purpose.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

LIGHTING AND "FENCING" WARRANTY

This endorsement modifies insurance provided under the following:

BUILDERS RISK PLUS® COVERAGE FORM
BUILDERS RISK PLUS® RENOVATION PROJECT COVERAGE FORM

It is a Condition of this policy that you will erect and maintain:

1. flood lighting during non-daylight hours that illuminates all building materials, supplies and structures covered by this policy, and
2. "fencing," with a locked gate during nonworking hours, that surrounds all building materials, supplies and structures covered by this policy.

If you fail to comply with these Conditions we will not pay for your "loss" caused by fire, theft or vandalism.

Definition

"Fencing" means:

- a. a chain link fence of at least 8 feet in height; or
- b. a plywood barrier of at least 8 feet in height.

Other Terms Remain the Same

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

NONRENEWAL NOTICE ENDORSEMENT

Due to the unique risk insured and limited term of the coverage provided under this policy, it is agreed that this policy expires on the date specified. A nonrenewal notice will not be sent to you. Any requests to extend the policy period must be made in writing prior to the expiration date, however, the Company has no obligation to extend the policy period.

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Other Terms Remain the Same

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The term "mortgage holder" includes trustee.

1. We will pay for covered loss of or damage to buildings or structures to each mortgage holder shown above in their order of precedence, as interest may appear.
2. The mortgage holder has the right to receive loss payment even if the mortgage holder has started foreclosure or similar action on the building or structure.
3. If we deny your claim because of your acts or because you have failed to comply with the terms of this Coverage Part, the mortgage holder will still have the right to receive loss payment if the mortgage holder:
 - a. pays any premium due under this Coverage Part at our request if you have failed to do so;
 - b. submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so; and
 - c. has notified us of any change in ownership, occupancy or substantial change in risk known to the mortgage holder.

All of the terms of this Coverage Part will then apply directly to the mortgage holder.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

MORTGAGE HOLDERS

This applies to coverage for Inland Marine BUILDER'S RISK PLUS

4. If we pay the mortgage holder for any loss or damage and deny payment to you because of your acts or because you have failed to comply with the terms of this Coverage Part:
- a. the mortgage holder's rights under the mortgage will be transferred to us to the extent of the amount we pay; and
 - b. the mortgage holder's right to recover the full amount of the mortgage holder's claim will not be impaired.

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

5. If we cancel this policy, we will give written notice to the mortgage holder at least:
- a. 10 days before the effective date of cancellation if we cancel for your nonpayment of premium; or
 - b. 30 days before the effective date of cancellation if we cancel for any other reason.
6. If we elect not to renew this policy, we will give written notice to the mortgage holder at least 10 days before the expiration date of this policy.

Other Terms Remain The Same

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies insurance provided under the following:

COMMERCIAL INLAND MARINE COVERAGE PART

A. The Conditions of this Coverage Part that are in conflict with the statutes of the State of Michigan are amended to conform to such statutes.

2. bear the other expenses of the appraisal and umpire equally.

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

B. Loss Condition B. Appraisal in the Commercial Inland Marine Conditions is replaced by the following:

C. General Condition A. Concealment, Misrepresentation Or Fraud in the Commercial Inland Marine Conditions is replaced by the following:

B. Appraisal

If we and you disagree on the value of the property or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and independent appraiser. The two appraisers will select a competent and impartial umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the property and amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

1. pay its chosen appraiser; and

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A. Concealment, Misrepresentation Or Fraud

This Coverage Part is void in any case of fraud, intentional concealment or misrepresentation of a material fact by you concerning:

1. this Coverage Part;
2. the Covered Property;
3. your interest in the Covered Property; or
4. a claim under this Coverage Part.

D. Wherever it appears, the phrase minimum annual premium is replaced by the phrase minimum written premium.