

**Endorsement #1**

**DEDUCTIBLE ENDORSEMENT**

The deductible specified below shall be deducted from the actual cash value (ACV) loss of the property.

For all covered perils, a **\$500** deductible shall apply per occurrence per scheduled line item **except:**

For the peril of earthquake, a **\$10,000** deductible shall apply per scheduled line item.

**Endorsement #2**

**SPECIAL DEDUCTIBLE ENDORSEMENT**

Effective Date:

Attached to and forming a part  
of Policy #:

Issued to:

In consideration of the premium charged, it is understood and agreed that the occurrence deductible specified in endorsement #1, is changed to **\$5,000** per occurrence per scheduled line item, and applies to each covered loss.

For the peril of earthquake, a **\$10,000** deductible shall apply per scheduled line item.

**Endorsement 2A**

**SPECIAL AGGREGATE DEDUCTIBLE ENDORSEMENT**

Effective Date:

Attached to and forming a part  
of Policy #:

Issued to:

In consideration of the premium charged, it is understood and agreed that the occurrence deductible specified in endorsement #1, is changed to **\$5,000** per occurrence per scheduled line item, and applies to each covered loss.

It is further understood and agreed that the maximum aggregated deductible shall be **\$50,000** per occurrence for any one single covered loss (excluding Named Windstorm loss).

## INCLUSION OF SPECIFIED ITEMS

**A.** Animals while inside building are covered for the perils of fire, lightning, wind, hail, smoke, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles, vandalism or malicious mischief, if the building contents are scheduled.

**B.** Outdoor signs are covered if specifically scheduled or attached to a building.

**C.** Pools, fences, yard fixtures, playground equipment, lawn sprinklers, gazebos, covered picnic areas, piers, docks, wharves, beach or diving platforms are covered, if specifically scheduled (except for such property at locations in Mobile and Baldwin counties which are on or within 1,000 ft. of the coast).

**D.** Watercraft, including motors, farm equipment, tractors and any other equipment, not including passenger cars, are covered while located inside buildings where building contents are scheduled, unless insured elsewhere as a specifically scheduled item or specifically covered on another insurance policy.

**E.** Metal smokestacks and radio or TV antennas are covered if specifically scheduled, or attached to an insured building.

**F.** Subject to the restrictions applying to freezing and vandalism or malicious mischief, permission is granted for vacancy or unoccupancy of scheduled buildings with no time limitation on specifically scheduled items, provided the property is properly secured, dry and safe, and maintained to prevent damage.

**G.** This policy does not cover theft or attempted theft but does cover burglary damage to or from the building where there is forced entry evidence on the exterior of the building at the point of entry.

**H.** Canopies and walkway covers that are a permanent part of the structure of an insured building(s), unless otherwise excluded by this policy, are covered for an amount not exceeding loss in the aggregate of **\$1,000** per occurrence per scheduled building, unless insured elsewhere as a specifically scheduled item.

**I.** Transmission lines and related equipment, underground cables, utility poles, transmission and distribution service centers which include all utility services (water, gas, telephone, electrical, other) providing service to more than one building, structure, or other service centers must be specifically scheduled to be insured (above or below ground level from point of original source of service to the building or structure). Service to only one building is limited to 100 feet from a scheduled building or structure.

**Endorsement #4**

**FABRIC CANOPIES AND AWNINGS ENDORSEMENT**

Effective Date:

In consideration of the additional premium charged, under Special Building and Personal Property Form, Section III, Item E is changed to read:

“Metal smokestacks and radio or television antennas, including their lead-in wiring, masts or towers are not covered against loss caused by ice, snow, sleet, windstorm, or hail.”

It is also agreed that when the fabric covering of an awning or canopy reaches the age of five (5) years, this endorsement will no longer apply and the exclusions of ice, snow, sleet, windstorm or hail will apply. Submission of documentation verifying the age of the fabric covering will also be required in the event a loss occurs when this endorsement is in effect.

**I hereby certify that I have read and understand the above:**

Insured

\_\_\_\_\_  
Name

\_\_\_\_\_  
Position or Title

\_\_\_\_\_  
Date

Risk Management Division

\_\_\_\_\_  
Name

\_\_\_\_\_  
Position or Title

\_\_\_\_\_  
Date

## **EXTERIOR GLASS**

In consideration of the premium charged, exterior glass is covered only for the perils of fire, lightning, windstorm, hail, aircraft, vehicles, burglary, discharge from fire protection or building service equipment, explosion, riot or civil commotion.

## BASIS OF LOSS SETTLEMENT

**A.** In consideration of the premium charged, all losses are to be adjusted on the basis of replacement cost less depreciation for age, usage, and/or betterment at the time of loss.

The most the SIF will pay for loss or damage to covered property, in any one occurrence, at any one location, will be the least of the following:

The actual adjusted amount of loss covered by this policy, less applicable deductible(s)

or

115% of the reported values for each scheduled building and its contents, covered by this policy, less applicable deductible(s)

Settlement shall not exceed the amount which it would cost to repair or replace the property with material of like kind and quality within a reasonable time after such loss. In the instance where more than one like structure is insured under a single item number, it is understood and agreed that the total amount of coverage for that item number is divided equally between the multiple like structures. There will be no allowance for any increased cost or repair or construction by reason of any ordinance or law regulating construction or repair. There will be no compensation for loss resulting from interruption of business or manufacture. In any event, settlement shall not exceed the interest of the insured or the scheduled amount of insurance per building.

**B.** All references to replacement costs are deleted.

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

**SEEPAGE AND/OR POLLUTION AND/OR CONTAMINATION EXCLUSION**

Notwithstanding any provision in the Policy to which this Endorsement is attached, this Policy does not insure against loss, damage, costs or expenses in connection with any kind or description of seepage and/or pollution and/or contamination, direct or indirect, arising from any cause whatsoever. NEVERTHELESS, if fire is not excluded from this Policy and a fire arises directly or indirectly from seepage and/or pollution and/or contamination, any loss or damage insured under this Policy arising directly from that fire shall (subject to the terms, conditions and limitations of the Policy) be covered.

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

The insured shall give notice to the Underwriters of intent to claim NO LATER THAN 12 MONTHS AFTER THE DATE OF THE ORIGINAL PHYSICAL LOSS OR DAMAGE.

**DEBRIS REMOVAL AND COST OF CLEAN UP EXTENSION**

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

- A.** Expenses reasonably incurred in removal of debris of the property insured hereunder destroyed or damaged from the premises of the insured; and/or
- B.** Cost of clean up, at the premises of the insured, made necessary as a result of such direct physical loss or damage; PROVIDED that this Policy does not insure against the costs of decontamination or removal of water, soil or any other substance on or under such premises.

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

**AUTHORITIES EXCLUSION**

Notwithstanding any of the preceding provisions of this Endorsement, except in respect of certain specific coverage(s) provided elsewhere in the Policy to which this Endorsement is attached, this Policy does not insure against loss, damage, costs, expenses, fines or penalties incurred or sustained by or imposed on the Assured at the order of any Government Agency, Court or other Authority arising from any cause whatsoever.

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

**STATE OF ALABAMA FINANCE DEPARTMENT  
DIVISION OF RISK MANAGEMENT  
STATE INSURANCE FUND**

**ELECTRONIC DATA PROCESSING  
EQUIPMENT COVERAGE SUMMARY**

EFFECTIVE DATE:

EXPIRATION DATE:

INSURED:

LOSS PAYEE:

**IF TWO LIMITS OF INSURANCE APPEAR, ONLY THE LARGER LIMIT WILL APPLY**

| <b>COVERAGE</b>                 | <b>COVERED PROPERTY</b>               | <b>LIMIT OF INSURANCE</b>     | <b>INCREASED LIMITS OF INSURANCE</b> |
|---------------------------------|---------------------------------------|-------------------------------|--------------------------------------|
| <b>SCHEDULED LOCATION</b>       | <b>EQUIPMENT, DATA, &amp; MEDIA</b>   | <b>Replacement Cost Value</b> | <b>OR \$</b>                         |
|                                 | <b>EXTRA EXPENSE</b>                  | <b>\$10,000</b>               | <b>OR \$</b>                         |
|                                 | <b>NEWLY ACQUIRED EQUIPMENT</b>       | <b>\$500,000</b>              | <b>OR \$</b>                         |
| <b>NEWLY ACQUIRED LOCATIONS</b> | <b>EQUIPMENT</b>                      | <b>\$500,000</b>              | <b>OR \$</b>                         |
|                                 | <b>DATA &amp; MEDIA</b>               | <b>Combined</b>               | <b>OR \$</b>                         |
|                                 | <b>EXTRA EXPENSE</b>                  | <b>\$10,000</b>               | <b>OR \$</b>                         |
| <b>PROPERTY IN TRANSIT</b>      | <b>EQUIPMENT</b>                      | <b>\$50,000</b>               | <b>OR \$</b>                         |
|                                 | <b>DATA &amp; MEDIA</b>               | <b>\$10,000</b>               | <b>OR \$</b>                         |
|                                 | <b>EXTRA EXPENSE</b>                  | <b>\$10,000</b>               | <b>OR \$</b>                         |
| <b>BACKUP LOCATION</b>          | <b>EQUIPMENT</b>                      | <b>\$50,000</b>               | <b>OR \$</b>                         |
|                                 | <b>DATA &amp; MEDIA</b>               | <b>Combined</b>               |                                      |
| <b>TEMPORARY LOCATION</b>       | <b>EQUIPMENT</b>                      | <b>\$500,000</b>              | <b>OR \$</b>                         |
|                                 | <b>DATA &amp; MEDIA</b>               | <b>Combined</b>               |                                      |
| <b>DEBRIS REMOVAL</b>           | <b>EQUIPMENT<br/>DATA &amp; MEDIA</b> | <b>\$10,000</b>               | <b>OR \$</b>                         |
| <b>BUSINESS INCOME</b>          | <b>DAILY AMOUNT DEDUCTIBLE</b>        | <b>See Schedule<br/>\$</b>    | <b>LIMIT OF<br/>OR DAY(S)</b>        |
| <b>COMPUTER VIRUS</b>           | <b>DATA &amp; MEDIA</b>               | <b>\$</b>                     |                                      |

EDP equipment is listed on SIF schedule as item(s)  
Statement of values on file with the Division of Risk Management  
Business Income coverage applicable where scheduled

When Electronic Data Processing Equipment Coverage is made available under this endorsement, coverage under the State Insurance Fund standard policy is totally withdrawn with respect to any duplication of coverage that may exist.

**STATE OF ALABAMA  
FINANCE DEPARTMENT  
DIVISION OF RISK MANAGEMENT  
STATE INSURANCE FUND**

**ELECTRONIC DATA PROCESSING  
EQUIPMENT COVERAGE**

ENDORSEMENT NUMBER 9

DATE ISSUED:

This endorsement is effective:

It forms a part of policy number:

Issued to:

**DEDUCTIBLE**

- |                 |                                                                                                                                               |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| <b>\$ 5,000</b> | As respects losses resulting from breakdown.                                                                                                  |
| <b>\$ 5,000</b> | As respects "loss" by a covered cause of loss resulting from corrosion, rust, dampness, or dryness of atmosphere, or extremes of temperature. |
| <b>\$ 5,000</b> | As respects loss covered by theft, except burglary.                                                                                           |
| <b>\$ 1,000</b> | As respects loss caused by burglary.                                                                                                          |
| <b>\$ 1,000</b> | As respects all other losses.                                                                                                                 |

## ELECTRONIC DATA PROCESSING INSURANCE

The State Insurance Fund (SIF) has established this coverage to protect your computer equipment, data and media from a variety of losses including extra expense and business income.

### TABLE OF CONTENTS

| <u>TOPIC</u>                                 | <u>PAGE</u> |
|----------------------------------------------|-------------|
| <b>WHAT THIS AGREEMENT COVERS</b>            | <b>3</b>    |
| Limits of Coverage .....                     | 3           |
| Where Coverage Applies .....                 | 3           |
| Property Covered .....                       | 3           |
| Property Not Covered .....                   | 4           |
| Extra Expense .....                          | 4           |
| Business Income .....                        | 4           |
| <b>ADDITIONAL BENEFITS</b>                   | <b>5</b>    |
| Newly Acquired Equipment .....               | 5           |
| New Locations .....                          | 5           |
| Backup Location Coverage.....                | 5           |
| Temporary Location.....                      | 5           |
| Halon and Carbon Dioxide Discharge .....     | 5           |
| Removal Coverage.....                        | 6           |
| Debris Removal .....                         | 6           |
| Interruption by a Civil Authority .....      | 6           |
| Burglary .....                               | 6           |
| <b>BREAKDOWN COVERAGE</b>                    | <b>6</b>    |
| Mechanical Breakdown .....                   | 6           |
| Electrical Breakdown.....                    | 6           |
| <b>EXCLUSION – LOSSES SIF WILL NOT COVER</b> | <b>7</b>    |
| Dishonesty.....                              | 7           |
| Wear-Tear-Deterioration.....                 | 7           |
| War and Government Seizure .....             | 7           |
| Nuclear Activity.....                        | 7           |
| Design Errors or Faulty Materials.....       | 7           |
| Damage During Service or Repair .....        | 7           |
| Delay – Loss of Market.....                  | 8           |
| Programming Errors.....                      | 8           |
| Ordinances, Regulations or Laws .....        | 8           |
| Strikes .....                                | 8           |

**Endorsement #9**

Cancellation of Contracts..... 8  
Loss of Documents ..... 8  
Disappearance – Inventory Loss ..... 8

**RULES FOR LOSS ADJUSTMENT – COMPUTER, DATA AND MEDIA 8**

Computer Equipment is Insured for Replacement Cost ..... 9  
    What SIF Will Pay for Data and Media Losses ..... 9  
    What SIF Will Pay for Extra Expense Losses ..... 9  
    What SIF Will Pay for Business Income Losses ..... 10  
Deductibles ..... 10  
    Special Breakdown Deductible..... 10  
    Special Business Income Deductible ..... 11  
    Special Burglary Deductible ..... 11  
Other Insurance ..... 11  
    Other Computer Insurance ..... 11  
    Other Property Insurance ..... 11  
    Other Extra Expense or Business Income Insurance ..... 11

**OTHER RULES FOR THIS AGREEMENT 11**

Insurance for Your Benefit ..... 11  
Adjusting Losses ..... 12  
Report to Police..... 12  
Who SIF Will Pay for Loss to Equipment ..... 12  
Preserving Your Rights..... 12  
Expenses for Reducing Loss ..... 12  
Inspection of Property and Operations ..... 12

## **Endorsement #9**

### **WHAT THIS AGREEMENT COVERS**

SIF will protect covered property against risks of direct physical loss unless excluded in the Exclusion-Losses We Will Not Cover section. SIF will also cover Extra Expense and Business Income when indicated in the Coverage Summary.

