

NON REPORTING ENDORSEMENT

This endorsement changes the Builder's Risk Coverage Form. Please read it carefully.

- E. ADDITIONAL CONDITIONS 3. WHEN COVERAGE BEGINS AND ENDS,** paragraph e. is replaced by the following:

e. Upon expiration of the policy.

- E. ADDITIONAL CONDITIONS 4. REPORTING PROVISIONS** is replaced by the following:

4. REPORTING PROVISIONS

a. The premium charged is fully earned and no refund is due you when coverage ends.

b. You will keep accurate construction records regarding property we cover under this policy. This includes the total estimated completed value (labor, overhead and materials and when included *profit*) of the property and a record of all contracts of sale dealing with the property.

- E. ADDITIONAL CONDITIONS 8. COINSURANCE** is replaced by the following:

8. COINSURANCE

If the limit of insurance is less than the total estimated completed value of the property insured, you will bear a portion of any *loss*. The amount we will pay is determined by the following steps:

a. Divide the limit of insurance by the total estimated completed value of the Covered Property;

b. Multiply the total amount of the covered *loss*, before the application of any deductible, by the percentage determined in step "a";

c. Subtract the deductible from the figure determined in "b".

- E. ADDITIONAL CONDITIONS 9. CANCELLATION** Paragraph a. is deleted.

All other terms and conditions of this policy remain unchanged.

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 the event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they can not 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 are done in the event of "loss" to Covered Property:

1. Notify the police if a law may have been broken.
2. Give us prompt notice of the "loss." Include a description of the property involved.
3. As soon as possible, give us a description of how, when and where the "loss" occurred.
4. Take all reasonable steps to protect the Covered Property from further damage and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the Limit of Insurance. However, we will not pay for any subsequent "loss" 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. Make no statement that will assume any obligation or admit any liability, for any "loss" for which we may be liable, without our consent

sample

6. Permit us to inspect the property and records proving "loss."

7. If requested, permit us to question you under oath, at such times as may be reasonably required, about any matter relating to this insurance or your claim, including your books and records. In such event, your answers must be signed.

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

9. Promptly send us any legal papers or notices received concerning the "loss."

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

D. INSURANCE UNDER TWO OR MORE COVERAGES

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

E. LOSS PAYMENT

We will pay or make good any "loss" covered under this Coverage Part within 30 days after:

1. We reach agreement with you;
2. The entry of final judgement; or
3. The filing of an appraisal award.

We will not be liable for any part of a "loss" that has been paid or made good by others.

F. OTHER INSURANCE

If you have other insurance covering the same "loss" as we insure under this Coverage Part, we will pay only the excess over what you should have received from the other insurance. We will pay the excess whether you can collect on the other insurance or not.

sample

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 the event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they can not 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 are done in the event of "loss" to Covered Property:

1. Notify the police if a law may have been broken.
2. Give us prompt notice of the "loss." Include a description of the property involved.
3. As soon as possible, give us a description of how, when and where the "loss" occurred.
4. Take all reasonable steps to protect the Covered Property from further damage and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the Limit of Insurance. However, we will not pay for any subsequent "loss" 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. Make no statement that will assume any obligation or admit any liability, for any "loss" for which we may be liable, without our consent

sample

6. Permit us to inspect the property and records proving "loss."

7. If requested, permit us to question you under oath, at such times as may be reasonably required, about any matter relating to this insurance or your claim, including your books and records. In such event, your answers must be signed.

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

9. Promptly send us any legal papers or notices received concerning the "loss."

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

D. INSURANCE UNDER TWO OR MORE COVERAGES

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

E. LOSS PAYMENT

We will pay or make good any "loss" covered under this Coverage Part within 30 days after:

1. We reach agreement with you;
2. The entry of final judgement; or
3. The filing of an appraisal award.

We will not be liable for any part of a "loss" that has been paid or made good by others.

F. OTHER INSURANCE

If you have other insurance covering the same "loss" as the insurance under this Coverage Part, we will pay only the excess over what you should have received from the other insurance. We will pay the excess whether you can collect on the other insurance or not.

sample

G. PAIR, SETS OR PARTS

- 1. Pair or Set. In case of "loss" 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
 - b. Pay the difference between the value of the pair or set before and after the "loss."
- 2. Parts. In case of "loss" to any part of Covered Property consisting of several parts when covered, we will only pay for the value of the lost or damaged part.

