POLICY CONDITIONS AND PROPERTY COVERAGE TERMS

ADDITIONAL POLICY CONDITIONS APPLICABLE TO ALL PROPERTY COVERAGES

1. **Assignment** -- This policy may not be assigned without "our" written consent.

2. **Cancellation and Nonrenewal** -- "You" may cancel this policy by returning the policy to "us" or by giving "us" written notice and stating at what future date coverage is to stop.

   "We" may cancel or not renew this policy by written notice to "you" at the address shown on the "declarations". Proof of delivery or mailing is sufficient proof of notice.

   During the first 60 days this policy is in effect, "we" may cancel for any reason. "We" will give "you" notice at least 10 days before cancellation is effective.

   After this policy has been in effect 60 days or more, or if it is a renewal of a policy issued by "us", "we" may cancel or not renew only at the anniversary date unless:

   a. Nonpayment of premium;

   b. Misrepresentation or fraud made by "you" or with "your" knowledge in obtaining the policy or contract, when reviewing the policy or contract, or in presenting a claim under the policy or contract;

   c. Actions by "you" which substantially change or increase the risk insured;

   d. If the continuation of a policy would jeopardize "our" solvency or will constitute a violation of the law or statute of this or any other state;

   e. "You" have acted in a manner which "you" knew or should have known was in violation or breach of a policy or contract term or condition; or

   f. "We" lose reinsurance that provides coverage to "us" for a significant portion of the underlying risk insured, if the Commissioner determines that cancellation is justified.

   If "we" cancel this policy for nonpayment of premium, "we" will give "you" notice at least 10 days before cancellation is effective. If "we" cancel this policy for any other reason after it has been in effect for 60 days or more, "we" will give "you" notice at least 30 days before cancellation is effective.

   If "we" do not renew this policy, "we" will give "you" notice at least 45 days before nonrenewal is effective.

   "Your" return premium, if any, will be refunded at the time of cancellation or as soon as practical. Payment or tender of the unearned premium is not a condition of cancellation.

   Renewal of this policy does not constitute a waiver or estopple of our rights to cancel or change this policy if the cause for cancelation or modification existed before the date of the renewal.

3. **Change, Modification, or Waiver of Policy Terms** -- A waiver or change of the "terms" of this policy must be issued by "us" in writing to be valid. If, in the policy period, "we" adopt a revision which broadens coverage without an additional premium, the broadened coverage will apply.

   "Our" request for an appraisal or examination under oath does not waive policy "terms".

   If this policy has no expiration date, "we" may substitute or "we" may add, at each anniversary date, forms that are then authorized for use.

4. **Examination of Books and Records** -- "We" may examine and audit "your" books and records that relate to this policy during the policy period and within three years after the policy has expired.

5. **Inspections** -- "We" have the right, but are not obligated, to inspect "your" property and operations. This inspection may be made by "us" or may be made on "our" behalf. An inspection or its resulting advice or report does not warrant that "your" property or operations are safe, healthful, or in compliance with laws, rules, or regulations. Inspections or reports are for "our" benefit only.

ADDITIONAL POLICY TERMS APPLICABLE TO ALL PROPERTY COVERAGES

GENERAL EXCLUSIONS

"We" do not pay for loss if one or more of the following exclusions apply to the loss, regardless of other causes or events that contribute to or aggravate the loss, whether such causes or events act to produce the loss before, at the same time as, or after the excluded causes or events.

1. **Business Interruption** -- "We" do not pay for loss which results from interruption of "business".

2. **Civil Authority** -- "We" do not pay for a loss which results from order of civil authority, except as provided under Coverage D.

   "We" do pay for loss which results from acts of a civil authority to prevent the spread of fire. "We" do not pay if the fire was caused by an excluded peril.

3. **Earth Movement** -- "We" do not pay for loss which results from earth movement whether the earth movement results from natural or artificial causes.