When we use the word “loss” in this agreement we also mean damage.

#### **Limits of Coverage**

The limits that apply to computer equipment, data and media, extra expense coverage and business income coverage are shown in the Coverage Summary. These limits are the most we will pay under these coverages no matter how many protected persons are involved or how many claims are made involving one event. Separate limits are shown for each location and each type of coverage.

Items in transit are covered up to the transit limit shown in the Coverage Summary. This limit also applies to newly acquired equipment being moved to a covered location as well as covered property being moved to a new location. If no transit limit is shown, there is no coverage while items are in transit.

There are two limits that apply to the business income coverage. The “each working day limit” is the most we will pay per 24-hour day, when you would normally conduct business. The “total limit” is the total we will pay for each interruption at any one location. If no business income limit is shown, there is no business income coverage.

#### **Where Coverage Applies**

SIF will cover losses that occur at the locations shown in the Coverage Summary, or while in transit within the United States of America, Puerto Rico or Canada, or between any of these places.

#### **Property Covered**

The description of covered property and limit of coverage are shown in the Coverage Summary. In this section we explain what is included under the listed coverages.

Computer Equipment. SIF will cover computer equipment you own, rent or for which you are legally responsible.

*Computer Equipment* means a network of machine components capable of accepting information, processing it according to plan and producing the desired results. It includes air conditioning, fire protection equipment and electrical equipment used exclusively in your computer operations. However, it does not include data and media.

## **Endorsement #9**

Data And Media. SIF will cover data and media you own or for which you are legally responsible.

*Data* means facts, concepts or instructions in a form usable for communications, interpretation or processing by automatic means. It includes computer programs.

*Media* means materials on which data is recorded, such as magnetic tapes or disk packs.

Coverage For Checks. If you are a financial institution, we will cover the replacement of the following items as data when they are in the form indicated:

- A.** Checks that are cashed or deposited. Coverage begins when their face value has been encoded on them.
- B.** Other documents. Coverage begins when the code numbers that apply have been encoded on them.

## **Property Not Covered**

We will not cover the following property:

- A.** Data or media which cannot be replaced with others of the same kind or quality, unless insured for a specific amount per article;
- B.** Program supportive documentation such as flow charts, record formats or narrative descriptions except as they are converted to data form and then only in that form;
- C.** Accounts, bill, valuable papers;
- D.** Records, abstracts, deeds, manuscripts; or
- E.** Other documents except as they are converted to data form and then only in that form.

## **Extra Expense**

SIF will cover extra expense necessary to continue your computer operations.

*Extra expense* is any operating expense over and above what it would normally cost to conduct your computer operations.

SIF will pay for actual loss up to the limit of coverage when the following conditions are met:

- A.** The expense is necessary to continue your normal computer operations.
- B.** The expense results from direct damage to any of the following:

## Endorsement #9

1. Your computer equipment, data and media; or
2. The building housing your computer operations or other property in the building or within 1,000 feet of it, if the damage prevents you from using your computer facilities.

### Business Income

SIF will cover loss of business income resulting from the interruption of your computer operation caused by damage to or destruction of any of the following:

- A. Your computer equipment, data, media, or
- B. The building housing your computer operations or other property in the building or within 1,000 feet of it, if the damage prevents you from using your computer facilities.

*Business income* means the net income, which is the net profit or loss before income taxes, that would have been earned or incurred and continuing normal operating expenses that are incurred. This includes payroll.

Business income includes the net income attributable to prototypes, project research and development documentation.

*Prototype* means the first or original model of a new type of design.

*Project research and development documentation* means written, printed, or otherwise inscribed documents, plans, and/or records directly associated with your research and development operations.

### ADDITIONAL BENEFITS

All the following benefits are in addition to the limits of coverage shown on the Coverage Summary.

#### Newly Acquired Equipment

SIF will cover additional computer equipment you acquire while this agreement is in effect.

SIF will increase your computer equipment coverage limit up to an additional **\$500,000** to cover newly acquired equipment at any location shown on the Coverage Summary. **You must report the additional value of all newly acquired equipment to us within 60 days of acquiring it or the additional limit ends at that time.** An additional premium will be due from the day the equipment was acquired. While newly acquired equipment is in transit, the transit limit applies.

## **Endorsement #9**

### **New Locations**

If equipment, data or media we cover at a location in the Coverage Summary is moved to a new location, SIF will automatically cover these items at your new location.

SIF will cover newly acquired equipment, data and media up to a combined limit of **\$500,000** at any newly acquired location not shown in the Coverage Summary.

**You must report the moving of Insured property or the acquisition of any new location within 60 days of moving or acquiring as your coverage at the new location will end at that time.**

While equipment, data or media is in transit to a new location, the transit limit applies.

### **Backup Location Coverage**

SIF will cover your data and media up to **\$50,000** at any one backup location. If you need a higher limit, it must be specifically shown on the Coverage Summary for each location.

To qualify for this additional coverage, each backup location must be in a separate building at least 100 feet away from your main computer operation.

### **Temporary Location**

SIF will cover your computer equipment, data and media for up to **\$500,000** for direct physical loss while temporarily within the premises of others for purposes other than storage.

This coverage extension is provided for a maximum of 60 days while at any temporary location.

### **Halon and Carbon Dioxide Discharge**

SIF will pay the cost to refill halon or carbon dioxide extinguishing systems which protect your computer operations when they discharge as intended to control a loss covered by this agreement.

In addition, SIF will cover the cost to refill these systems should they accidentally discharge.

SIF will not cover any loss that happens at the time of installation, testing, repair or recharging of the halon or carbon dioxide system.

### **Removal Coverage**

## **Endorsement #9**

SIF will cover your computer equipment, data, media and computer programs while they are away from a covered location at a safe place because of imminent danger of loss. SIF will also cover those items while they are being moved to and from the safe place. The separate transit limit does not apply. However, you must tell us within ten (10) days after you move this equipment for this coverage to apply.

### **Debris Removal**

If your equipment, data or media is damaged or destroyed by a covered cause of loss, we will pay the cost of removing its debris.

### **Interruption by a Civil Authority**

A civil authority such as a fire department may delay access to your covered location because property adjacent to your location is damaged or destroyed. If the damage is caused by a covered cause of loss and we insure Extra Expense or Business Income, SIF will pay your necessary expense or business income for up to two (2) consecutive weeks while access is denied.

### **Burglary**

SIF will cover loss caused by burglary only if the building where the loss occurs is locked and there is physical evidence of forced entry on the exterior of the building.

## **BREAKDOWN COVERAGE**

SIF will cover insured property for loss caused by mechanical or electrical breakdown. If you insure business income, SIF will also cover such loss when caused by breakdown damage to computer equipment, data or media from these causes. However, SIF will not cover extra expense or business income losses that result from the breakdown of any other property such as a boiler.

A special breakdown deductible applies to mechanical and electrical breakdown as well as certain other causes of loss. This deductible is shown on the Endorsement #9 and is described in the Deductible section of this form.

**Mechanical Breakdown.** SIF will cover loss or damage to your covered computer equipment, data and media inside your building or within 1,000 feet of it caused by mechanical breakdown or malfunction of your computer equipment.

*An example of a covered mechanical breakdown would be a head crash.*

**Electrical Breakdown.** SIF will cover short-circuit, blow-out, electrical or magnetic injury or disturbance or other electrical damage to:

- A. Covered computer equipment, including wiring.

## **Endorsement #9**

### **B. Covered data and media.**

This includes any accidental erasure of data caused by electrical or magnetic injury, or operator or programmer error.

In order to be covered, the cause of the electrical damage must occur within your building or within 1,000 feet of it.

However, SIF will not cover any breakdown or malfunction loss caused by any change in the electrical power supply, such as interruption, power surge or brown-out, if the change originates more than 1,000 feet from the building containing your computer equipment, unless this agreement is amended in writing by us. SIF will consider providing breakdown coverage beyond 1,000 feet for an additional premium if you have implemented the proper controls.

## **EXCLUSIONS – LOSSES SIF WILL NOT COVER**

### **Dishonesty**

SIF will not cover any loss caused by any fraudulent, dishonest or criminal action committed by you or by a partner, director, officer, trustee, agent or employee of yours. Nor will SIF cover dishonest acts of anyone entrusted with covered property. But this exclusion will not apply to acts of destruction other than theft by an employee of yours.

### **Wear – Tear – Deterioration**

SIF will not cover loss caused by:

- A. Wear and tear; or
- B. Gradual deterioration.

### **War and Government Seizure**

- A. War (declared or undeclared);
- B. Warlike action by a military force, including anything done to hinder or defend against an actual or expected attack by any government, sovereign or other authority using military personnel or other agents;
- C. Invasion or insurrection;
- D. Rebellion, revolution or civil war;
- E. Seizure of power, or

## **Endorsement #9**

**F.** Anything done to hinder or defend against these actions.

SIF will not cover seizure or destruction of your property under quarantine of custom's regulations, or confiscation by any government or public authority, nor will SIF cover illegal transportation or trade.

### **Nuclear Activity**

SIF will not cover loss caused directly or indirectly by nuclear reaction, nuclear radiation, or radio active contamination. Such loss is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss. However, if loss or damage by fire results, SIF will pay for that resulting damage, if it would otherwise be covered under this agreement.

### **Design Errors or Faulty Materials**

SIF will not cover loss caused by errors in design or faulty materials. However, SIF will cover loss to your insured equipment, data or media by a covered cause of loss which results from errors in design or use of faulty material in the development, manufacture or installation of that equipment, data or media.

*For example: SIF will not pay to replace a defective part supplied by the manufacturer. However, SIF will pay for other damage that results from use of that defective part.*

The special breakdown deductible applies to these covered losses.

### **Damage During Service or Repair**

SIF will not cover loss to equipment, data or media which results while they are being worked on, repaired or serviced. SIF will cover loss which results from that work, repair or service.

*For example: SIF will not pay to replace a disk drive which is damaged while being serviced. However, SIF will pay the other damage that results from use of that damaged part.*

The special breakdown deductible applies to these covered losses.

### **Delay – Loss of Market**

SIF will not cover any loss caused by delay or loss of market.

### **Programming Errors**

SIF will not cover any extra expense or business income loss caused by programming errors or incorrectly instructing the machine. This exclusion does not apply to loss

## **Endorsement #9**

caused by acts of computer hackers, computer viruses, trojan horses, worms, logic bombs or other malicious software.

### **Ordinances, Regulations or Laws**

SIF will not cover loss caused directly or indirectly by the enforcement of any ordinance, regulation or law governing:

- A.** The use, construction, repair or demolition of any property;
- B.** The prevention, control, clean up or restoration of pollution damage; or
- C.** The presence of hazardous substances.

This includes removal of debris. Such loss is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss. But this exclusion will not apply to property destroyed by a civil authority in order to stop the actual spread of fire, such as establishing a fire break.

### **Strikes**

SIF will not cover any increase in loss due to delay caused by strikers or anyone else at the site of your damaged business who interfere with your efforts to fix the damage or resume your normal operations.

However, SIF will cover an increase in business income loss when a strike on another person's premises prevents you from resuming business.

*For example: you have ordered material to repair your building after it has been damaged by a fire. You can not get the material because there is a strike at the manufacturer's plant. This prevents you from resuming business and increases your loss. SIF will cover this increase.*

### **Cancellation of Contracts**

SIF will not cover any increase in loss that is caused by the suspension, lapse or cancellation of any lease, license, contract or order.

### **Loss of Documents**

SIF will not cover any increase in loss that is caused by the suspension, lapse or cancellation of any lease, license, contract or order.

### **Disappearance – Inventory Loss**

SIF will not cover loss of property that just disappears or that you find missing when you take inventory.

## Endorsement #9

### **RULES FOR LOSS ADJUSTMENT COMPUTER, DATA AND MEDIA**

When a loss occurs, SIF will consider the following factors in determining what we will pay:

- A. Deductible.
- B. Other Insurance.

We may take over any of the damaged or destroyed property at its agreed or appraised value. Or we can choose to repair, rebuild or replace the property ourselves provided we give you notice within 30 days after we receive your proof of loss. But you agree that you will not merely abandon this property to us.

#### **Computer Equipment is Insured for Replacement Cost**

SIF will pay the cost of repairing or replacing the damaged property without deduction for depreciation.

However, SIF will not pay more than the smallest of the following:

- A. The limit of coverage that applies to the computer.
- B. The amount you actually spend in repairing the damage, or the amount it would cost to replace the damaged property at the time of the loss with new property of equal performance, capacity or function.
- C. If replacement with new property of equal performance, capacity or function is not possible, its replacement by property having the nearest higher performance, capacity or function to the property lost, destroyed or damaged.

#### What SIF Will Pay for Data and Media Losses:

*Data.* SIF will pay the actual cost of reproducing the data, up to the limit of coverage that applies, provided you actually replace or reproduce it. This includes the additional expense to reproduce data under adverse circumstances if it is necessary to continue your normal computer operations. However, we will not cover data which can not be replaced due to the lack of backup support documentation, source code or records. Data may be scheduled in the Coverage Summary for a specific value per item. If so, we will pay up to that amount for each item.

*Normal computer operations* means the operations that would have existed if no damage had occurred.

*Media.* SIF will pay the actual cost of either repairing or replacing the media with material or similar kind and quality, up to the limit of coverage that applies.

## Endorsement #9

### What SIF Will Pay for Extra Expense Losses:

SIF will pay your necessary extra expenses up to the limit of coverage and time limit that applies. However, SIF will not pay more than the actual extra expense you incur.

SIF will pay for these necessary extra expenses from the date of the damage for as long as it should reasonably take to repair or replace damaged computer equipment, data, media or the building housing your computer operations or other property in the building.

If you secure property to use temporarily until you resume your normal operations, SIF will subtract its remaining value when we figure the total amount of your loss.

You agree to resume your normal operations as soon as possible.

### What SIF Will Pay for Business Income Losses:

What we will pay for a covered loss depends on the business income deductible, the limit shown on the Coverage Summary for Business Income loss and whether your computer operations are totally or partially suspended.

SIF will deduct the amount of the Business Income deductible from our payment. If your deductible is a length of time, SIF will consider your business interruption loss to begin after the length of time in business days or hours has elapsed.

*Total Suspension.* If the property damage causes a complete suspension of your computer operations, SIF will pay a fixed amount for each 24-hour day when you would have normally conducted business. This is the amount shown on the Coverage Summary for each working day. SIF will cover your loss for as long as it should reasonably take to repair or replace the damaged property, but we will not pay more than the total limit shown on the Coverage Summary.

However, when it is possible for you to resume some operations and the suspension becomes only partial, SIF will pay the remaining interruption as explained in the next section.