H. PRIVILEGE TO ADJUST WITH OWNER

In the event of "loss" involving property of others in your care, custody or control, we have the right to:

- 1. Settle the "loss" with the owners of the property. A receipt for payment from the owners of that property will satisfy any claim of yours.
- 2. Provide a defense for legal proceedings brought against you. If provided, the expense of this defense will be at our cost and will not reduce the applicable Limit of Insurance under this insurance.

I. RECOVERIES

Any recovery or salvage on a "loss" will accrue entirely to our benefit until the sum paid by us has been made up.

J. REINSTATEMENT OF LIMIT AFTER LOSS

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

K. TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US

If any person or organization to or for whom we make payment under this insurance has rights to recover damages from another, those rights are transferred to us to the extent of our payment. That person or organization must do everything necessary to secure our rights and must do nothing after "loss" to impair them.

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. LEGAL ACTION AGAINST US

No one may bring 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 two years after you first have knowledge of the "loss."

C. NO BENEFIT TO BAILEE

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

D. POLICY PERIOD

We cover "loss" commencing during the policy period shown in the Declarations.

E. 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
- 3. The cost of replacing that property with substantially identical property.

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

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY

CALIFORNIA CHANGES - CANCELLATION AND NONRENEWAL

This endorsement modifies insurance provided under the following:

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

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

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

2. All Policies In Effect For 60 Days Or Less

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

a. 10 days before the effective date of cancellation if we cancel for:

- (1) Nonpayment of premium; or
- (2) Discovery of fraud or material misrepresentation by:
 - (a) Any insured or his or her representative in obtaining this insurance or
 - (b) You or your representative in pursuing a claim under this policy.

b. 30 days before the effective date of cancellation if we cancel for any other reason.

3. All Policies In Effect For More Than 60 Days

a. If this policy has been in effect for more than 60 days, or is a renewal of a policy we issued, we may cancel this policy only upon the occurrence, after the effective date of the policy, of one or more of the following:

- (1) Nonpayment of premium, including payment due on a prior policy we issued and due during the current policy term covering the same risks.;
- (2) Discovery of fraud or material misrepresentation by
 - (a) Any insured or his or her representative in obtaining this insurance or
 - (b) You or your representative in pursuing a claim under this policy.
- (3) A judgment by a court or an administrative tribunal that you have violated a California or Federal law, having as one of its necessary elements an act which materially increases any of the risks insured against.
- (4) Discovery of willful or grossly negligent acts or omissions, or of any violations of state laws or regulations establishing safety standards, by you or your representative, which materially increase any of the risks insured against.

(5) Failure by you or your representative to implement reasonable loss control requirements, agreed to by you as a condition of policy issuance, or which were conditions precedent to our use of a particular rate or rating plan, if that failure materially increases any of the risks insured against.

(6) A determination by the Commissioner of Insurance that the:

(a) Loss of, or changes in, our reinsurance covering all or part of the risk would threaten our financial integrity or solvency; or

(b) Continuation of the policy coverage would:

(i) Place us in violation of California law or the laws of the state where we are domiciled; or

(ii) Threaten our solvency.

(7) A change by you or your representative in the activities or property of the commercial or industrial enterprise, which results in a materially added, increased, or changed risk, unless the added, increased or changed risk is included in the policy.

b. We will mail or deliver advance written notice of cancellation, stating the reason for cancellation, to the first Named Insured, at the mailing address shown in the policy, and to the producer of record, at least:

(1) 10 days before the effective date of cancellation if we cancel for a reason listed in Paragraph 3.a.(1) or 3.a.(2); or

(2) 39 days before the effective date of cancellation if we cancel for any other reason listed in Paragraph 3.a.

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

7. Residential Property

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

Businessowners Policy

Commercial Property Coverage Part

Farm Coverage Part = Farm Property Coverage Form

a. If such coverage has been in effect for 60 days or less, and is not a renewal of coverage we previously issued, we may cancel this coverage for any reason, except as provided in b. and c. below.

b. We may not cancel this policy solely because the first Named Insured has:

(1) Accepted an offer of earthquake coverage; or

(2) Cancelled or did not renew a policy issued by the California Earthquake Authority (CEA) that included an earthquake policy premium surcharge.

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

c. We may not cancel such coverage solely because corrosive soil conditions exist on the premises. This Restriction (c.) applies only if coverage is subject to one of the following, which exclude loss or damage caused by or resulting from corrosive soil conditions:

(1) Businessowners Policy – Businessowners Special Property Coverage Form;

(2) Commercial Property Coverage Part = Causes Of Loss – Special Form; or

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

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

NORENEWAL

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

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

2. Residential Property

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

Businessowners Policy

Commercial Property Coverage Part

Farm Coverage Part or Farm Property Coverage Form

a. We may elect not to renew such coverage for any reason, except as provided in b., c. and d. below:

b. We will not refuse to renew such coverage solely because the first Named Insured has accepted an offer of earthquake coverage.