   Earth movement includes but is not limited to:

   a. earthquake;

   b. landslide, subsidence, erosion;

   c. mudflow;

   d. earth sinking, rising, shifting, expanding, or contracting. This does not include Sinkhole Collapse as described under the Perils Section; or

   e. volcanic explosion. Volcanic explosion does not include Volcanic Action as described under the Perils Section

   This exclusion does not apply to direct physical loss to covered "livestock" caused by earthquake.

   "We" do pay for direct loss caused by fire, explosion (other than a volcanic explosion), and theft resulting from earth movement.

   "We" do pay for the breakage of glass that is part of a covered structure resulting from earth movement.

4. **Intentional Acts** -- "We" do not pay for loss which results from an act committed by or at the direction of an "insured" and with the intent to cause a loss.

5. **Neglect** -- "We" do not pay for loss which results from the neglect of an "insured" to use all reasonable means to save and preserve covered property at and after the time of a loss.

6. **Nuclear Hazard** -- "We" do not pay for loss which results from nuclear reaction, nuclear radiation, or radioactive contamination (whether controlled or uncontrolled; whether caused by, contributed to, or aggravated by a peril insured against and whether caused by natural, accidental, or artificial means). Loss caused by nuclear hazard is not considered loss caused by fire, explosion, or smoke. Direct loss by fire resulting from the nuclear hazard is covered.

7. **Ordinance or Law** -- "We" do not pay for loss or increased cost which results from the enforcement of a code, ordinance, or law which regulates the use, construction, repair, or demolition of property or the removal of its debris unless provided by Incidental Increased Cost -- Ordinance or Law

Coverage for property covered under Coverages A.

8. **Power Disruption** -- "We" do not pay for loss which results from the disruption of power or other utility service, whether or not it is caused by a peril insured against, if the cause of the disruption is not on the "insured premises".

   "We" do pay for direct loss by a peril insured against which occurs on the "insured premises" as a result of the disruption of power.

9. **War** -- "We" do not pay for loss which results from declared or undeclared war, civil war, insurrection, rebellion, revolution, warlike act by a military force or military personnel, or destruction, seizure, or use of property for a military purpose. It includes the consequences of these. Discharge of a nuclear weapon is deemed an act of war even if it is accidental.

10. **Water Damage** -- "We" do not pay for loss which results from the following:

    a. flood, surface water, waves, storm surge, tidal water, overflow of a body of water, or spray, failure of a levee or dam, all whether driven by wind or not;

    b. water or water-borne material which backs up through or overflows from sewers, drains, or sumps;

    c. water below the surface of the ground or water flowing on top of the ground. This includes water which exerts pressure on, flows, seeps or leaks through or into a building, sidewalk, driveway, foundation, swimming pool, or other structure; or

    d. damage to docks, piers, or boat hoists caused by waves all whether driven by wind or not.

    This exclusion does not apply to direct physical loss to covered "livestock" caused by flood, surface water, waves, tidal water, overflow of a body of water, or spray, all whether driven by wind or not.

    "We" do pay for direct loss caused by fire; explosion (other than a volcanic explosion); and theft resulting from water damage.

11. **Wear and Tear** -- "We" do not pay for loss which results from wear and tear, marring, deterioration, inherent vice, latent defect, mechanical breakdown, rust, wet or dry rot, corrosion, mold, contamination, or smog. "We" do pay for an ensuing loss unless the ensuing loss itself is excluded.

12. **Weather Conditions** -- "We" do not pay for loss which results from weather conditions that initiate, set in motion, or in any way contribute to losses excluded under the preceding General Exclusions (Numbers 1 through 11).

    "We" do pay for an ensuing loss unless the ensuing loss itself is excluded.

13. **Errors, Omissions, and Defects** -- "We" do not pay for loss which results from one or more of the following:

    a. an act, error, or omission (negligent or not) relating to:

       1) land use;

       2) the design, specification, construction, workmanship, or installation of property;

       3) planning, zoning, development, surveying, siting, grading, compaction; or

       4) maintenance of property (including land, structures, or improvements); whether on or off the "insured premises";

    b. a defect, a weakness, the inadequacy, a fault, or unsoundness in materials used in construction or repair whether on or off the "insured premises".