*Partial Suspension.* If the property damage causes a partial suspension of your computer operation, SIF will pay up to a percentage of your limit for each working day at the covered location. This percentage will be equal to the value of your lost income divided by your normal income. By normal income we mean what your income would have been had no loss occurred.

For example: *fire damage at a covered location causes you to suspend some of your operations. Because of the suspension you lose \$50,000 in income. Normally, for the same period your income would have been \$300,000. Your limit for each working day is \$6,000.*

*(lost income/normal income) \* working day limit = what SIF will pay per working day*

## **Endorsement #9**

$$\frac{\$50,000}{\$300,000} = 1/6 \times \$6,000 = \$1,000$$

SIF will cover your loss for as long as it should reasonably take to repair or replace the damaged property. However, SIF will not pay more than the limit of coverage that applies.

*Reducing Your Loss.* If you can reduce your business income loss by resuming operations at the affected location or by making use of other property at other locations, you must do so.

SIF will pay any expenses you have that are necessary to reduce your loss (except expenses for putting out a fire). But SIF will not pay those expenses that exceed the amount by which they reduce the loss.

## **Deductibles**

Your deductible(s) are shown in Declarations Page 2 of 2. You will first pay up to this amount for all losses caused by any one event covered under this agreement except for Breakdown Coverage or Business Income. SIF will pay anything over this amount up to the applicable limits of your coverage.

### Special Breakdown Deductible

A special deductible of \$5,000 is shown for breakdown coverage in Declarations Page 2 of 2. This deductible amount applies to losses which result from mechanical or electrical breakdowns as explained in the Breakdown Coverage section. It also applies to losses resulting from errors in design, use of faulty materials or coverage under the Damage During Service or Repair Exclusion. This deductible does not apply to losses caused by fire, lightning or explosion.

### Special Burglary Deductible

A special deductible of \$1,000 is shown for burglary in Declarations Page 2 of 2. This deductible applies to losses by burglary but only if the building where the loss occurs is locked at the time of loss and there is physical evidence of forced entry on the exterior of the building.

### Special Business Income Deductible

SIF also shows a special deductible for business income if you have purchased this coverage in Declarations Page 1 of 2. This deductible applies to losses which result from an interruption of business, and may be either a dollar amount or a time limit. The time limit is shown in business days or hours.

*Business day* means a day, ending at midnight, that you are normally open for business.

## **Endorsement #9**

The first business day or hour begins at the time of loss. The day ends at midnight. However, if the loss occurs after the business has closed for the day, we will consider the first day or hour to be the next day or hour on which you would normally be open for business.

### Other Loss Deductible(s)

All other loss deductibles are shown on Declarations Page 2 of 2.

### **Other Insurance**

Other insurance may be available to cover your loss. If so, what SIF will pay depends on the type of other insurance and the property covered. In any case, we will subtract the amount of the deductible from our payment and SIF will not pay more than the limit of coverage that applies. This is how it works:

#### Other Computer Insurance

If other computer insurance covers a loss to equipment, data or media and the loss is also covered under this agreement, this agreement is excess insurance. This means SIF will pay only after the other data processing insurance is exhausted. But if the other insurance also pays only as excess, SIF will share the loss with them.

#### Other Property Insurance

If insurance other than data processing insurance covers a loss to equipment, data or media and the loss is also covered under this agreement, this agreement is primary insurance. This means SIF will pay your covered loss up to the limit of coverage that applies. Any loss over that limit will be the responsibility of the other insurance.

#### Other Extra Expense or Business Income Insurance

If any other insurance covers an extra expense or business income loss that is covered under this agreement, this agreement is excess insurance. This means SIF will pay only after the other insurance is exhausted. If the other insurance also pays only as excess, SIF will share the loss with the other company.

## **OTHER RULES FOR THIS AGREEMENT**

### **Insurance for Your Benefit**

This insurance is for your benefit. No third party having temporary possession of your property, such as a transportation company, can benefit directly or indirectly from it.

### **Adjusting Losses**

## **Endorsement #9**

If there is a covered loss to your property, SIF will adjust the loss with you. If there is a covered loss to someone else's property, SIF will adjust the loss with you for the owner's account.

### **Report to Police**

When either a loss or occurrence takes place, the named insured shall give notice to the proper police authority as whether this loss or occurrence is due to a violation of a law.

### **Who SIF Will Pay for Loss to Equipment**

If the Coverage Summary identifies a person or organization to receive payments for loss to equipment, SIF will adjust the loss with you. However, payment will be made to you and the person or organization named, based on the financial interest each has in the covered property.

### **Preserving Your Rights**

You must do all you can to preserve any rights you have to recover your loss from others. If you do anything to impair these rights, SIF will not pay for your loss. You must not enter into an agreement to waive subrogation. However, you can accept ordinary bills of lading from a shipper, even if they limit the carrier's liability for losses.

### **Expenses for Reducing Loss**

When a covered loss occurs, you must do everything possible to protect the property from further damage. Keep a record of your expenses. SIF will pay our share of reasonable and necessary expenses incurred to reduce the loss or protect the covered property from further damage. SIF will figure our share and your share of these expenses in the same proportion as each of us will benefit from them.

### **Inspection of Property and Operations**

SIF and any person or organization making inspections on the SIF's behalf shall be permitted but not obligated to inspect the named insured's property and operations at any time. Neither the right of the SIF and any person or organization to make such inspections nor the making thereof nor any report thereon shall constitute an undertaking, on behalf of or for the benefit of the named insured or others, to determine or warrant that such property or operations are safe or healthful, or are in compliance with any law, rule or regulation.

## REPLACEMENT COST VALUE COVERAGE ENDORSEMENT

It is hereby agreed that replacement cost coverage of like kind and quality is afforded for all buildings and contents as listed on the Statement of Values on file with the State Insurance Fund. It is also hereby agreed that all buildings & structures and contents are to be insured at 100% of their replacement values and that these values must be agreed to by the State Insurance Fund and the insuring agency via a written Statement of Values. It is also agreed that any individual piece of machinery or equipment valued at \$50,000 or greater shall be specifically listed on a separate schedule. These building and contents values will be automatically increased annually, at renewal date, by an appropriate valuation index utilized by the State Insurance Fund.

The most the SIF will pay for loss or damage for covered property, in any one occurrence, for any one building and its contents, will be the least of the following:

The actual adjusted amount of loss covered by this policy, less applicable deductible(s) OR

115% of the reported values for each scheduled building and its contents, covered by this policy, less applicable deductible(s)

Further, settlement will be the least of the following amounts:

- 1) the cost to repair the damaged property
- 2) the cost to replace the damaged property with property of comparable material, quality and use
- 3) the policy limit shown on the Statement of Values on file with the State Insurance Fund

Basis of Loss Settlement, Endorsement #6, is amended as follows:

We will pay Replacement Cost for destruction or damage when the damaged property is actually repaired or replaced. Repair or replacement of the damaged building, structure and contents must be completed within two (2) years of its date of loss. The destruction or damage will be adjusted on an actual cash value basis until repair or replacement is complete.

You will determine the value of the destroyed property at Replacement Cost at the time of loss or damage, except as provided below. Replacement Cost means the cost to replace with property of comparable material and quality and used for the same purpose, without deduction for depreciation.

The following are not subject to Replacement Cost valuation:

- 1) Manuscripts, works of art, antiques, or rare articles, including paintings, pictures, statuary, marbles, bronzes, porcelains, and bric-a-brac or any similar property of a fine arts nature.
- 2) Obsolete, vacant, and unoccupied property: Obsolete, vacant, and unoccupied property is property that has no functional or use value.

All other conditions of the Policy remain unchanged.

## MAJOR EQUIPMENT COVERAGE ENDORSEMENT

Effective Date:

Attached to and forming a part of Policy #:

Issued to:

It is hereby agreed that replacement cost coverage of like kind and quality is afforded for all personal property as listed on the Statement of Values on file with the State Insurance Fund. However, any individual piece of machinery or equipment valued at \$50,000 or greater shall be specifically listed on a separate schedule and subject to the following valuation provision(s):

The following VALUATION Loss Condition applies to the item(s) of personal property listed in the above Schedule:

1. If you contract for repair or replacement, of the loss or damage, to restore the item(s) of personal property shown in the above Schedule, for the same use, within 180 days of the loss or damage, unless we and you otherwise agree, we will pay the smallest of the following:
  - a. The Limit of Insurance shown in the above Schedule as applicable to the lost or damaged item(s) of personal property;
  - b. The cost to replace, on the same site, the lost or damaged item(s) of personal property with the most closely equivalent property available; or
  - c. The amount you actually spend that is necessary to repair or replace the lost or damaged item(s) of personal property.
2. If you do not make a claim under paragraph 1, we will pay the smallest of the following:
  - a. The Limit of Insurance shown in the above Schedule as applicable to the lost or damaged item(s) of personal property;
  - b. The "market value" of the lost or damaged item(s) of personal property at the time of loss; or
  - c. The amount it would cost to repair or replace that part of the item(s) of personal property that is lost or damaged with material of like kind and quality less allowance for physical deterioration and depreciation.
  - d. The cost to replace unrepairable electrical or mechanical equipment, including computer equipment, with equipment that is the most functionally equivalent to that damaged or destroyed, even if such equipment has technological advantages and/or represents an improvement in function and/or forms part of a program of system enhancement.

The following DEFINITION is added:

"Market Value," as used in this endorsement, means the price which the property might be expected to realize if offered for sale in a fair market.

## BUILDERS RISK COVERAGE ENDORSEMENT

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

Throughout this endorsement the words “you” and “your” refer to the Named Insured shown on the Declarations Page of this Endorsement. The words “we,” “us,” and “our” refer to the State of Alabama, Division of Risk Management, State Insurance Fund, providing this insurance.

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

### A. COVERAGE

We will pay for the direct physical loss of or damage to Covered Property at the premises described on the Declarations Page of the Endorsement caused by or resulting from any Covered Cause of Loss.

#### 1. Covered Property

*Covered Property*, as used in this Coverage Part, means the following type of property for which a Limit of Insurance is shown on the Declarations Page of the Endorsement:

*Building Under Construction*, meaning the building or structure described on the Declarations Page of the Endorsement while in the course of construction, including:

- a. foundations;
- b. if intended to become a permanent part of the building or structure described in the Declarations Page, the following property located in or on the building or structure or within 100 feet of its premises:
  - (1) fixtures, machinery, and equipment used to service the building; and
  - (2) your building materials and supplies used for construction;
- c. if not covered by other insurance, temporary structures built or assembled on site including cribbing, scaffolding, and construction forms.

#### 2. Property Not Covered Covered Property does not include:

- a. land (including land on which the property is located) or water;
- b. the following property when outside of building:

## Endorsement #12

- (1) lawns, trees, shrubs, or plants;
- (2) radio of television antennas, including their lead-in wiring, masts or tower; or
- (3) signs (other than signs attached to buildings).

**3. Covered Causes of Loss** See applicable Causes of Loss Form as shown on the Declarations Page of the Endorsement

### **4. Additional Coverage**

#### **a. Debris Removal**

(1) We will pay your expenses to remove debris of Covered Property caused by or resulting 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 earlier of:

- (a) the date of direct physical loss or damage; or
- (b) the end of the policy period.

(2) The most we will pay under this Additional Coverage is 25% of:

- (a) the amount we pay for the direct physical loss of or damage to Covered Property; plus
- (b) the deductible in this endorsement applicable to that loss of damage.

(3) This Additional Coverage does not apply to cost to:

- (a) extract “pollutants” from land or water; or
- (b) remove, restore, or replace polluted land or water.

**b. Preservation of Property** If it is necessary to move Covered Property from the described premises to preserve from loss or damage by a Covered Cause of Loss, we will pay for any direct physical loss or damage to the property

(1) while it is being moved or while temporarily stored at another location; and

## Endorsement #12

(2) only if the loss or damage occurs within 10 days after the property is first moved.

**c. 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 **\$1,000** for your liability for fire department service charges:

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

No deductible applies to this Additional Coverage.

**d. Pollutant Clean Up and Removal** We will pay your expense to extract “pollutants” from land or water at the described premises if the release, discharge, or dispersal 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 us in writing within 180 days of the earlier of:

- (1) the date of direct physical loss or damage; or
- (2) the end of the policy period.

The most we will pay for each location under this Additional Coverage is **\$10,000** for the sum of all such expenses arising out of Covered Causes of Loss occurring during each separate 12 month period of this policy.

**e. Strikes, Riots, and Civil Commotions Clause** It is hereby declared and agreed that this Insurance covers loss directly caused by strikers, locked-out workmen, or persons taking part in labor disturbances or riots or civil commotions, or caused by vandalism, sabotage or malicious mischief, but warranted free from any claim for delay, detention, or loss of use and subject to the exclusions in the wording.

## 5. Building Materials and Supplies of Others

**a.** You may extend the insurance provided by the **Coverage Form** to apply to building materials and supplies that are:

- (1) owned by others;
- (2) in your care, custody, or control;
- (3) located in or on the building described in the Declarations, or within 100 feet of its premises; and
- (4) intended to become a permanent part of the building.

## Endorsement #12

**b.** The most we will pay for loss or damage under this Extension is **\$2,500** at each described premises. Our payment for loss of or damage to property of others will only be for the account of the owner of the property.

This Extension is additional insurance.

### **B. EXCLUSIONS**

See applicable Causes of Loss Form as shown on the Declarations Page of the Endorsement.

### **C. LIMITS OF INSURANCE**

The most the SIF will pay for loss or damage to covered property, in any one occurrence, at any one location, will be the least of the following:

The actual adjusted amount of loss covered by this policy, less applicable deductible(s)

or

115% of the reported values for each scheduled building and its contents, covered by this policy, less applicable deductible(s)

The most we will pay for loss or damage to outdoor signs attached to buildings is **\$1,000** per sign in any one occurrence.

The limits applicable to the Coverage Extension and the Fire Department Service Charge and Pollutant Clean Up and Removal Additional Coverage are in addition to the Limits of Insurance:

**1.** Preservation of Property; or

**2.** Debris Removal; but if:

**a.** the sum of direct physical loss or damage and debris removal expenses exceeds the Limit of Insurance; or

**b.** the debris removal expense exceeds the amount payable under the 25% limitation in the Debris Removal Additional Coverage,

we will pay up to an additional **\$5,000** for each location any one occurrence under the Debris Removal Additional Coverage.

## Endorsement #12

### D. DEDUCTIBLE

We will not pay for loss or damage in any one occurrence until the amount of loss or damage exceeds the Deductible shown on the Declarations Page of the Endorsement. We will then pay the amount of loss or damage in excess of the Deductible, up to the applicable Limit of Insurance.