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

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

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

(3) We have:

(a) Lost or experienced a substantial reduction in the availability or scope of reinsurance coverage; or

(b) Experienced a substantial increase in the premium charged for reinsurance coverage of our residential property insurance policies; and

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

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

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

(1) Businessowners Policy – Businessowners Special Property Coverage Form;

(2) Commercial Property Coverage Part – Causes Of Loss – Special Form; or

(3) Farm Coverage Part – Farm Property Coverage Form: Covered Causes Of Loss – Special.

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

a. If the transfer or renewal of a policy, without any changes in terms, conditions, or rates, is between us and a member of our insurance group.

b. If the policy has been extended for 90 days or less, provided that notice has been given in accordance with Paragraph C.1..

c. If you have obtained replacement coverage, or if the first Named Insured has agreed, in writing, within 60 days of the termination of the policy, to obtain that coverage.

d. If the policy is for a period of no more than 60 days and you are notified at the time of issuance that it will not be renewed.

e. If the first Named Insured requests a change in the terms or conditions or risks covered by the policy within 60 days of the end of the policy period.

f. If we have made a written offer to the first Named Insured, in accordance with the timeframes shown in Paragraph C.1..to renew the policy under changed terms or conditions or at an increased premium rate, when the increase exceeds 25%.

THIS IMPORTANT DISCLOSURE NOTICE IS PART OF YOUR POLICY

We are making the following informational disclosures in compliance with The Terrorism Risk Insurance Act of 2002. No action is required on your part.

Disclosure of Terrorism Premium

The premium charge for risk of loss resulting from acts of terrorism (as defined in the Act) under this policy is \$ _____ waived _____. This amount is reflected in the total premium for this policy.

Disclosure of Availability of Coverage for Terrorism Losses

As required by the Terrorism Risk Insurance Act of 2002, we have made available to you coverage for losses resulting from acts of terrorism (as defined in the Act) with terms, amounts, and limitations that do not differ materially as those for losses arising from events other than acts of terrorism.

Disclosure of Federal Share of Insurance Company's Terrorism Losses

The Terrorism Risk Insurance Act of 2002 establishes a mechanism by which the United States government will share in insurance company losses resulting from acts of terrorism (as defined in the Act) after an insurance company has paid losses in excess of an annual aggregate deductible. For 2002, the insurance company deductible is 1% of direct earned premium in the prior year; for 2003, 7% of direct earned premium in the prior year; for 2004, 10% of direct earned premium in the prior year; and for 2005, 15% of direct earned premium in the prior year. The federal share of an insurance company's losses above its deductible is 90%. In the event the United States government participates in losses, the United States government may direct insurance companies to collect a terrorism surcharge from policyholders. The Act does not currently provide for insurance industry or United States government participation in terrorism losses that exceed \$100 billion in any one calendar year.

Definition of Act of Terrorism

The Terrorism Risk Insurance Act defines "act of terrorism" as any 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:

1. to be an act of terrorism;
2. to be a violent act or an act that is dangerous to human life, property or infrastructure;
3. to have resulted in damage within the United States, or outside of the United States in the case of an air carrier (as defined in section 40102 of title 49, United States Code) or a United States flag vessel (or a vessel based principally in the United States of which United States income tax is paid and whose insurance coverage is subject to regulation in the United States), or the premises of a United States mission; and
4. to have been 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 influence the policy or affect the conduct of the United States Government by coercion.

But, no act shall be certified by the Secretary as an act of terrorism if the act is committed as part of the course of a war declared by Congress (except for workers' compensation) or property and casualty insurance losses resulting from the act, in the aggregate, do not exceed \$5,000,000.

These disclosures are informational only and do not modify your policy or affect your rights under the policy.

BUILDER'S RISK COVERAGE FORM

This form is subject to the information in the Declarations and the Policy Conditions, Schedules and Endorsements.

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.

Words and phrases that appear in *italics* have special meaning. Refer to Section F. DEFINITIONS.

A. COVERAGE

We will pay for direct physical *loss* to Covered Property from any Covered Cause of Loss described in this Coverage Form.