    "We" do pay for an ensuing loss unless the ensuing loss itself is excluded.

WHAT YOU MUST DO IN CASE OF LOSS

1. **Notice** --

   a. In case of a loss, the "insured" must:

      1) give "us" or "our" agent prompt notice ("We" may request written notice);
      2) give prompt notice to the police to permit an investigation when the act that causes the loss is a crime; and
      3) give notice to the credit card company if the loss involves a credit card.

   b. The notice to "us" must state:

      1) the name of the "insured", the policy number and the time, place, and the details of the loss; and
      2) the names and addresses of all known potential claimants and witnesses as well as all relevant facts known by “you” .

2. **Cooperation** -- "You" must cooperate with "us" in investigating and settling the claim.

3. **Volunteer Payments** -- "You" must not make payments, pay or offer rewards, or assume obligations or other costs, except at "your" own cost. This does not apply to costs that are allowed by this policy.

4. **Repairs** -- The "insured" must take all reasonable steps to protect covered property at and after an insured loss to avoid further loss.

   "We" will pay the reasonable costs incurred by "you" for necessary repairs or emergency measures performed solely to protect covered property from further damage by a peril insured against if a peril insured against has already caused a loss to covered property. The "insured" must keep an accurate record of such costs. However, "we" will not pay for such repairs or emergency measures performed on property which has not been damaged by a peril insured against. This does not increase "our" "limit".

5. **Other Duties** -- At "our" request the "insured" must:

   a. give "us" a signed, sworn proof of loss, within 60 days after "our" request, that shows:

      1) the time, place, and the details of the loss;
      2) the interest of the "insured" and the interest of all others in the property. This includes all mortgages and liens;
      3) other policies that may cover the loss;
      4) changes in title or use;
      5) available plans and specifications of buildings;
      6) detailed estimates for repair; and
      7) in detail, the quantity, description, cost, amount of loss, and actual cash value of the personal property involved in the loss. The "insured" must give "us" copies of all bills, receipts, and related documents to confirm these;

   b. submit to examination under oath in matters that relate to the loss or claim as often as "we" reasonably request. If more than one person is examined, "we" have the right to examine and receive statements separately from each person and not in the presence of the others;

   c. show the damaged property and allow "us" to take samples of damaged property for inspection, testing, and analysis as often as "we" reasonably request;

   d. show records, including tax returns and bank records of all canceled checks that relate to the value, loss, and costs, and permit copies to be made of them as often as "we" reasonably request;

   e. assist "us" to enforce any right of recovery which the "insured" may have against a party causing the loss;

f. show records that prove loss of rents and show receipts for additional living costs, and permit copies to be made of them as often as "we" reasonably request; and

g. submit evidence or affidavit supporting a claim under Credit Card, Forgery, and Counterfeit Money Coverage stating the amount and cause of loss.

HOW MUCH WE PAY FOR LOSS OR CLAIM

1. **Our Limit** -- Subject to the deductible or other limitation that applies, "we" pay the lesser of:
   a. the "limit" that applies;

   b. "your" interest in the property; or

   c. the amount determined under the applicable Loss Settlement Provisions.

2. **Deductible** -- This applies to all Principal Property Coverages and Incidental Property Coverages, except:

   a. Emergency Removal; Fire Department Service Charge; and, if provided by this policy,
   b. Credit Card, Forgery, and Counterfeit Money; Grave Markers; Refrigerated Food Spoilage; Signs; Farm Operations Records; Glass Breakage in Cabs and Extra Expense.

   This applies to all perils insured against unless otherwise shown.
   "We" pay that part of the loss over the deductible. The deductible applies per occurrence, and separately at each covered location. Only one deductible applies at each location. When an occurrence affects two or more items at the same location with different deductible amounts, the highest deductible amount applies.

3. **Loss to a Pair or Set** -- If there is a loss to an item that is part of a pair or set, "we" pay only to replace or repair the item, or "we" pay the difference in the actual cash value of the pair or set just before the loss and the actual cash value just after the loss.