### E. LOSS CONDITIONS

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

1. **Abandonment** There can be no abandonment of any property to us.
2. **Resolutions of Disagreements Between Department of Finance and Person in Charge of State Property as to value of Property, Premium Rates, etc.** In the event a disagreement arises between the Department of Finance and any person or persons in charge of any State property as to its true value or the amount payable under the claim for loss or the proper premium rate or rates, the matter in disagreement shall be determined by a third person to be agreed upon by the Director of Finance on the one hand and the person or persons disagreeing with him on the other hand. In case of inability to agree on such third person, the Governor shall appoint a third person to determine the question, and his decision thereon shall be binding on all parties concerned. (Acts 1923, No. 593, p. 769; Code 1923, Section 8552; Acts 1936-37, Ex. Sess., No. 219, p. 260; Acts 1939, No. 112, p. 144; code 1940. T. 28, Section 326.)
3. **Duties in the Event of Loss or Damage** You must see that the following are done in the event of loss or damage to Covered Property:
  - a. notify the police if a law may have been broken;
  - b. give us prompt notice of the loss or damage. Include a description of the property involved;
  - c. as soon as possible, give us a description of how, when, and where the loss or damage occurred;
  - d. take all reasonable steps to protect the Covered Property from further damage by a Covered Cause of Loss. If feasible, set the damaged property aside and in the best possible order for examination. Also keep a record of your expenses for emergency and temporary repairs, for consideration in the settlement of the claim. This will not increase the Limit of Insurance;
  - e. at our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values, and amount of loss claimed;
  - f. permit us to inspect the property and records proving the loss or damage. Also permit us to take samples of damaged property for inspection, testing, and analysis;

## Endorsement #12

**g.** 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;

**h.** send us a signed, sworn statement of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms;

**i.** cooperate with us in the investigation or settlement of the claim.

### 4. Loss Payment

**a.** In the event of loss or damage covered by this Coverage Form, at our option, we will either:

(1) pay the value of the lost or damaged property;

(2) pay the cost of repairing or replacing the lost or damaged property;

(3) take all or any part of the property at an agreed or appraised value; or

(4) repair, rebuild, or replace the property with other property of like kind and quality.

**b.** We will give notice of our intentions within 30 days after we receive the sworn statement of loss.

**c.** We will not pay you more than your financial interest in the Covered Property.

**d.** We may adjust losses with the owners of the lost or damaged property if other than you. If we pay the owners, such payments will satisfy your claims against us for the owners property. We will not pay the owners more than their financial interest in the Covered Property.

**e.** We may elect to defend you against suits arising from claims of owners of property. We do this at our expense.

**f.** We will pay for covered loss or damage within 30 days after we receive the sworn statement of loss, if:

(1) you have complied with all of the terms of this Coverage Part; and

(2) (a) we have reached agreement with you on the amount of loss; or

## Endorsement #12

(b) An appraisal award has been made.

**5. 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 to repair the recovered property, subject to the Limit of Insurance.

**6. Valuation** We will determine the value of Covered Property at cost of replacement as of the time of loss or damage.

### F. ADDITIONAL CONDITIONS

The following conditions apply in addition to the Common Property Conditions and the Commercial Property Conditions.

#### 1. Mortgage Holders

a. The term “mortgage holder” includes trustee.

b. We will pay for covered loss of or damage to buildings or structures to each mortgage holder shown in the Declarations in their order of precedence, as interest may appear.

c. The mortgage holder has the right to receive loss payment even if the mortgage holder has started foreclosure or similar action on the building or structure.

d. If we deny your claim because of your acts or because you have failed to comply with the terms of this Coverage Part, the mortgage holder will still have the right to receive loss payment if the mortgage holder:

(1) pays any premium due under this Coverage Part at our request if you have failed to do so;

(2) submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so; and

(3) has notified us of any change in ownership, 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 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,

## Endorsement #12

(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 right to recover the full amount of the mortgage holder's claim will not be impaired.

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

(1) 10 days before the effective date of cancellation if we cancel for your nonpayment of premium; or

(2) 30 days before the effective date of cancellation if we cancel for any other reason.

g. If we elect not to renew this endorsement, we will give written notice to the mortgage holder at least 10 days before the expiration date of this endorsement.

## 2. Other Insurance

a. If at the time of the loss there is other insurance written in the name of the Insured upon the same plan, terms, conditions, and provisions as contained in this policy, herein referred to as Contributing Insurance, the State Insurance Fund shall be liable for no greater portion of any loss than the amount of insurance under this policy bears to the whole amount of insurance covering such loss.

b. If at the time of loss there is other insurance other than that as described in a. above, the State Insurance Fund shall not be liable for any loss hereunder until:

(1) the liability of such other insurance has been exhausted;  
and

(2) then only for such amount as may exceed the amount due for such other insurance, whether collectable or not.

**3. Waiver or Rights of Recovery Against Others** You may not waive your rights to recover damages from an architect, engineer, or building trades contractor or subcontractor with respect to the described premises except as agreed to in writing by us. This provision supersedes any provisions to the contrary in the **TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US** Commercial Property Condition.

## **Endorsement #12**

**4. When Coverage Ceases** The insurance provided by this Coverage Endorsement will end when one of the following first occurs:

- a.** this endorsement expires or is cancelled;
- b.** the property is accepted by the purchaser;
- c.** your interest in the property ceases;
- d.** you abandon the construction with no intention to complete it;
- e.** unless we specify otherwise in writing:
  - (1)** 90 days after construction is complete; or
  - (2)** when any building described in the Declarations is:
    - (a)** occupied in whole or in part; or
    - (b)** put to its intended use.

## **G. DEFINITIONS**

“Pollutants” means any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, and wastes. Waste includes materials to be recycled, reconditioned, or reclaimed.

## **H. PERMISSION TO OCCUPY**

Notwithstanding anything herein to the contrary, permission is hereby granted to the insured to occupy and use the property and/or project in part thereof for which it is intended until final acceptance of the property as defined elsewhere herein.

## **I. VALUATION CLAUSE**

Cost of Replacement.

## **CAUSES OF LOSS -SPECIAL FORM**

Words and phrases that appear in quotation marks have special meaning. Refer to Section E. - DEFINITIONS.

## **A. COVERED CAUSES OF LOSS**

## Endorsement #12

When Special is shown on the Declarations Page of the Endorsement, Covered Causes of Loss means **RISK OF DIRECT PHYSICAL LOSS** unless the loss is:

1. excluded in Section B., EXCLUSIONS; or
2. limited in Section C., LIMITATIONS.

### B. EXCLUSIONS

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

a. **Ordinance or Law** 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 the debris.

b. **Earth Movement**

(1) Any earth movement (other than sinkhole collapse or earthquake), such as a landslide, mine subsidence, or earth sinking, rising, or shifting. But if loss or damage by fire or explosion results, we will pay for that resulting loss or damage.

(2) Volcanic eruption, explosion, or effusion. But if loss or damage by fire, building glass breakage, or volcanic action results, we will pay for that resulting loss or damage. Volcanic action means direct loss or damage resulting from the eruption of a volcano when the loss or damage 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. If more than one earthquake shock shall occur within any period of 72 hours during the term of this endorsement, such earthquake shocks shall be deemed a single occurrence.

c. **Governmental Action** Seizure or destruction of property by order of government authority.

## Endorsement #12

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 Part.

**d. Nuclear Hazard** Nuclear reaction or radiation, or radioactive contamination, however caused.

But if loss or damage by fire results, we will pay for that resulting loss or damage.

**e. Power Failure** The failure of power or other utility service supplied to the described premises, however caused, if the failure occurs away from the described premises.

But if loss or damaged by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

**f. War and Military Action**

(1) War, including undeclared or civil war.

(2) Warlike action by a military force, including action in hindering and 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.

**g. 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.

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

**Endorsement #12**

**2.** We will not pay for loss or damage caused by or resulting from any of the following:

**a.** artificially generated electric current, including electric arcing, that disturbs electrical devices, appliances, or wires;

**b.** delay, loss of use or loss of market;

**c.** smoke, vapor or gas from agricultural smudging or industrial operations;

**d. (1)** Wear and tear.

**(2)** Rust, corrosion, fungus, decay, deterioration, hidden or latent defect, or any quality in property that causes it to damage or destroy itself.

**(3)** Smog.

**(4)** Settling, cracking, shrinking, or expansion.

**(5)** Insects, birds, rodents, or other animals.

**(6)** Mechanical breakdown, including rupture or bursting caused by centrifugal force. Or

**(7)** The following causes of loss to personal property:

**(a)** dampness or dryness of atmosphere;

**(b)** changes in or extremes of temperatures; or

**(c)** marring or scratching

But if loss or damage by the “specified causes of loss” or building glass breakage results, we will pay for that resulting loss or damage.

**(d)** explosion of steam boilers, steam pipes, steam engines, or steam turbines owned or leased by you, or operated under your control. But if loss or damage by fire of combustion explosion results, we will pay for that resulting loss or damage. We will also pay for loss or damage caused by or resulting from the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through with the gases of combustion pass;

**(e)** continuous or repeated seepage or leakage of water that occurs over a period of 14 days or more;

**Endorsement #12**

(f) water, other liquids, powder or molten material that leaks or flows from plumbing, heating, air conditioning, or other equipment (except fire protective systems) caused by or resulting from freezing, unless:

(i) you do your best to maintain heat in the building or structure; or

(ii) you drain the equipment and shut off the supply if the heat is not maintained;

(g) dishonest or criminal act by you, any of your partners, employees, directors, trustees, authorized representatives, or anyone to whom you entrust the property for any purpose

(i) acting alone or in collusion with others; or

(ii) whether or not occurring during the hours of employment.

This exclusion does not apply to acts of destruction by your employees.

(h) Voluntary parting with any property by you or anyone else to whom you have entrusted the property if induced to do so by any fraudulent scheme, trick device, or false pretense;

(i) rain, snow, ice, or sleet damage to personal property in the open; or

(j) release, discharge, or dispersal or “pollutants” unless the release, discharge, or dispersal is itself caused by any of the “specified causes of loss.” But if loss or damage by the “specified causes of loss” results, we will pay for the resulting damage caused by the “specified causes of loss.”

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

**a. Weather Conditions,** but this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in paragraph 1 above to produce the loss or damage.

**b. Acts or Decisions,** including the failure to act or decide, of any person, group, organization, or governmental body.

**c. Faulty, Inadequate, or Defective:**

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

**Endorsement #12**

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

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

(4) maintenance, of part or all of any property on or of the described premises.

**C. LIMITATIONS**

1. We will not pay for loss of or damage to:

a. steam boilers, steam pipes, steam engines, or steam turbines caused by or resulting from any condition or event inside such equipment. But we will pay for loss of or damage to such equipment caused by or resulting from an 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;

b. hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment, other than an explosion;

c. 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:

(1) the building or structure first sustains damage by a Covered Cause of Loss to its roofs or walls through which the rain, snow, sleet, ice, sand or dust enters; or

(2) the loss or damage is caused by or results from thawing of snow, sleet, or ice in the building or structure;

d. building materials and supplies not attached as part of the building or structure, unless held for sale by you, caused by or resulting from theft, except as provided in C.5a. below;

e. property that is missing, but there is no physical evidence to show what happened to it, such as shortage disclosed on taking inventory;

f. gutters and downspouts caused by or resulting from weight of snow, ice, or sleet; or

g. property that has been transferred to a person or to a place outside the described premises on the bases of unauthorized instruction.

## Endorsement #12

2. We will not pay more for loss of or damage to glass that is part of a building or structure than **\$100** for each plate, pane, multiple plate insulating unit, radiant, or solar heating panel, jalousie, louver, or shutter. We will not pay more than **\$500** for all loss of or damage to building glass that occurs at any one time.

This limitation does not apply to loss or damage by the “specified causes of loss,” or vandalism.

3. We will not pay for loss or damage to the following types of property unless caused by the “specified causes of loss” or building glass breakage:

a. valuable papers and records, such as books of account, manuscripts, abstracts, drawings, card index systems, film, tape disc, drum, cell, or other data processing, recording, or storage media, and other records;

b. animals, and then only if they are killed or their destruction is made necessary;

c. fragile articles such as glassware, statuary, marble, chinaware, and porcelains, if broken. The restriction does not apply to:

(1) glass that is part of a building or structure;

(2) containers of property held for sale; or

(3) photographic or scientific instrument lenses.

d. builders machinery, tools, and equipment you own or that are entrusted to you, while away from the premises described in the Declarations, except as provided in paragraph **C.5.b.** below.

4. For loss or damage by theft, the following types of property are covered only up to the limits shown:

a. **\$2,500** for furs, fur garments, and garments trimmed with fur;

b. **\$2,500** for jewelry, watches, watch movements, jewels, pearls, precious and semiprecious stones, bullion, gold, silver, platinum, and other precious alloys or metal. This limit does not apply to jewelry and watches worth **\$100** or less per item;

c. **\$2,500** for patterns, dies, molds, and forms;

d. **\$250** for stamps, tickets, and letters of credit.

5. **Builders’ Risk Coverage Endorsement Limitations** The following provisions apply only to the Builders Risk Coverage Endorsement:

**Endorsement #12**

**a.** Limitation **1.d.** is replaced by the following:

**d.** Building materials and supplies not attached as part of the building or structure caused by or resulting from theft.

**b.** Limitation **3.d.** is replaced by the following:

**d.** Builders' machinery, tools, and equipment you own or that are entrusted to you.

**D. ADDITIONAL COVERAGE EXTENSIONS**

**1. Property in Transit.** The extension applies only to your personal property to which this form applies.

**a.** You may extend the insurance provided by this Coverage Part to apply to your personal property (other than property in the care, custody, or control of your salespersons) in transit more than 100 feet from the described premises. Property must be in or on a motor vehicle you own, lease, or operate while between points in the coverage territory.

**b.** Loss or damage must be caused by or result from one of the following causes of loss:

**(1)** fire, lightning, explosion, windstorm or hail, riot or civil commotion, or vandalism.

**(2)** vehicle collision, upset, or overturn. Collision means accidental contact of your vehicle with another vehicle or object. It does not mean your vehicle's contact with the road bed.

**(3)** theft of an entire bale, case, or package by forced entry into a securely locked body or compartment of the vehicle. There must be visible marks of the forced entry.

**c.** The most we will pay for the loss or damage under this **Extension** is **\$1,000**.

This Coverage Extension is additional insurance. The Additional Condition, Coinsurance, does not apply to this Extension.

**2. Water Damage, Other Liquids, Powder, or Molten Material Damage** If loss or damage caused by or resulting from covered water or other liquid, powder or molten material damage loss occurs, which will also pay the cost to tear out and replace any part of the building or structure to repair damage to the system or appliance from which the water or other substance escapes.