1. COVERED PROPERTY, as used in the Coverage form means:
 - a. Property which has been installed, or is to be installed in any commercial structure and/or any single family dwelling, private garage, or other structures that will be used to service the single family dwelling at the location which you have reported to us. This includes:
 - (1) Your property;
 - (2) Property of others for which you are legally responsible;
 - (3) Paving, curbing, fences and outdoor fixtures;
 - (4) Trees, shrubs, plants and lawns installed by you or on your behalf;
 - (5) Completed single family dwelling(s) which is being used as a Model Home when reported to us as such on monthly reports with an amount shown; and
 - (6) Foundations of buildings and foundations of structures in the course of construction.

2. PROPERTY NOT COVERED

Covered Property does not include:

- a. Existing building or structure to which an addition, alteration, improvement, or repair is being made, unless specifically endorsed;
- b. Plans, blueprints, designs or specifications, except as provided in Additional Coverage section of this Coverage Form;

- c. Land and water;
- d. *Existing Inventory*, unless specifically endorsed;
- e. Contractors tools and equipment.

3 COVERED CAUSE OF LOSS

Covered Cause of Loss means risk of direct physical *loss* to Covered Property, except those causes of *loss* listed in the Exclusions.

4. ADDITIONAL COVERAGE

a. Collapse

We will pay for direct physical *loss* to Covered Property, caused by collapse of all or part of a building or structure insured under this Coverage Form, if the collapse is caused by one of more of the following:

- (1) Fire; lightning; windstorm; hail; explosion; smoke; aircraft; vehicles; riots; civil commotion; vandalism; breakage of glass; falling objects; weight of snow, ice or sleet; *water damage*; but only if the causes of *loss* are otherwise covered in this coverage Form;
- (2) Hidden decay;
- (3) Hidden insect or vermin damage;
- (4) Weight of people or personal property;
- (5) Weight of rain that collects on a roof;
- (6) Use of defective materials or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation.

This Additional Coverage does not increase the Limits of Insurance provided in this Coverage Form.

b. Scaffolding, Construction Forms and Temporary Structures

- (1) We will pay for direct physical *loss* which is caused by or results from a Covered Cause of Loss, to scaffolding, construction forms and temporary structures (including office and tool trailers), but only while they are at a construction site you have reported to us. The most we will pay for *loss* to scaffolding, construction forms and temporary structures

is \$20,000.

- (2) We will also pay for the cost of re-erection of the scaffold if the *loss* of the scaffolding is caused by or results from a Covered Cause of Loss. However, the most we will pay for the re-erection of scaffolding is \$10,000.

No deductible applies to this Additional Coverage.

c. Debris Removal

We will pay your expenses to remove debris of Covered Property. This debris must result from a *loss* that we cover under this Coverage Form. The expenses will be paid only if they are reported to us in writing within 180 days of the date of direct physical *loss*. If the sum of the *loss* and debris removal expenses exceeds the limit of insurance applicable to the property, we will pay an additional amount of debris removal expenses you incur in excess of the limit of insurance applicable to the property up to, but not exceeding \$20,000.

This Additional Coverage does not apply to costs to:

- (1) Extract *pollutants* from land or water; or
- (2) Remove, restore or replace polluted land or water.

No deductible applies to this Additional Coverage.

d. Back-up or overflow of Sewers, Drains or Sumps

We will pay for *loss* to Covered Property caused by water that backs up or overflows from a sewer, drain or sump from within the reported location.

The most we will pay for *loss* caused by water that backs up or overflows from a sewer, drain or sump is \$5,000.

No deductible applies to this Additional Coverage.

e. Fire Department Service Charge

When the fire department is called to save or protect Covered Property from a Covered Cause of Loss, we will pay up to \$10,000 for your liability for fire department service charges which are:

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

No deductible applies to this Additional Coverage.

f. Valuable Papers and Records

We will pay for *loss* to which is caused by or results from a Covered Cause of Loss that applies to your costs to Valuable Papers and Records meaning inscribed, printed or written documents, records including deeds, drawings, maps, mortgages and includes those which exist on electronic or magnetic media.

We will pay the cost of blank materials for reproducing and labor to transcribe or copy when there is a duplicate.

We will pay your cost to research, replace or restore the lost information on lost or damaged valuable papers or records for which duplicates do not exist.

The most we will pay under this Additional Coverage is \$20,000.

No deductible applies to this Additional Coverage.

g. *Pollutant* Clean-up and Removal

We will pay your expense to extract *pollutants* from land or water at locations reported to us if the discharge, dispersal, seepage, migration, release or escape of the *pollutants* is caused by or results from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the date on which the Covered Cause of Loss occurs.