4. **Loss to Parts** -- If there is a loss to a part of an item that consists of several parts when it is complete, "we" pay only for the value of the lost or damaged part or the cost to repair or replace it.

5. **Vacancy** – Coverage A and C -- If a building is abandoned or vacated for more than 60 days during the annual term of this policy, the "limit" that applies to that building and the contents in it will be automatically reduced by 50% of the adjusted loss, unless permitted in writing by “us”. Buildings in good condition with all functioning utilities that are regularly entered and maintained by “you” or your tenant will not be considered vacant.

6. **Insurance Under More Than One Coverage** -- If more than one coverage of this policy applies to a loss, "we" pay no more than the actual loss.

7. **Insurance Under More Than One Policy** -- If there is other insurance that applies to the loss, "we" pay "our" share of the loss. "Our" share is that part of the loss that the "limit" of this policy bears to the total amount of insurance that applies to the loss.

8. **Restoration of Limits** -- Each loss "we" pay under this policy does not reduce the "limits" available over the policy period.

PAYMENT OF LOSS OR CLAIM

1. **Your Property** -- "We" adjust each loss with "you". "We" pay an insured loss within 30 days after an acceptable proof of loss is received and the amount of the loss is agreed to in writing. If "you" and "we" do not agree, "we" pay within 30 days after the filing of an appraisal award with "us". Payment is made to "you" unless a loss payee is named.

2. **Additional Living Costs** -- If the "insured premises" is made unfit for use for more than one month, covered costs are paid on a monthly basis. "You" must give "us" proof of such costs.

3. **Damage to Personal Property of Others** -- At "our" option, an insured loss may be adjusted with and paid:

   a. to "you" on behalf of the owner; or

   b. to the owner. If "we" pay the owner, "we" do not have to pay an "insured".

4. **Our Options** -- "We" may:

   a. pay the loss in money; or

   b. rebuild, repair, or replace the property. "We" must give "you" notice of "our" intent to do so within 30 days after "we" receive an acceptable proof of loss.

   "We" may take all or part of the damaged property at the agreed or appraised value. Property paid for or replaced by "us" becomes "ours".

OTHER CONDITIONS

1. **Abandonment of Property** -- "You" may not abandon the property to "us" unless "we" agree.

2. **Appraisal** -- If "you" and "we" do not agree as to the value of the property or the amount of the loss, "you" and "we" will each select a competent appraiser within 20 days after receiving a written request from the other. The two appraisers will select an umpire. If they do not agree on an umpire, the two appraisers will ask a judge of a court of record of the state in which the appraisal is pending to make the selection. The written agreement of any two of these three will be binding and set the amount of the loss. "You" will pay the expense of "your" appraiser and "we" will pay for "ours". "You" and "we" will share equally the expense of the umpire and the other expenses of the appraisal.

3. **Conformity With Statute** -- "Terms" in conflict with the laws of the state where the "insured premises" is located are changed to conform to such laws.

4. **Death** -- This applies only if the "insured" is an individual. On "your" death, protection on "your" covered property passes to:

   a. "your" legal representative; or

   b. any other persons having proper, temporary custody of covered property.

5. **Livestock** -- Loss to covered "livestock" means the death or destruction caused or made necessary by a peril insured against under Coverages F or G.

   If covered by this policy, loss to covered "livestock" includes loss resulting from theft.

6. **Misrepresentation, Concealment, or Fraud** -- This coverage is void as to "you" and any other "insured" if before or after a loss:

   a. "you" or any "insured" has willfully concealed or misrepresented:

      1) a material fact or circumstance that relates to this insurance or the subject thereof; or
      2) the "insured's" interest herein;

   b. there has been fraud or false swearing by "you" or any other "insured" with regard to a matter that relates to this insurance or the subject thereof.

7. **Mortgage, Secured Party, and Lender's Loss Payable Clause** -- If a mortgagee is named on the "declarations", a loss payable for covered buildings will be paid to the mortgagee and "you", as interests appear. If more than one mortgagee is named, the order of payment will be the same as the order of precedence of the mortgages. The word mortgagee includes trustee.
   If a secured party is named on the "declarations", a loss payable on property subject to the security interest will be paid to the secured party and "you" as interests appear. If there is more than one security interest in the same property, the order of payment will be the same as their order of priority.