## Endorsement #12

We will not pay the cost to repair any defect that caused the loss or damage; but we will pay the cost to repair or replace damaged parts of fire extinguishing equipment if the damage:

- a. results in discharge of any substance from an automatic fire protection system; or
- b. is directly caused by freezing.

## E. DEFINITIONS

“*Specified Causes of Loss*” means the following: Fire; lightning; explosion; windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; falling objects; weight of snow, ice or sleet; water damage.

1. *Sinkhole collapse* means the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or dolomite. This cause of loss does not include:

- a. the cost of filling sinkholes; or
- b. sinking or collapse of land into man-made underground cavities.

2. *Falling objects* does not include loss or damage to:

- a. personal property in the open; or
- b. the interior of a building or structure, or property inside a building or structure, unless the roof or an outside wall of the building or structure is first damaged by a falling object.

3. *Water damage* means accidental discharge or leakage of water or steam as the direct result of the breaking or cracking of any part of a system or appliance containing water or steam.

## EARTHQUAKE EXTENSION ENDORSEMENT

### PART I

#### A. PERIL INSURED AGAINST

This policy is extended to insure against direct loss by Earthquake.

If more than one Earthquake shock shall occur within any period of seventy-two hours during the term of this endorsement, such Earthquake shocks shall be deemed to be a single Earthquake. The SIF shall not be liable for any loss caused by any Earthquake shock occurring before the effective date and time of this endorsement nor occurring after the expiration date and time of this policy.

#### B. GENERAL EXCLUSIONS

**1. Excess Clause:** The SIF shall not be liable for loss by Earthquake to property which is more specifically covered in whole or in part by this or any other contract of insurance, except for the amount of loss which is in excess of the amount due from such more specific insurance after application of the Deductible Endorsement to the entire loss.

This Clause is not applicable (a) where less than 10% of the total exterior wall area is faced with masonry veneer, nor (b) when voided on the first page of this policy or by endorsement.

#### **2. Perils Not Insured Against:**

**(a.)** The SIF shall not be liable by this Earthquake Extension Endorsement for loss caused by, resulting from, contributed to or aggravated by fire, explosion, flood, surface water, mudslide, mudflow, waves, tidal water or tidal wave, overflow of streams or other bodies of water, or spray from any of the foregoing, whether or not attributable to Earthquake.

**(b.) Nuclear Exclusion:** Loss by nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, or due to any act or condition incident to any of the foregoing, is not insured against by this endorsement, whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by Earthquake.

#### C. OTHER PROVISIONS

**1. APPORTIONMENT OF LOSS CLAUSE:** In the event of loss to any unit of insurance in excess of the Deductible amount, the SIF shall be liable for no greater proportion of such excess than (a) the proportion of liability of the SIF for loss under this Earthquake Extension Endorsement as determined by the Coinsurance Clause attached to this policy, or (b) for a greater proportion of such excess than the amount provided by this Earthquake Extension Endorsement shall bear to all Earthquake insurance, whether collectible or not.

### Endorsement #13

2. This Earthquake Extension Endorsement does not increase the amount(s) of insurance provided in this policy.

**3. PROVISIONS APPLICABLE ONLY WHEN THIS POLICY COVERS BUSINESS INTERRUPTION, TUITION FEES, EXTRA EXPENSE, ADDITIONAL LIVING EXPENSE, RENT OR RENTAL VALUE, LEASEHOLD INTEREST OR OTHER CONSEQUENTIAL LOSS:** The term "DIRECT," as applied to loss, means loss, as limited and conditioned in this policy, resulting from direct loss to described property by Earthquake. If the business of the owner of tenant(s) of the described building(s) is interrupted by a strike at the described location, the SIF shall not be liable for any loss due to interference by any person(s) with rebuilding, repairing or replacing the property damaged or destroyed or with the resumption or continuation of business.

**PART II - FOUNDATIONS AND EXCAVATIONS ENDORSEMENT** When this policy covers Buildings, it shall also cover direct loss to the following items by the peril of Earthquake:

1. Cost of excavations, grading or filling;
2. Foundations of buildings, machinery, boilers or engines which foundations are below the undersurface of the lowest basement floor, or where there is no basement, below the surface of the around;
3. Pilings, piers, pipes, flues and drains which are underground;
4. Pilings which are below the low water mark.

**PART III - ENDORSEMENT FOR LIMITED COVERAGE FOR PERIL OF EARTHQUAKE** In consideration of the premium charged, it is hereby agreed that coverage is afforded due to loss from peril of earthquake, subject and limited to the following terms and conditions:

1. The maximum amount the State Insurance Fund and/or its Reinsurer(s) will be liable for in loss of peril due to earthquake in any one occurrence or in any one policy year is \$100,000,000 (one hundred million dollars), subject to the provisions contained in paragraphs two and four of this endorsement.
2. In the event of an earthquake and resultant insured loss, all payable claims shall be paid in accordance with the terms and provisions of this policy if the total claims payable do not exceed one hundred million dollars and provided no previous claims during the same policy year had been paid due to a previous earthquake in the same policy year. If, however, the claims payable for loss due to an earthquake either exceed the maximum of \$100,000,000 (one hundred million dollars) aggregate annual coverage or exceed whatever aggregate is remaining after a previous earthquake or previous earthquakes in the same policy year, then, in such event, the claims will be paid on a prorated basis.

**OPEN LOT COVERAGE ENDORSEMENT**

EFFECTIVE DATE:

AGENCY:

In consideration of the additional premium charged, Section I, Item B on page 4 of 15, of the State Insurance Fund Standard Policy, is changed to read:

“Trailers or Semi-Trailers”

Coverage is afforded by the State Insurance Fund under this endorsement for school bus fleets and school maintenance vehicles while situated at the premise(s) described below:

- Perils insured against are fire, lightning, windstorm, explosion, theft, earthquake, vandalism, and malicious mischief.
- A deductible of \$25,000 per occurrence applies.
- Losses will be adjusted on an Actual Cash Value (ACV) basis.

## MISCELLANEOUS PROPERTY COVERAGE ENDORSEMENT

It is agreed that when **Miscellaneous Property** is a scheduled line item on the insurance schedule, with the total value of all such items stated, coverage will apply according to the following terms:

1. **Definition. Miscellaneous Property** consists of, but is not limited to, owned, real property, such as fences, flagpoles, light and utility poles, signs, fuel tanks, storage sheds, dugouts, scoreboards and satellite antennae when any single item has a replacement cost of \$10,000 or less and is not otherwise excluded from coverage.
2. Coverage will apply on a blanket basis and will be at full cost of repair or replacement, subject to the lesser of:

The actual adjusted amount of loss covered by this policy, less applicable deductible(s)

or

115% of the scheduled miscellaneous property values, covered by this policy, less applicable deductible(s)

**STATE OF ALABAMA  
FINANCE DEPARTMENT  
DIVISION OF RISK MANAGEMENT  
STATE INSURANCE FUND**

**BOILER AND MACHINERY  
EQUIPMENT COVERAGE SUMMARY**

EFFECTIVE DATE:

EXPIRATION DATE:

INSURED:

LOSS PAYEE:

COVERAGE PREMIUM: **Annually**

| <b>COVERAGE PROVIDED</b>        | <b>LIMIT OF INSURANCE</b> | <b>PROVISIONS APPLICABLE</b>                   |
|---------------------------------|---------------------------|------------------------------------------------|
| <b>PROPERTY DAMAGE</b>          | <b>\$10,000,000 *</b>     | <b>Repair or replacement</b>                   |
| <b>BUSINESS INTERRUPTION **</b> | <b>\$10,000,000 *</b>     | <b>Actual loss sustained</b>                   |
| <b>EXTRA EXPENSE</b>            | <b>\$10,000,000 *</b>     | <b>Reasonable &amp; necessary</b>              |
| <b>UTILITY INTERRUPTION</b>     | <b>\$10,000,000 *</b>     | <b>Off premises power (electric)</b>           |
| <b>CONSEQUENTIAL DAMAGE</b>     | <b>\$100,000</b>          | <b>Property of the insured in cold storage</b> |
| <b>EXPEDITING EXPENSE</b>       | <b>\$100,000</b>          | <b>Temporary repairs</b>                       |
| <b>HAZARDOUS SUBSTANCE</b>      | <b>\$100,000</b>          | <b>Clean up</b>                                |
| <b>AMMONIA CONTAMINATION</b>    | <b>\$100,000</b>          | <b>To covered property</b>                     |
| <b>WATER DAMAGE</b>             | <b>\$100,000</b>          | <b>A/C &amp; Refrigerating Systems</b>         |

**\* \$10,000,000 Combined Limit Applicable for Property Damage and Time Element**

**\*\* Coverage applies per statement of locations and values on file with the Division of Risk Management**

**STATE OF ALABAMA  
FINANCE DEPARTMENT  
DIVISION OF RISK MANAGEMENT  
STATE INSURANCE FUND**

**BOILER AND MACHINERY  
EQUIPMENT COVERAGE**

ENDORSEMENT NUMBER 16

DATE ISSUED:

This endorsement is effective:

It forms a part of policy number:

Issued to:

**DEDUCTIBLES**

- \$ 5,000 Property Damage except
- \$ 30,000 Property Damage applicable to all objects located at the University of Alabama; the University of Alabama – Birmingham (and affiliates); Auburn University; and the University of South Alabama (and affiliates)
- \$ 10,000 As respects all insured refrigeration or A/C systems having a total system capacity of 1,000 HP and above including their additional vessels and piping and driving motors and compressors
- \$ 10,000 As respects any machine that is used for research, medical, diagnostic, surgical, dental, or pathological purposes

A 24 Hour Waiting Period, from time of accident, applies to Business Interruption and Utility Interruption coverages.

## **BOILER AND MACHINERY COVERAGE ENDORSEMENT**

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

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

Other words and phrases that appear in quotation marks have special meaning.

Refer to Section F – **DEFINITIONS**

### **A. COVERAGE**

#### **1. Property Damage**

We will pay for direct damage by a “Covered Cause of Loss” to “Covered Property” located at the Covered Premises described in the Declarations.

“Covered Cause of Loss” is a “Breakdown” to “Covered Equipment”.

#### **2. Coverage Extensions**

You may extend coverages provided under Paragraph A.1. above. Coverage is provided if either a limit, the word **INCLUDED**, or other coverage indicator is shown for that coverage in the Declarations. No coverage is provided unless a limit, the word **INCLUDED** or other coverage indicator is shown.

These coverages apply only to that portion of the loss that is a direct result of a “Covered Cause of Loss” that is not excluded elsewhere in the policy. The “Breakdown” must occur during the policy period, but expiration of the policy does not limit our liability under these Coverage Extensions.

##### **a. Business Income**

We will pay:

- (1) Your actual loss of “Business Income” from a total or partial interruption of business during the “Period of Restoration”; and
- (2) The “Extra Expense” you necessarily incur to reduce or avert the amount of loss under this Coverage Extension. SIF will pay for such expenses to the extent they do not exceed the amount of loss that otherwise would have been payable under this Coverage Extension.

## Endorsement #16

(3) The “Covered Equipment” must either be “Covered Property” or be property of others that is:

(a) Located on or within 500 feet of a Covered Premises insured under this Policy; and

(b) Used to supply air conditioning, communication services, electric power, gas, heating, refrigeration, steam, water or waste treatment to the described premises.

### **b. Extra Expense**

(1) SIF will pay the reasonable “Extra Expense” you necessarily incur to operate your “Business” during the “Period of Restoration”.

(2) We will consider the experience of your business before the “Breakdown” and the probable experience you would have had without the “Breakdown” in determining the amount of your payment.

(3) The “Covered Equipment” must either be “Covered Property” or be property of others that is :

(a) Located on or within 500 feet of a Covered Premises insured under this Policy; and

(b) Used to supply air conditioning, communication services, electric power, gas, heating, refrigeration, steam, water or waste treatment to the described premises.

### **c. Spoilage Damage**

(1) We will pay for the spoilage damage to raw materials, property in process or finished products, provided all of the following conditions are met:

(a) The raw materials, property in process or finished products must be in storage or in the course of being manufactured;

(b) You must own or be legally liable under written contract for the raw materials, property in process or finished products; and

(c) The spoilage damage must be due to the lack or excess of power, light, heat, steam or refrigeration.

(2) We will also pay any necessary expenses you incur to reduce the amount of loss under this coverage. We will pay such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this Coverage Form.

(3) The “Covered Equipment” must either be “Covered Property” or be property of others that is :

## Endorsement #16

- a) Located on or within 500 feet of a Covered Premises insured under this Policy; and
- b) Used to supply air conditioning, communication services, electric power, gas, heating, refrigeration, steam, water or waste treatment to the described premises.

### **d. Utility Interruption**

If you purchase Utility Interruption coverage and have selected coverage for Business Income, Extra Expense and/or Spoilage Damage, the selected coverage(s) are extended to include loss resulting from the interruption of utility services provided all of the following conditions are met:

- (1) The interruption is the direct result of a "Breakdown" to "Covered Equipment" owned, operated or controlled by the local private or public utility or distributor that directly generates, transmits, distributes or provides utility services which you receive; and
- (2) The "Covered Equipment" is located more than 500 feet from the affected Covered Premises insured under this policy; and
- (3) The "Covered Equipment" is used to supply air conditioning, communication services, electric power, gas, heating, refrigeration, steam, water or waste treatment to your premises; and
- (4) The interruption of utility service to your Covered Premises lasts at least the consecutive period of time shown in the Declarations. Once this waiting period is met, coverage will commence at the initial time of the interruption and will be subject to all applicable deductibles.

### **e. Brands and Labels**

- (1) If branded or labeled merchandise that is "Covered Property" is damaged by a "Breakdown", we may take all or any part of the property at an agreed or appraised value. If so, you may:
  - (a) Stamp the word SALVAGE on the merchandise or its containers if the stamp will not physically damage the merchandise; or
  - (b) Remove the brands or labels if doing so will not physically damage the merchandise. You must re-label the merchandise or its containers to comply with any law.
- (2) We will pay reasonable costs you incur to perform the activity described in Paragraphs (1) (a) and (1) (b) , but the total we pay for these costs and the value of the damaged property will not exceed the applicable Limit of Insurance on such property.

**f. Contingent Time Element**

(1) If you purchase Contingent Time Element coverage and have selected coverage for Business Income and/or Extra Expense, the selected coverage(s) are extended to include loss resulting from a “Breakdown” to “Covered Equipment” at a location shown in the Declarations, that is not owned or operated by you and which:

(a) Wholly or partially prevents the delivery of services or materials shown in the Declarations, to you or from you to others for your account;  
or

(b) Results in the loss of sales at your premises shown in the Declarations.

(2) You shall use your influence to induce the contributing or recipient premises to make use of any other machinery, equipment, supplies or premises available in order to resume operations and delivery of services or materials to you, or the acceptance of products or services from you. You shall cooperate with the contributing or recipient premises to this effect in every way, but not financially unless authorized by us.