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

The most we will pay under this Additional Coverage is \$15,000 for the sum of all expenses which are incurred as a result of all Covered Causes of Loss during each separate 12 month period from the effective date of the policy.

No deductible applies to this Additional Coverage.

h. Ordinance or Law – Direct Damage

1. Coverage for *Loss* to Undamaged Portion of the Building or Structure

- (a) If a Covered Cause of Loss occurs to Covered Property at the construction site reported to us, we will pay for *loss* to the

undamaged portion of the property as a consequence of enforcement of any ordinance or law that:

- (1) Requires the demolition of parts of the same property not damaged by a Covered Cause of Loss;
- (2) Regulates the construction or repair of property, or establishes zoning or land use requirements at the construction site; and
- (3) Is in force at the time of *loss*.

- (b) Coverage for *loss* to the undamaged portion of the structure is included within the applicable limit of insurance for that location at the construction site.

This only applies when the ordinance or law went into effect after the start of the construction of the structure or dwelling.

2. Demolition Cost Coverage

- (a) If a Covered Cause of Loss occurs to Covered Property at the construction site reported to us, we will pay the cost to demolish and clear the construction site of undamaged parts of the property, caused by enforcement of building, zoning or land use ordinance or law.

3. Increased Cost of Construction Coverage

- (a) If a Covered Cause of Loss occurs to Covered Property at the construction site reported to us, we will pay for the increased cost necessary to repair or reconstruct the damaged portions of that Covered Property when the increased cost is a consequence of enforcement of building, zoning or land use ordinance or law. If the Covered Property is repaired or rebuilt, it must be intended for the same occupancy as the property prior to the *loss*, unless otherwise required by zoning or land use ordinance or law.
- (b) If the ordinance or law requires relocation to another site, we will pay the increased cost of construction at the new site as set forth below in h. 4.

4. The most we will pay for Demolition Cost Coverage and Increased Cost of Construction Coverage is the lesser of the following;

- (a) the amount of the *loss*;

- (b) the applicable limit of insurance; or
- (c) \$1,000,000 in any one *loss*.

- 5. We will not pay under this Coverage for Loss to the Undamaged Portion of the Building or Structure Dependent on Cost Coverage, or Increased Cost of Construction Coverage for 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 *pollutants*.
- 6. In the event that this policy is endorsed to provide coverage for existing building(s) or structure(s), or the policy covers renovation, remodeling or other work being done on such building(s) or structure(s), this Additional Coverage shall not apply to such building(s) or structure(s).

i. Preservation of Property

If it is necessary to move Covered Property from the location reported to us or described on the Declarations Page, to preserve it from *loss* by a Covered Cause of Loss, we will pay for any direct physical *loss* to that property:

- 1 While it is being moved or while temporarily stored at another location; and
- 2 Only if the *loss* occurs within 30 days after the property is first moved.

This Additional Coverage is part of, and not in addition to, the Limit of Insurance applicable to the Covered Property.

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 any 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 that fire would be covered under this Coverage Form.

b. Nuclear Hazard

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

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

c. War and Military Action

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

d. Earth Movement

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

- (2) Volcanic Action

Volcanic eruption, explosion or effusion. But if volcanic eruption, explosion or effusion results in fire, building glass breakage or Volcanic Action, we will pay for the *loss* caused by that fire, building glass breakage or Volcanic Action.

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.

This exclusion does not apply to Covered Property while in transit.

e. Water

- sample**
- (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) The interior of any building or structure caused by or resulting from rain, snow, sleet, ice, sand or dust, whether driven by wind or not, unless:
 - (a) The building or structure first sustains damage by a Covered Cause of Loss to its roof or walls through which the rain, snow, sleet, ice, sand or dust enters; or
 - (b) The loss is caused by or results from thawing of snow, sleet or ice on the building or structure.
 - (3) Mudslide or mudflow;
 - (4) Water that backs up or overflows from a sewer, drain or sump, except as provided in the Additional Coverages section in this Coverage Form;
 - (5) Water under the ground surface pressing on, or flowing or seeping through:
 - (a) Foundations, walls, floors or paved surfaces;
 - (b) Basements, whether paved or not; or
 - (c) Doors, windows or other openings.

But if water, as described in e.(1) through e.(5) above, results in fire, explosion or sprinkler leakage, we will pay for the loss caused by that fire, explosion or sprinkler leakage.

2. We will not pay for a loss caused by or resulting from any of the following:
- a. Delay, loss of use, or loss of market. This does not include *profit* if reported in compliance with the Reporting Provision section of this Coverage Form;
 - b. Dishonest or criminal acts by you and/or your partners, employees or leased employees, directors, trustees, authorized representatives or anyone to whom you entrust the property for any purpose.