However, the secured party's interest is not covered for "your" conversion, embezzlement, or secretion of encumbered property in "your" possession, unless specifically insured against and premium paid for such.

If a lender is named on the "declarations", a loss payable on property on which the lender has an insurable interest will be paid to the lender and "you" as interest appear.

If "we" deny "your" claim, that denial does not apply to a valid claim of the mortgagee, secured party, or lender if the mortgagee, secured party, or lender has:

a. notified "us" of change in ownership, occupancy, or substantial change in risk of which the mortgagee, secured party, or lender became aware;

b. paid the premium due under this policy on demand if "you" neglected to pay the premium; and

c. submitted a signed, sworn proof of loss within 60 days after receiving notice from "us" if "you" failed to do so.

All "terms" of this policy apply to the mortgagee, secured party, or lender unless changed by this clause.

If "we" cancel or do not renew this policy, "we" will notify the mortgagee, secured party, or lender at least ten days before the date cancellation or nonrenewal takes effect.

Payment to Mortgagee -- If "we" pay the mortgagee for a loss and deny payment to "you", "we" are subrogated, up to the amount "we" paid for the loss, to all the rights of the mortgagee granted under the mortgage on the property.
Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.

At "our" option, "we" may pay to the mortgagee the whole principal on the mortgage plus the accrued interest. In this event, "we" shall receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.

Payment to Secured Party -- If "we" pay the secured party for a loss and deny payment to "you", "we" are subrogated, up to the amount "we" paid for the loss, to all the rights of the secured party granted under the security agreement. Subrogation will not impair the right of the secured party to recover the full amount of the security agreement.

At "our" option, "we" may pay the secured party the remaining amount due of the security agreement, plus the accrued interest. In this event, "we" shall receive full assignment of the security agreement and securities held as collateral for the agreement.

Payment to Lender -- If "we" pay the lender for a loss and deny payment to "you", "we" are subrogated, up to the amount "we" paid for the loss, to the rights of the lender to collect on the debt from "you". Subrogation will not impair the right of the lender to collect the rest of the debt from "you".

At "our" option, "we" may pay the lender the remaining amount due plus the accrued interest. In this event, "we" shall receive a full assignment of the lender's interest and any instruments given as security for the debt.

8. **No Benefit To Bailee** -- Coverage under this policy will not directly or indirectly benefit those who are paid to assume custody of the covered property.

9. **Policy Period** -- This policy only covers losses that occur during the policy period.

10. **Recoveries** -- This applies if "we" pay for a loss and lost or damaged property is recovered, or payment is made by those responsible for the loss.

    "You" must inform "us" or "we" must inform "you" if either recovers property or receives payment. Proper costs incurred by either party are paid first.

    "You" may keep the property. The amount of the claim paid, or a lesser amount to which "we" agree, must be returned to "us".

If the claim paid is less than the agreed loss due to a deductible, or other limiting "terms", the recovery is prorated between "you" and "us" based on the interest of each in the loss.

11. **Safety Glass** -- When breakage of glass is covered, "we" pay to replace the damaged glass with safety glazing materials if required by code, ordinance, or law.

12. **Subrogation** -- If "we" pay for a loss, "we" may require that "you" assign to "us" the right of recovery up to the amount "we" pay. "We" are not liable for a loss if, after the loss, "you" impair "our" right to recover against others.
 "You" may waive "your" right to recover, in writing, before a loss occurs, without affecting coverage. If "we" pay a loss to or for "you" and "you" recover from another party for the same loss, "you" must pay "us" as stated in Recoveries.

13. **Suit Against Us** -- No suit may be brought against "us" unless all the "terms" of this policy have been complied with and the suit is brought within two years after the loss.

14. **Volcanic Action** -- All volcanic action that occurs within a 168-hour period constitutes a single occurrence.

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