**g. “Data” or “Media” Coverage**

If:

(1) you purchase “Data” or “Media” Coverage; and

(2) you have selected coverage for Business Income and/or Extra Expense; and

(3) “Media” is damaged or “Data” is lost or corrupted as a direct result of a “Breakdown” to “Covered Equipment”,

SIF will pay your actual loss of “Business Income” and/or your “Extra Expenses” during the time necessary to:

(1) Research, recreate, replace, or restore the damaged “Media” or lost or corrupted “Data”; and

(2) Reprogram instructions used in any covered equipment “Computer Equipment”.

There shall be no coverage for any “Data” or “Media” that cannot be replaced, recreated, or restored.

The most we will pay under this Coverage Extension for “Business Income” and/or “Extra Expense” incurred is the Limit of Insurance indicated for “Data” or “Media” coverage in the Declarations.

**h. Error in Description**

## Endorsement #16

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

You will give us prompt notice of any correction or addition to the description of a location insured under this Policy.

### **i. Expediting Expenses**

With respect to direct damage to "Covered Property" we will pay for the reasonable extra cost you necessarily incur to:

- (1) Make temporary repairs; and
- (2) Expedite the permanent repairs or replacement of the damaged property.

### **j. Newly Acquired Locations**

We will automatically provide coverage at newly acquired locations you have purchased or leased. This coverage begins at the time you acquire the property and continues for a period not exceeding the number of days indicated in the Declarations for Newly Acquired Locations, under the following conditions:

- (1) You must promptly inform us, in writing, of the newly acquired locations; and
- (2) You agree to pay an additional premium as determined by us; and
- (3) The coverage for these locations will be subject to the same terms, conditions, exclusions and limitations as other insured Covered Premises until endorsed onto the Policy; and
- (4) If the coverages and deductibles vary for existing premises, then the coverages for the newly acquired locations will be the broadest coverage and highest limits and deductible applicable to the existing Covered Premises.
- (5) The Coverage under this Coverage Extension will end when any of the following first occurs:
  - (a) This Policy expires; or
  - (b) The number of days specified in the Declarations for this coverage expires after the location is acquired; or
  - (c) The acquisition is reported to us in writing; or
  - (d) The location is specifically insured by this policy.

### **k. Ordinance or Law Coverage (including Demolition and Increased Cost of Construction)**

The following applies despite the Ordinance or Law Exclusion and provided these increases in loss are necessitated by the enforcement of any ordinance, law, rule, regulation or ruling that is in force at the time of the "Breakdown",

## Endorsement #16

which regulate the demolition, construction, repair or use of the building or structure. With respect to the building or structure that was damaged as a result of a "Breakdown":

(1) We will pay for:

(a) The loss in value of the undamaged portion of the building or structure as a consequence of enforcement of an ordinance, law, rule, regulation or ruling that requires the demolition of undamaged parts of the same building or structure;

(b) Your actual cost to demolish and clear the site of the undamaged parts of the same building or structure as a consequence of enforcement of an ordinance, law, rule, regulation or ruling or law that requires the demolition of such undamaged property; and

(c) The increased cost actually and necessarily expended to:

(i) Repair or reconstruct the damaged or destroyed portions of the building or structure; and

(ii) Reconstruct or remodel the undamaged portion of that building or structure with buildings or structures of like materials, height, floor area, and style for like occupancy, whether or not demolition is required on:

i. The same Covered Premises or at another location if you so elect. However if you rebuild at another location, the most we will pay is the increased cost of construction that we would have paid to rebuild at the same Covered Premises; or

ii. Another location if the relocation is required by the ordinance, law, rule, regulation or ruling. The most we will pay is the increased cost of construction at the new location.

(d) If you have selected Business Income coverage and/or Extra Expense coverage, we will pay under this Coverage Extension the additional loss of "Business Income" and/or your "Extra Expense" that you actually incur as a direct consequence of enforcement of an ordinance, law, rule, regulation, or ruling.

(2) We will not pay for:

(a) Demolition or site clearing until the undamaged portions of the buildings or structures are actually demolished;

## Endorsement #16

(b) Increase in loss until the damaged or destroyed buildings or structures are actually rebuilt or replaced and approved by the regulating government agency;

(c) Loss due to any ordinance, law, rule, regulation, or ruling that:

(i) You were required to comply with before the loss, even if the building was undamaged; and

(ii) You failed to comply with;

(d) Increase in the loss, excess of the amount required to meet the minimum requirement of any ordinance, law, rule, regulation, or ruling enforcement at the time of the "Breakdown"; or

(e) Increase in loss resulting from a substance declared to be hazardous to health or environment by any government agency.

(3) If:

(a) The building or structure is damaged by a "Breakdown" that is covered under this policy;

(b) There is other physical damage that is not covered under this policy; and

(c) The building damage in its entirety results in enforcement of ordinance or law;

then we will not pay the full amount of the loss under this coverage. Instead, we will pay only that proportion of such loss; meaning the proportion that the covered "Breakdown" loss bears to the total physical damage.

But if the building or structure sustains direct physical damage that is not covered under this policy and such damage is the subject of the ordinance, law, rule, regulation, or ruling, then there is no Ordinance Or Law coverage under this Coverage Part even if the building has also sustained damage by a covered "Breakdown".

(4) If you have selected coverage for Business Income and/or Extra Expense, then the "Period of Restoration" is extended to include the additional period of time required for demolition, removal, repair, remodeling or reconstruction.

**B. EXCLUSIONS**

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

The exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

**1. Ordinance or Law**

Increase in loss from the enforcement of any ordinance, law, rule, regulation or ruling which restricts or regulates the repair, replacement, alteration, use, operation, construction, installation, clean-up or disposal of "Covered Property", except as provided under Coverage Extension 2.k.

However the words use and operation shall be eliminated as respects a covered "Breakdown" to electrical supply and emergency generating equipment located on any Covered Premises identified in the Declarations, when continued operation is contingent on the presence of such electrical supply and emergency generating equipment as mandated by any government agency.

**2. Earth Movement**

Earth movement, including but not limited to earthquake, landslide, land subsidence, mine subsidence, sinkhole collapse or volcanic action.

**3. Water**

- a. Flood, surface water, waves, tides, tidal waves, tsunami, overflow of any body of water, or their spray, all whether driven by wind or not; or
- b. Mudflow or mudslide; or
- c. Water damage caused by backup of sewer, drains or drainage piping; or
- d. Water damage caused by the discharge or leakage of a sprinkler system, sewer piping or domestic water piping.

**4. Nuclear Hazard**

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

**5. War or Military Action**

- a. War, including undeclared or civil war;
- b. Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
- c. Insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these.

**6. An explosion.**

However, we will pay for direct loss or damage caused by an explosion of "Covered Equipment" of a kind specified in a. through f. below, if not otherwise excluded in this Section B. or elsewhere in this Policy :

- a. Steam boiler; or
- b. Electric steam generator; or
- c. Steam piping; or
- d. Steam turbine; or
- e. Steam engine; or
- f. Gas turbine or any other moving or rotating machinery when such explosion is caused by centrifugal force or mechanical breakdown.

**7. Fire or combustion explosion including those that:**

- a. Result in a "Breakdown"; or
- b. Occur at the same time as a "Breakdown"; or
- c. Ensur from a "Breakdown".

**8. Explosion** within the furnace of a chemical recovery type boiler or within the gas passages from the furnace to the atmosphere.

**9. Damage to "Covered Equipment" undergoing a pressure or electrical test.**

**10. Water or other means used to extinguish a fire**, even when the attempt is unsuccessful.

**Endorsement #16**

**11. Costs to research, reconstruct or restore damaged “Data” or “Media”** except as provided under Coverage Extension 2.g.

**12. Depletion, deterioration, corrosion, erosion, wear and tear, rust, fungus, decay, wet or dry rot, or mold.** However, if a "Breakdown" ensues, we will pay the ensuing loss or damage not otherwise excluded.

**13. A "Breakdown" that is caused directly or indirectly by Hail or Windstorm.**

**14. A “Breakdown” that is caused directly or indirectly by:**

- a. Aircraft or Vehicles, meaning physical contact of an aircraft, a spacecraft, a self-propelled missile, a vehicle or an object thrown up by a vehicle or objects falling from aircraft or spacecraft; or
- b. Civil commotion or Riot including acts of striking employees and looting occurring at the time and place of a riot or civil commotion; or
- c. Collapse of a building or structure or any part of a building or structure; or
- d. Freezing caused by cold weather; or
- e. Falling objects (not including objects that fall within a building or structure unless the roof or an outside wall of the building or structure is first damaged by the falling object) ; or
- f. Lightning; or
- g. Discharge of Molten material; or;
- h. Smoke (not including smoke from agricultural smudging or industrial operations); or.
- k. Vandalism, meaning willful and malicious damage to, or destruction of, the described property; or
- m. Weight of snow, ice, or sleet.

**15. A delay in, or an interruption of** any business, manufacturing or processing activity except as provided in Business Income coverage, Extra Expense coverage, and/or Utility Interruption Coverage.

**16. With respect to Business Income coverage, Extra Expense coverage, Utility Interruption Coverage,** the following additional exclusions shall apply:

**Endorsement #16**

- a. The business that would not or could not have been carried on if the "Breakdown" had not occurred; or
- b. Your failure to use due diligence and dispatch and all reasonable means to operate your business as nearly normal as practicable at the Covered Premises shown in the Declarations; or
- c. The suspension, lapse or cancellation of a contract following a "Breakdown" extending beyond the time business could have resumed if the contract had not lapsed, been suspended or canceled.

**17. Lack or excess of power, light, heat, steam or refrigeration** except as provided by Business Income coverage Extra Expense coverage, Utility Interruption Coverage and/or Spoilage Damage coverage.

**18. With respect to Utility Interruption Coverage**, any loss resulting from the following causes of loss whether or not coverage for that cause of loss is provided by another policy or self-insurance risk retention plan you have. Also excluded are all resulting direct and indirect loss.

- a. Aircraft; or
- b. Civil commotion; or
- c. Collapse; or
- d. Freezing caused by cold weather; or
- e. Impact of aircraft, missile or vehicle; or
- f. Lightning; or
- g. Molten material; or;
- h. Objects falling from aircraft or missiles; or
- i. Riot; or
- j. Smoke; or.
- k. Vandalism; or
- l. Vehicles; or
- m. Weight of snow, ice, or sleet.

## Endorsement #16

- n. Acts of Sabotage; or
- o. Deliberate act(s) of load shedding by the supplying or distributing utility.

**19. Any indirect result** of a "Breakdown" to "Covered Equipment" except as provided by the Business Income coverage, Extra Expense coverage, Spoilage Damage coverage, Utility Interruption Coverage.

**20. Neglect** by you to use all reasonable means to save and preserve "Covered Property" from further damage at and after the time of the loss.

### C. Limits of Insurance

1. The most we will pay for any and all coverages for loss or damage from any "One Breakdown" is the applicable Limit of Insurance shown in the Declarations.
2. Any payment made will not be increased if more than one insured is shown in the Declarations.
3. For each coverage in Paragraph A. 1. and A.2. if:
  - a. INCLUDED is shown in the Declarations, the limit for such coverage is part of, not in addition to, the Limit per Breakdown.
  - b. A limit is shown in the Declarations, we will not pay more than the Limit of Insurance for each such coverage.
4. The most we will pay for direct damage to "Covered Property" for each of the following is the amount indicated in the Declarations under Coverage Limitations. The limits are part of, not in addition to, the Limit of Insurance for Property Damage.

#### a. Ammonia Contamination

If "Covered Property" is contaminated by ammonia as a direct result of a "Breakdown" to "Covered Equipment", SIF will pay for this kind of damage, including salvage expense.

#### b. Hazardous Substance Limitation

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

If covered Property is damaged, contaminated or polluted by a "Hazardous Substance" as a direct result of a "Breakdown" to "Covered Equipment", we will pay for any additional expenses incurred by you for clean up, repair or replacement or disposal of that property.

## Endorsement #16

As used here, additional expenses means the additional cost incurred over and above the amount that SIF would have paid had no "Hazardous Substance" been involved with the loss.

Ammonia is not considered to be a "Hazardous Substance" as respects this limitation.

If you have selected Business Income coverage and/or Extra Expense coverage, SIF will also pay under this Coverage Extension for any loss of "Business Income" or "Extra Expense" caused by such contamination.

The maximum SIF shall pay for damage to "Covered Property", "Business Income", and/or "Extra Expense" under this coverage extension shall be the limit indicated on the Declaration under Hazardous Substance.

### c. Water Damage

If "Covered Property" is damaged by water as a direct result of a "Breakdown" to "Covered Equipment", we will pay for this kind of damage, including salvage expense.

## D. DEDUCTIBLES

### 1. Application of Deductibles

We will not pay for loss or damage resulting from any "One Breakdown" until the amount of covered loss or damage exceeds the deductible shown in the Declarations for each applicable coverage. We will then pay the amount of covered loss or damage in excess of the deductible, up to the applicable Limit of Insurance.

Deductibles apply separately for each applicable coverage except if:

- a. A deductible is shown as COMBINED for any of the coverages in the Declarations, then we will first subtract the combined deductible amount from the aggregate amount of any loss to which the combined deductible applies; or
- b. More than one "Covered Equipment" is involved in "One Breakdown", then only one deductible, the highest, shall apply for each of the applicable coverages.

### 2. Determination of Deductibles

#### a. Dollar Deductible

If a dollar deductible is shown in the Declarations, we will first subtract the deductible amount from any loss we would otherwise pay.

**b. Multiple per Unit Deductible**

If a multiple of units is shown in the Declarations, the deductible will be calculated as the sum of the multiplier times the number of units specified.

(For example: if the deductible specified as \$25/hp for air conditioning units, and a 500 hp air conditioning unit suffered a "Breakdown", the deductible will be \$25 times 500 hp which equals \$12,500.)

**c. Time Deductible**

If a time deductible is shown in the Declarations, we will not be liable for any loss under that coverage that occurs during that specified time period immediately following a "Breakdown". If a time deductible is shown in days, each day shall mean twenty-four consecutive hours.

**d. Multiple of Daily Value Deductible**

If a multiple of daily value is shown in the Declarations, this deductible will be calculated as follows:

(1) For the entire Covered Premises where the loss occurred, determine the total amount of "Business Income" that would have been earned during the "Period of Restoration" had no "Breakdown" taken place.

(2) Divide the result in Paragraph (1) by the number of days the business would have been open during the "Period of Restoration". The result is the daily value.

(3) Multiply the daily value in Paragraph (2) by the number of days shown in the Declarations. We will first subtract this deductible amount from any loss we would otherwise pay. We will then pay the amount of loss or damage in excess of the deductible, up to the applicable Limit of Insurance.