This exclusion applies:

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

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

This exclusion does not apply to Covered Property while it is entrusted to others who are carriers for hire.

- sample**
- c. Unexplained or mysterious disappearance except for property in custody of a carrier for hire.
 - d. Shortage of property found on taking inventory.
 - e. Penalties for noncompliance with contract conditions.
 - f. Collapse, except as provided in the Additional Coverage section in this Coverage Form.
 - g.
 - (1) Wear and tear;
 - (2) Any quality in the property itself that causes it to damage or destroy itself; or that causes gradual deterioration;
 - (3) Insects, vermin, rodents;
 - (4) Corrosion, rust, fungus, mold, **mildew**, rot;
 - (5) Dampness, changes in or extremes of temperatures, freezing;

However, we will cover freezing *loss* to property in the building reported to us, if you have shut off the water supply and drained the plumbing systems and appliances or made a reasonable effort to maintain heat in the building.
 - (6) Settling, cracking, shrinking, or expansion to any Covered Property.
 - h. Rain, snow, sleet, sand, dust if Covered Property is in the open. This does not apply to Covered Property in the custody of a carrier for hire.
 - i. Artificially generated electrical current; mechanical breakdown; rupturing or bursting caused by centrifugal force.
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 the remaining *loss* caused by that Covered Cause of Loss.
- sample**
- a. Weather conditions which contribute in any way to 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, or organization representing a governmental, regulatory or controlling body.
- c. Faulty, inadequate or defective:
 - (1) Planning, zoning, development, surveying, siting;
 - (2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
 - (3) Materials used in repair, construction, renovation or remodeling; or
 - (4) Maintenance;of all or part of any Covered Property wherever located.
- d. The discharge, dispersal, seepage, migration, release or escape of *pollutants*, except as provided under Additional Coverages.

C. LIMITS OF INSURANCE

The most we will pay for *loss* to any one building or structure is the lesser of the Limit of Insurance shown in the Declarations for that one building or structure or the *total estimated completed value* that was reported to us for that one building or structure. The most we will pay for *loss* in any one occurrence is the limit shown in the Inland Marine Declarations for all Covered Property at all locations.

D. DEDUCTIBLE

We will not pay for *loss* in any one occurrence until the amount of covered *loss* exceeds the Deductible shown in the Declarations. We will then pay the amount of covered *loss* which exceeds the Deductible, up to the applicable Limit of Insurance.

E. ADDITIONAL CONDITIONS

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

1. COVERAGE TERRITORY

The coverage territory is United States of America (including its territories and possessions) and Canada

2. WHERE COVERAGE APPLIES

This coverage applies to Covered Property while within the Coverage Territory while:

- a. At any construction site you have reported;
- b. Temporarily at other premises, if the property has been designated to be installed at a location you have reported to us or
- c. In transit except imports or exports while ocean marine coverage applies.

3. WHEN COVERAGE BEGINS AND ENDS

We will cover risk of *loss* from the time when you are legally responsible for the Covered Property on or after the effective date of this policy if all other conditions are met. Coverage will end at the earliest of the following:

- a. Once your interest in the Covered Property ceases;
- b. Ninety days after initial occupancy of the Covered Property unless:
 - (1) that building is being used as a Model Home;
 - (2) that building is being remodeled and is a single family dwelling; or
 - (3) that building is being used as a *Model Home Leaseback*.
- c. When the Covered Property is leased to or rented to others
 - (1) for a single family dwelling, when the building is leased or rented to others;
 - (2) for a multiple family dwelling, when 50% or more of the units in the structure are leased to or rented to others; or
 - (3) for a commercial structure, when 75% or more of the square footage space is leased to or rented to others);

This does not apply to pre-leases established prior to construction.

- d. When you abandon the reported location with no intention to complete it;
- e. At the end of 12 months from the month when you first reported the location to us unless you report the location again and pay an additional premium. If the location is reported again and the additional premium is paid, coverage will end at the end of 12 months from the month when you re-reported the location to us as described in the reporting provision below. You have the option to report the same location a third time at the end of the second 12 month period, provided the required additional premium is paid. Coverage for this third 12

month term will end at the end of 12 months from the month you re-reported the location for a third term;

Coverage for Existing Buildings or Structures that are being or have been remodeled:

At the end of 12 months from the month when you first reported the location to us unless you re-report the location again and pay an additional premium. If the location is re-reported again and the additional premium is paid, coverage will end at the end of 12 months from the month when you re-reported the location to us as described in the reporting provision below. There is no option to report a third year.

- f. When permanent property insurance applies; or
- g. Once the Covered Property is accepted by the owner or buyer.

4. REPORTING PROVISIONS

- a. Each month you must report to us the *total estimated completed values* of all Covered Property for each location started during the previous month. This report must be made on the form we provide.

For the purpose of these reports, a location is started when you first put any building materials (including the foundation) on the construction site.

If your policy is endorsed to provide coverage for existing structures that you are renovating and/or adding onto and for which you seek coverage, a location is started on the earlier of the following:

- (1) when you first put any building materials (which includes any new, altered or expanded foundation) on the site; or
- (2) when you acquire title to the existing structure.

- b. You must pay premiums based on the *total estimated completed value* of the Covered Property using the rate we furnish. You must send your premium payment with the report for the reported locations to be covered. **We must receive your report and the corresponding premium payments at the address designated in our form by the first business day of the month in which the report is due, or the report is late.**

- c. **If a report is received late, coverage begins on the day the report is received, and there is no coverage for any loss that occurred before that report was received.** Our acceptance of a report of values and premium payment does not waive or change any part of this policy nor stop us from asserting any right we have under the terms of this policy.

- d. The premium charged is fully earned and no refund is due you when coverage ends.
- e. A dwelling being used as a Model Home must be reported and should be identified as a Model Home.
- f. You will keep accurate construction records regarding property we cover under this policy. This includes the *total estimated completed value* of the Covered Property and a record of all contracts of sale dealing with the Covered Property.
- g. If at the end of 12 months from the time you first reported a start to us, you still have that location in your inventory, you may report that location to us a second time. If at the end of the second 12 months from the time you first reported a start to us and you still have that location in your inventory, you may report that location to us a third time.

Coverage for Existing Buildings or Structures that are being or have been remodeled:

If at the end of 12 months from the time you first reported a start to us, you still have that location in your inventory, you may report that location to us a second time. There is no option to report a third time (year).

5. MORTGAGE HOLDERS CLAUSE

- a. The term mortgage holder includes trustees.
- b. We will pay for covered *loss* to buildings or structures to each mortgage holder shown on a Certificate of Insurance issued by the current Agent of Record.
- c. 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.
- d. If we deny your claim because of your act or neglect, you have failed to comply with the terms of this Coverage Part, the mortgage holder will still have the right to receive *loss* payment if the mortgage holder:
 - (1) Pays any premium due under this Coverage Part at our request if you have failed to do so;
 - (2) Submits a signed, sworn proof of *loss* within 60 days after receiving notice from us of your failure to do so;
 - (3) 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.

- e. If we pay the mortgage holder for any *loss* and deny payment to you because of your acts or because you have failed to comply with the terms of this Coverage Part:

- (1) The mortgage holder's rights under the mortgage will be transferred to us to the extent of the amount we pay; and
- (2) The mortgage holder's rights to recover the full amount of the mortgage holder's claim will not be impaired.

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

- f. If we cancel this policy, we will endeavor to give written notice to the mortgage holder at least:

- (1) 10 days before the effective date of cancellation if we cancel for your non-payment of premium; or
- (2) 30 days before the effective date of cancellation if we cancel for any other reason.

- g. We will not notify the mortgage holder if:

- (1) You cancel this policy, or
- (2) Coverage ends for any reason other than if we cancel the policy.

6. VALUATION

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

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

- a. The value of the property will not be more than the amount necessary to replace the structure or repair the structure, whichever is less, to the same point of completion that had been achieved immediately before the *loss*.
- b. If the *loss* involves building materials which have not been installed, the value

of the property will not be more than the amount necessary to replace the materials with comparable type or quality.

7. WAIVER OF COINSURANCE

If there is a *loss* to Covered Property and the cost to repair or replace such property is less than or equal to \$25,000 we will adjust the loss without regard to SECTION E. ADDITIONAL CONDITIONS 8. COINSURANCE

sample

8. COINSURANCE

If the reported value is less than the *total estimated completed value*, you will bear a portion of any *loss*. The amount we will pay is determined by the following steps:

- a. Divide the reported value by the *total estimated completed value* of the Covered Property;
- b. Multiply the total amount of the covered *loss* before the application of any deductible by the percentage determined in step "a";
- c. Subtract the deductible from the figure determined in step "b".

Example No. 1

(This example assumes there is no penalty for underinsurance.)