**e. Percentage of Loss Deductible**

If a deductible is expressed as a percentage of loss in the Declarations, we will not be liable for the indicated percentage of gross amount of loss or damage (prior to the applicable deductible or coinsurance) insured under the applicable coverage.

**f. Minimum or Maximum Deductibles**

(1) If:

(a) A minimum dollar amount deductible is shown in the Declarations;  
and

## Endorsement #16

(b) The dollar amount of the Multiple of Daily Value or the Percentage of Loss Deductible is less than the Minimum Deductible;

then the Minimum Deductible amount shown in the Declarations will be the applicable deductible.

(2) If:

(a) A maximum dollar amount deductible is shown in the Declarations;  
and

(b) The dollar amount of the Multiple of Daily Value or the Percentage of Loss Deductible is greater than the Maximum Deductible;

then the Maximum Deductible amount shown in the Declarations will be the applicable deductible.

## E. Conditions

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

### 1. 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 the 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. Defense

(1) If there is damage to property of another in your care, custody or control and for which you are legally liable, that was directly caused by a "Breakdown" to "Covered Equipment", SIF will have the right and duty to

## Endorsement #16

defend you against any suit alleging liability for that property. However, SIF have no duty to defend you against any suit alleging liability for damage to property not covered by this Policy.

(2) If a claim or suit is brought against you alleging that you are liable for damage to property of another that was caused by a "Breakdown" to "Covered Equipment", we will either:

- (a) settle the claim or suit; or
- (b) defend you against the suit but keep for ourselves the right to settle it at any point.

### **d. Duties In The Event of Loss or Damage**

(1) You must see that the following are done in the event of loss or damage to "Covered Property":

- (a) Give us a prompt notice of the loss or damage. Include a description of the property involved; and
- (b) As soon as possible, give us a description of how, when and where the loss or damage occurred; and
- (c) Allow us a reasonable time and opportunity to examine the property and Covered Premises before repairs are undertaken or physical evidence of the "Breakdown" is removed. But you must take whatever measures are necessary to protect the property and premises from further damage; and
- (d) Preserve all repaired or replaced "Covered Property" for our inspection, unless SIF authorize otherwise; and
- (e) As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records; and
- (f) 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; and
- (g) Send us a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms; and
- (h) Cooperate with us in the investigation or settlement of the claim; and
- (i) Promptly send us any legal papers or notices received concerning the loss or damage; and
- (j) Make no statement that will assume any obligation or admit any liability, for any loss or damage for which we may be liable, without our consent.

(2) 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

## **Endorsement #16**

and records. In the event of an examination, an insured's answers must be signed.

### **e. 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.

### **f. Legal Action Against Us**

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

- (1) There has been full compliance with all the terms of this Policy; and
- (2) The action is brought within 2 years after the date of the "Breakdown"; or
- (3) We agree in writing that you have an obligation to pay for damage to "Covered Property" of others or until the amount of that obligation has been determined by final judgment or arbitration award. No one has the right under this policy to bring us into any action to determine your liability.

### **g. Other Insurance**

(1) You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this Policy. If you do, we will pay our share of the covered loss or damage. Our share is the proportion that the applicable Limit of Insurance under this Policy bears to the Limits of Insurance of all insurance covering on the same basis.

(2) If there is other insurance covering the same loss or damage, other than that described in Paragraph (1), 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.

### **h. Privilege To Adjust With Owner**

In the event of loss or damage involving property of others in your care, custody or control, we have the right to settle the loss or damage with the owner of the property. A receipt for payment from the owner of that property will satisfy any claim of yours against us.

### **i. Reducing Your Loss**

As soon as possible after a "Breakdown" you must:

- (1) Resume business, partially or completely;
- (2) Make up for lost business within a reasonable period of time. This reasonable period does not necessarily end when operations are resumed; and

## Endorsement #16

- (3) Make use of every reasonable means to reduce or avert loss including:
  - (a) Working extra time or overtime at the Covered premises or at another location you own or acquire to carry on the same operations;
  - (b) Utilizing the property and/or services of other concerns;
  - (c) Using merchandise or other property, such as surplus machinery, duplicate parts, equipment, supplies and surplus or reserve stock you own, control or can obtain; or
  - (d) Salvaging the damaged "Covered Property".

### **j. Transfer of Rights of Recovery Against Others to Us**

If any person or organization to or for whom we make payment under this Policy has rights to recover damages from another, those rights are transferred to us to the extent of our payment.

That person or organization must do everything necessary to secure our rights and must do nothing after loss to impair them. But you may waive your rights against another party in writing:

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

This will not restrict your insurance.

### **k. Loss Payment**

- (1) In the event of loss or damage covered by this Policy, at our option, SIF will either:
  - (a) Pay the value of lost or damaged property; or
  - (b) Pay the cost of repairing or replacing the lost or damaged property; or
  - (c) Take all or any part of the property at an agreed or appraised value; or
  - (d) Repair, rebuild or replace the property with other property of like kind and quality.
- (2) We will give notice of our intentions within 30 days after we receive the proof of loss.
- (3) We will not pay more than your financial interest in the "Covered Property".

## Endorsement #16

(4) We will pay for covered loss or damage within 30 days after SIF receive the sworn proof of loss, if:

- (a) You have complied with all of the terms of the policy; and
- (b) We have reached agreement with you on the amount of loss or an appraisal award has been made and we have not denied the claim.

### I. Valuation

(1) We will pay the amount you spend to repair or replace "Covered Property" directly damaged by a "Breakdown" to "Covered Equipment". Our payment will be the smallest of:

- (a) The cost to repair the damaged property; or
- (b) The cost to replace the damaged property; or
- (c) The amount you actually spend that is necessary to repair or replace the damaged property.

But we will not pay for such damaged property that is obsolete and useless to you.

(2) If the cost of repairing or replacing a part of "Covered Equipment" is greater than:

- (a) The cost of repairing the entire "Covered Equipment"; or
  - (b) The cost of replacing the entire "Covered Equipment";
- we will pay only the smallest amount.

(3) If "Covered Equipment" cannot be repaired or the cost to repair is more than the cost to replace, and the damage to "Covered Equipment" equals or exceeds 100% of the actual cash value of the "Covered Equipment", you may choose to apply the following provision.

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

(4) Except for New Generation Coverage, you must pay the extra cost of replacing damaged property with property of a better kind or quality or of a larger capacity.

(5) If:

## Endorsement #16

(a) Any damaged "Covered Property", that is intended for your use, is protected by an extended warranty, or maintenance or service contract; and

(b) The warranty or contract becomes void or unusable due to "Breakdown";

we will reimburse you for the prorated amount of the unused costs of non-refundable, non-transferable warranties or contracts.

(6) Unless we agree otherwise in writing, if you do not repair or replace the damaged property within 24 months following the date of the "Breakdown", then SIF will pay only the smaller of the:

(a) Cost it would have taken to repair or replace; or

(b) Actual cash value at the time of the "Breakdown".

(7) If all of the following conditions are met, property held by you for sale will be valued at the selling price as if no loss or damage had occurred, less any discounts you offered and expenses you otherwise would have had if:

(a) The property was manufactured by you;

(b) The selling price of the property is more than the replacement cost of the property; and

(c) You are unable to replace the property before its anticipated sale.

(8) We will pay for loss to damaged "Data" or "Media" as follows:

(a) Replacement cost for "Data" or "Media" that are mass produced and commercially available; and

(b) For all other "Data" or "Media", at the cost of:

(i) Blank material for reproducing the records and

(ii) Labor to transcribe or copy the records when there is a duplicate.

(9) We will determine the value of "Covered Property" under Spoilage Damage Coverage as follows:

(a) For raw materials, the replacement cost;

(b) For goods in process, the replacement cost of the raw materials, the labor extended and the proper proportion of overhead charges; and

(c) For finished goods, the selling price, as if no loss or damage had occurred, less any discounts you offered and expenses you otherwise would have had.

## Endorsement #16

(10) Any salvage value of property obtained for temporary repairs or use following a "Breakdown" which remains after repairs are completed will be taken into consideration in the adjustment of any loss.

### (11) Pair, Sets, or Parts

(a) Pair or Set. In case of loss caused by a "Covered Cause of Loss" to any part of a pair or set, we may:

(i) Repair or replace any part to restore the pair or set to its value before the "Breakdown"; or

(ii) Pay the difference between the value of the pair or set before and after the "Breakdown".

(b) Parts. In case of loss caused by a "Covered Cause of Loss" 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.

### **m. Business Income Report of Values**

You must report to us each year the "business income estimated annual value" for all Covered Premises to which the Coverage Extension – Business Income applies.

### **n. Business Income Coinsurance**

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

(1) Divide the "business income estimated annual value" last reported to us by the "business income actual annual value" at the time of the "Breakdown";

(2) Multiply the total amount of the covered loss of "business income" by the figure determined in paragraph (1) above;

(3) Subtract the applicable Deductible from the amount determined in paragraph (2) above;

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

This provision applies separately to each Covered Premises.

### **o. Conditional Suspension of Coinsurance**

## Endorsement #16

The Business Income Coinsurance provision is suspended if we have received from you, prior to the "Breakdown", a Business Income Report of Values as follows:

- (1) The report must provide a "business income estimated annual value" for the Covered Premises affected by the "Breakdown"; and
- (2) The "business income estimated annual value" must apply to an annual period ending no more than 90 days prior to the date of the "Breakdown".

## 2. General Conditions

### a. Bankruptcy

The bankruptcy or insolvency of you or your estate will not relieve us of our obligation under this Policy.

### b. Cancellation

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

We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:

- (1) 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
- (2) The number of days indicated in the Declarations for Notice of Cancellation before the effective date of cancellation for any reason.

### c. Concealment, Misrepresentation or Fraud

This Policy 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 Policy; or
- (2) The "Covered Property"; or
- (3) Your interest in the "Covered Property"; or
- (4) A claim under this Policy.

### d. Currency

All amounts used herein are expressed in United State currency and any loss sustained under this policy shall be paid in United States currency.

If, in the event of loss or damage, the amount of such loss or damage is computed in the foreign currency, the amount of such loss or damage will

## Endorsement #16

then be converted into United States currency at the rate of exchange as specified in the Wall Street Journal as of the date the "Breakdown" occurred.

### **e. Liberalization**

If we adopt any standard form revision for general use that would broaden coverage in this Policy without additional premium, the broadened coverage will immediately apply to this Policy if the revision is effective within 45 days prior to or during the policy period.

### **f. No Benefit to Bailee**

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

### **g. Policy Period, Coverage Territory**

Under this Policy:

- (1) We cover loss or damage commencing:
  - (a) During the policy period shown in the Declarations; and
  - (b) Within the coverage territory.
- (2) The coverage territory is:
  - (a) The United States of America (including its territories and possessions);
  - (b) Puerto Rico; and
  - (c) Canada.

### **h. Values and Premium Adjustments**

You shall report to us 100% of the total insurable values at each Covered Premises every year as of the anniversary date. The values shall be reported separately for each of the coverages provided.

Premium for each anniversary will be calculated for the ensuing period on the basis of rates in effect at the anniversary date and for all values at risk.

You agree to keep the applicable records for each policy year of the Policy Period available for inspection by our representatives at all times during business hours, during the respective policy year, and for a period of twelve months after the end of the respective Policy year or after cancellation of this Policy.

### **i. Suspension**

Whenever "Covered Equipment" is found to be in, or exposed to, a dangerous condition, any of our representatives may immediately suspend

## Endorsement #16

the insurance against loss from a "Breakdown" to that "Covered Equipment". This can be done by delivering or mailing a written notice of suspension to:

- (1) Your last known address; or
- (2) The address where the "Covered Equipment" is located.

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

If we suspend your insurance, you will get a pro rata refund of premium for that "Covered Equipment". But the suspension will be effective even if we have not yet made or offered a refund.

### 3. Joint or Disputed Loss Agreement

a. This condition is intended to facilitate payment of insurance proceeds when:

- (1) Both a commercial property policy and this policy are in effect; and
- (2) Damage occurs to "Covered Property" that is insured by the commercial property policy(ies) and this Policy; and
- (3) There is disagreement between the insurers as to whether there is coverage or as to the amount of the loss to be paid, if any, by each insurer under its own policies.

b. This condition does not apply if:

- (1) Both the commercial property insurer(s) and we do not admit to any liability; and
- (2) Neither the commercial property insurer(s) nor we contend that coverage applies under the other insurer's policy.

c. The provisions of this condition apply only if all of the following requirements are met:

- (1) The commercial property policy(ies) carried by the Named Insured, insuring the "Covered Property", contains a similar provision at the time of the loss or damage, with substantially the same requirements, procedures and conditions as contained in this condition; and
- (2) The damage to the "Covered Property" was caused by a loss for which:
  - (a) Both the commercial property insurer(s) and we admit to some liability for payment under the respective policies; or
  - (b) There is disagreement between the insurers with respect to:
    - (i) Whether the damage to the "Covered Property" was caused by a "Covered Cause of Loss" insured under this Policy or by a covered cause of loss insured by the commercial property policy(ies); or

## Endorsement #16

(ii) The extent of participation of this Policy and of such commercial property policy(ies) in a loss that is insured against, partially or wholly, by any or all of said policy(ies).

d. If the requirements listed in Paragraph c. above are satisfied, the commercial property insurer(s) and we will make payment per the following:

(1) We will pay, after your written request, the entire amount of loss that we have agreed as being covered, if any, by this Policy and one-half (1/2) the amount of the loss that is in disagreement.

(2) The commercial property insurer(s) will pay, after your written request, the entire amount of loss that they have agreed as being covered, if any, by the commercial property policy and one-half (1/2) the amount of loss that is in disagreement.

(3) Payments by the insurers of the amounts that are in disagreement, as described in Paragraphs (1) and (2), do not alter, waive or surrender any rights of any insurer against any other with regard to the portion of the loss for which each insurer is liable.

(4) The amount in disagreement to be paid by us under this condition shall not exceed the amount payable under the equivalent Loss Agreement(s) of the commercial property policy(ies).

(5) The amount to be paid under this condition shall not exceed the amount we would have paid had no commercial property policy(ies) been in effect at the time of loss. In no event will we pay more than the applicable Limit of Insurance shown in the Declarations.

(6) Acceptance by you of sums paid under this condition does not alter, waive or surrender any other rights against us.

### e. Arbitration

(1) The payments by the commercial property insurer(s) and us hereunder and acceptance of those sums by you signify the agreement between the commercial property insurer(s) and us to proceed with arbitration within 90 days after such payment

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

(3) The decision by the arbitrators shall be binding on the commercial property insurer(s) and us and that judgment upon such award may be entered in any court of competent jurisdiction.