Deductible	\$1000
Reported Value	\$100,000
<i>Total Completed Estimated Value</i>	\$100,000
Amount of <i>loss</i>	\$60,000

A. Reported Value/*Total Estimated Completed Value*
 $\$100,000/\$100,000 = 1.00$

B. Amount of *Loss* x Percentage in A

$\$60,000 \times 1.00 = \$60,000$

sample

C. Deductible Amount Subtracted from results of B

$\$60,000 - \$1,000 = \$59,000$

Total Amount of *Loss* Payable = \$59,000

Example No. 2

(This example assumes there is a penalty for underinsurance)

Deductible	\$1000
Reported Value	\$100,000
Total Estimated Completed Value	\$120,000
Amount of Loss	\$60,000

sample

A. Reported Value/*Total Estimated Completed Value*

$$\$100,000/\$120,000 = .833$$

B. Amount of Loss x Percentage in A

$$\$60,000 \times .833 = \$49,980$$

C. Deductible Amount Subtracted from results of B

$$\$49,980 - \$1,000 = \$48,980$$

Total Amount of Loss Payable = \$48,980

9 CANCELLATION

a. The following is added to the Cancellation Condition in the Common Policy Conditions and applies only to the coverage provided in this Coverage Form:

Cancellation of this policy will not affect the insurance in force on any location which you have reported to us or on any location which started before the effective date of the cancellation notice if that location is reported on the report due and premium payment is made. However, you cannot report any location currently in your inventory a second time after the effective date of cancellation.

However, coverage may be canceled on any location if notice is given in writing in accordance with the cancellation provision in the Common Policy Conditions, or state amendatory endorsements.

b. Common Policy Conditions, LCO, Section A Cancellation Paragraph 5 is replaced by the following:

sample

5. The premium for this coverage is fully earned and no refund is due when the policy is canceled.

10. LIBERALIZATION CLAUSE

If we adopt any revision, which would broaden the coverage under this Coverage Form without additional premium within 60 days prior to or during the policy period, the broadened coverage will immediately apply to this policy.

11. INTEREST OF SUBCONTRACTORS, SUB-SUBCONTRACTORS, SUPPLIERS

We cover the interest, which your subcontractors, your sub-subcontractors and your suppliers have in the Covered Property, but only while such property is situated at construction sites you have reported to us. This condition does not impair any right of subrogation we would otherwise have.

12. TRANSFER RIGHTS OF RECOVERY AGAINST OTHERS TO US

If any person or organization to or for whom we make payment under this Coverage Part has rights to recover damages from another, those rights are transferred to us to the extent of our payment. That person or organization must do everything necessary to secure our rights and must do so with the greatest haste to repair them. But you may waive your rights against another party in writing.

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

13. UNINTENTIONAL FAILURE TO DISCLOSE HAZARDS

Your failure to disclose all hazards existing as of the inception date of the policy shall not affect the coverage afforded by this policy, provided such failure to disclose all hazards is not intentional and the hazard is reported to us as soon as practicable after you learn about it.

14. REWARD

At our discretion, we may pay up to \$10,000 as a reward for information which leads to a conviction in connection with a covered *loss*. The Named Insured and their employees are not eligible for this reward. Any reward payment we make should not affect the Limits of Insurance.

F. DEFINITIONS

1. *Existing Inventory* means buildings or structures where construction was started or completed prior to the inception date of this policy.

2. *Loss* means accidental loss and accidental damage.
3. *Model Home Leaseback* means a dwelling purchased from the Insured and is then leased back to the Insured, by the purchaser, to be used by the Insured as a Model Home until the purchaser occupies the dwelling as a residence.
4. *Overhead* means those business expenses, other than materials and labor, incurred either directly or indirectly due to the construction of a dwelling or structure including soft costs.
5. *Pollutants* mean any solid, liquid, gaseous or thermal irritant or contaminant. This includes, but is not limited to, smoke, vapor, soot, fumes, acids, alkalis, chemical and waste. Waste includes, but is not limited to, materials to be recycled, reconditioned or reclaimed.
6. *Profit* means the difference between the selling price of the land and completed structure and your cost of the land and the completed structure. If you do not have a signed contract for the sale of the completed structure and land, the allowance for *profit* will not exceed 20%.
7. *Total Estimated Completed Value* means all costs associated with the building and designing of the Covered Property including labor, *overhead* and materials and if included, *profit*.
8. *Water Damage* means accidental discharge or leakage of water or steam as the direct result of the breaking apart or cracking of any part of a system or appliance (other than a sump system including its related equipment and parts) containing water or steam.