(4) You are to agree to cooperate in connection with such arbitration but not to intervene therein.

## F. Definitions

## Endorsement #16

### 1. "Breakdown":

a. Means the following direct physical loss, that causes damage to "Covered Equipment" and necessitates its repair or replacement:

- (1) Failure of pressure or vacuum equipment;
- (2) Mechanical failure including rupture or bursting caused by centrifugal force; or
- (3) Electrical failure including arcing;

unless such loss or damage is otherwise excluded within this Policy or any Endorsement forming a part of this Policy.

b. Does not mean or include:

- (1) Malfunction including but not limited to adjustment, alignment, calibration, cleaning or modification; or
- (2) Defects, erasures, errors, limitations or viruses in "Computer Equipment", "Data", "Media", and/or programs including the inability to recognize and process any date or time or provide instructions to "Covered Equipment". However, if a "Breakdown" ensues, SIF will pay the ensuing loss or damage not otherwise excluded; or
- (3) Leakage at any valve, fitting, shaft seal, gland packing, joint or connection; or
- (4) Damage to any vacuum tube, gas tube, or brush; or
- (5) Damage to any structure or foundation supporting the "Covered Equipment" or any of its parts; or
- (6) The functioning of any safety or protective device; or
- (7) The cracking of any part on an internal combustion gas turbine exposed to the products of combustion.

### 2. "Business Income" means the:

a. Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; and

b. Continuing normal operating expenses incurred, including "Ordinary Payroll".

3. "**Business Income Actual Annual Value**" means the "Business Income" for the current fiscal year that would have been earned had the "Breakdown" not occurred.

**Endorsement #16**

4. **"Business Income Estimated Annual Value"** means the sum of the net income and continuing normal operating expenses incurred, including payroll as estimated by you in the most recent business income annual value report on file with us.

5. **"Computer Equipment"** means:

a. Your programmable electronic equipment that is used to store, retrieve and process data; and

b. Associated peripheral equipment that provides communication including input and output functions such as printing or auxiliary functions such as data transmission.

It does not include "Data" or "Media".

6. **"Covered Cause of Loss"** – see Page 1, Paragraph A.1.

7. **"Covered Equipment"**:

a. Means and includes any:

(1) Equipment designed and built to operate under internal pressure or vacuum other than weight of contents;

For any boiler or fired vessel, the furnace of the "Covered Equipment" and the gas passages from there to the atmosphere will be considered as outside the "Covered Equipment"; or

(2) Electrical or mechanical equipment that is used in the generation, transmission or utilization of energy; or

(3) Communication equipment, and "Computer Equipment"; or

(4) Fiber optic cable.

b. "Covered Equipment" does not mean or include any:

(1) "Media"; or

(2) Part of pressure or vacuum equipment that is not under internal pressure of its contents or internal vacuum; or

(3) Insulating or refractory material; or

## Endorsement #16

(4) Non-metallic pressure or vacuum equipment, unless it is constructed and used in accordance with the American Society of Mechanical Engineers (A.S.M.E.) code or a Code that has been accepted by the National Board of Boiler and Pressure Vessel Inspectors; or

(5) Catalyst; or

(6) Pressure vessels and piping that are buried below ground and require the excavation of materials to inspect, remove, repair or replace; or

(7) Structure, foundation, cabinet or compartment supporting or containing the "Covered Equipment" or part of the "Covered Equipment" including penstock, draft tube or well casing; or

(8) Vehicle, aircraft, self-propelled equipment or floating vessel including any "Covered Equipment" that is mounted upon or used solely with any one or more vehicle(s) , aircraft, self-propelled equipment or floating vessel; or

(9) Dragline, excavation, or construction equipment including any "Covered Equipment" that is mounted upon or used solely with any one or more dragline(s) , excavation, or construction equipment; or

(10) Elevator or escalator, but not excluding any electrical machine or apparatus mounted on or used with this equipment; or

(11) Felt, wire, screen, die, extrusion plate, swing hammer, grinding disc, cutting blade, non-electrical cable, chain, belt, rope, clutch plate, brake pad, non-metal part or any part or tool subject to periodic replacement; or

(12) Astronomical telescope, cyclotron, nuclear reactor, particle accelerator, satellites and/or spacecraft (including satellite or spacecraft contents and/or their launch sites); or

(13) "Diagnostic Equipment" unless shown as INCLUDED in the Declarations; or

(14) "Production Machines" unless shown as INCLUDED in the Declarations; or

## Endorsement #16

(15) Equipment or any part of equipment manufactured by you for sale.

(16) Oven, stove, furnace, incinerator, pot or kiln but does not exclude any "Covered Equipment" mounted upon or used solely with any oven, stove, furnace, incinerator, pot or kiln.

8. "**Covered Property**" means any property that:

a. You own; or

b. Is in your care, custody or control and for which you are legally liable;

while located at the Covered Premises described in the Declarations.

"Covered Property" does not mean live animals, fish, birds, or insects. It also does not mean eggs intended to become live fish, birds, or insects.

9. "**Data**" means:

a. Programmed and recorded material stored on "Media"; and

b. Programming records used for electronic data processing, or electronically controlled equipment.

10. "**Diagnostic Equipment**" means any machine or apparatus ( other than astronomical telescopes, cyclotron, nuclear reactor or particle accelerator) used solely for research, diagnosis, medical, surgical, therapeutic, dental or pathological purposes.

11. "**Extra Expense**" means the additional cost you incur to operate your business during the "Period of Restoration" over and above the cost that you normally would have incurred to operate the business during the same period had no "Breakdown" occurred.

Any salvage value of property obtained for temporary use during the "Period of Restoration" which remains after the resumption of normal operations will be taken into consideration in the adjustment of any loss.

12. "**Hazardous Substance**" means any substance other than ammonia that has been declared to be hazardous to health by a government agency.

13. "**Media**" means electronic data processing or storage media such as films, tapes, discs, drums or cells.

14. "**One Breakdown**" means if an initial "Breakdown" causes other "Breakdowns", all will be considered "One Breakdown". All "Breakdowns" at any

## Endorsement #16

one premises that manifest themselves at the same time and are the direct result of the same cause will be considered "One Breakdown".

15. **“Ordinary Payroll”** means payroll expenses for all your employees except Officers, Executives, Department Managers, and Employees under Contract.

“Ordinary Payroll” expenses include Payroll; Employee Benefits, if directly related to payroll; FICA payments; Union dues; and Workers’s Compensation premiums.

16. **"Period of Restoration"** means the period of time that:

- a. Begins at the time of the "Breakdown"; and
- b. Ends the number of consecutive days indicated in the Declarations, after the date when the damaged property at the Covered Premises described in the Declarations could have been repaired or replaced with reasonable speed and similar quality.

17. **“Production Machines”** means any production or process machine or apparatus that processes, forms, cuts, shapes, or grinds raw materials, materials in process or finished products, including all “Covered Equipment” that is used solely with and/or forms an integral part of the production or process or apparatus. But “Production Machines” does not include any:

- a. Pressure vessel or vacuum vessel, other than any cylinder containing a movable plunger or piston; or
- b. Pump, compressor, fan or blower that conveys raw materials, materials in process or finished products; or
- c. Separate enclosed gear set connected by a coupling, clutch or belt; or
- d. Separate driving electrical or mechanical machine connected by a coupling clutch or belt.

18. **"Stock"** means merchandise held in storage or for sale, raw materials, property in process or finished products including supplies used in their packing or shipping.

19. **“Total Limit per Breakdown”** means the total maximum amount payable for all the coverages provided under this Policy as the result of “One Breakdown”.

**PROTECTION AND PRESERVATION OF  
PROPERTY COVERAGE ENDORSEMENT**

Effective Date:

Attached to and forming a part  
of Policy #:

Issued to:

In consideration of the premium charged, it is understood and agreed that in case of actual or imminent physical loss or damage of the type insured by this Policy, the expenses incurred by the Insured in taking reasonable and necessary actions for the temporary protection and preservation of Covered Property shall be added to the total physical loss or damage otherwise recoverable under the Policy, subject to the applicable amount of insurance for the subject location and Retention Amount(s).

## ORDINANCE OR LAW COVERAGE

Effective Date:

Attached to and forming a part of Policy #:

Issued to:

**SCHEDULE** All buildings insured under this policy which are insured subject to the Replacement Cost Value Coverage endorsement.

### LIMITS OF INSURANCE

Loss Payable under each of coverages A, B, or C shall not exceed 10% of the loss otherwise payable under this policy before the application of this ordinance or law coverage.

#### A. COVERAGE

**1. Coverage A - Coverage For Loss to the Undamaged Portion of the Building.**

In the event of insured loss to an insured building this insurance will pay for loss to the undamaged portion of the building caused by enforcement of any ordinance or law that:

- a. Requires the demolition of parts of the same property not damaged by an insured peril.
- b. Regulates the construction or repair of buildings, or establishes zoning or land use requirements at described premises; and
- c. Is in force at the time of loss.

**2. Coverage B - Demolition Cost Coverage.**

In the event of insured loss to an insured building, this insurance will pay the cost to demolish and clear the site of undamaged parts of the property caused by enforcement of buildings, zoning or land use ordinance or law.

**3. Coverage C - Increased Cost of Construction Coverage.**

In the event of insured loss to an insured building, this insurance will pay for the increased cost to repair, rebuild or construct the property caused by enforcement of building, zoning or land use ordinance or law.

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

However, we will not pay for the increased cost of construction if the building is not repaired or replaced.

## Endorsement #18

### B. Pollutants Exclusion

This insurance will not pay for the cost 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.”

### C. Limitation - Coverage A

Under Coverage A - Coverage for Loss to the Undamaged Portion of the Building:

If the property is repaired or replaced, this insurance will not pay more for loss or damage to insured property, including loss caused by enforcement of an ordinance or law, than the amount actually spent to repair, rebuild or reconstruct the building, nor for more than the amount it would cost to restore the building on the same premises and to the same height, floor area, style and comparable quality of the original property insured.

### D. Limitation - Coverage B

This insurance will not pay more under Coverage B - Demolition Cost Coverage than the amount actually spent to demolish and clear the site of the described premises.

### E. Limitation - Under Coverage C:

#### 1. Under Coverage C – Increased Cost of Construction:

- a. Until the property is actually repaired or replaced, and
- b. Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not to exceed two years.

2. If the ordinance or law requires relocation to another premises, the most this insurance will pay under Coverage C is the increased cost of construction at the new premises.

### F. The terms of this endorsement apply separately to each building to which this coverage applies.

## **BUSINESS INCOME COVERAGE FORM (WITHOUT EXTRA EXPENSE)**

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

Throughout this policy the words “you” and “your” refer to the Named Insured shown in the Endorsement. The words “we,” “us” and “our” refer to the SIF (State Insurance Fund) providing this insurance. Other words and phrases that appear in quotation marks have special meaning. Refer to SECTION G - DEFINITIONS.

### **A. COVERAGE**

Coverage is provided as described below for one or more of the following options for which a Limit of Insurance is shown on the Property Schedule:

- (i) Business Income including “Rental Value.”
- (ii) Business Income other than “Rental Value.”
- (iii) “Rental Value.”

If option (i) above is selected, the term Business Income will include “Rental Value.” If option (iii) above is selected, the term Business Income will mean “Rental Value” only.

If Limits of Insurance are shown under more than one of the above options, the provisions of this Coverage Part apply separately to each.

We will pay for the actual loss of Business Income you sustain due to the necessary suspension of your “operations” during the “period of restoration.” The suspension must be caused by direct physical loss of or damage to property at the premises described on the Property Schedule, including personal property in the open (or in a vehicle) within 100 feet, caused by or resulting from any Covered Cause of Loss.

1. **Business Income** means the:
  - a. Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; and
  - b. continuing normal operating expenses incurred, including payroll.
2. **Covered Causes of Loss** See applicable Causes of Loss Form as shown on the Property Schedule.
3. **Additional Coverages**
  - a. **Expenses to Reduce Loss.** We will pay any necessary expenses you incur, except the cost of extinguishing a fire, to reduce the amount of loss under this Coverage Form. We will pay for such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this Coverage Form.

The Additional Condition, Coinsurance, does not apply to this Additional Coverage.

## Endorsement #19

- b. Civil Authority.** We will pay for the actual loss of Business Income you sustain caused by action of civil authority that prohibits access to the described premises due to direct physical loss of or damage to property, other than at the described premises, caused by or resulting from any Covered Cause of Loss. This coverage will apply for a period of up to two consecutive weeks from the date of that action.
- c. Alterations and New Buildings.** We will pay for the actual loss of Business Income you sustain due to direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss to:
- (1) new buildings or structures, whether complete or under construction;
  - (2) alterations or additions to existing buildings or structures; and
  - (3) machinery, equipment, supplies or building materials located on or within 100 feet of the described premises and
    - (a) used in the construction, alterations or additions; or
    - (b) incidental to the occupancy of new buildings.

If such direct physical loss or damage delays the start of “operations,” the “period of restoration” will begin on the date “operations” would have begun if the direct physical loss or damage had not occurred.

- d. Extended Business Income.** We will pay for the actual loss of Business Income you incur during the period that:
- (1) begins on the date property (except “finished stock”) is actually repaired, rebuilt or replaced and “operations” are resumed; and
  - (2) ends on the earlier of:
    - (a) the date you could restore your “operations,” with reasonable speed, to the condition that would have existed if no direct physical loss or damage occurred; or
    - (b) 30 consecutive days after the date determined in (1) above.

Loss of Business Income must be caused by direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss.

**4. Coverage Extension** If a Coinsurance percentage of 50% or more is shown on the Property Schedule, you may extend the insurance provided by this Coverage Part as follows:

### **Newly Acquired Locations**

- a.** You may extend your Business Income Coverage to apply to property at any location you acquire other than fairs or exhibitions.
- b.** The most we will pay for loss under this Extension is 10% of the Limit of Insurance for Business Income shown on the Property Schedule, but not more than \$100,000 at each location.

## Endorsement #19

- c. Insurance under this Extension for each newly acquired location will end when any of the following first occurs:
  - (1) this policy expires;
  - (2) 30 days expire after you acquire or begin to construct the property; or
  - (3) you report values to us.

We will charge you additional premium for values reported from the date you acquire the property.

This Extension is additional insurance. The Additional Condition, Coinsurance, does not apply to this Extension.

### **B. EXCLUSIONS**

See applicable Causes of Loss Form as shown on the Property Schedule.

### **C. LIMITS OF INSURANCE**

The most we will pay for loss in any one occurrence is the applicable Limit of Insurance shown on the Property Schedule.

The limit applicable to the Coverage Extension is in addition to the Limit of Insurance.

Payments under the following Additional Coverages will not increase the applicable Limit of Insurance:

1. Alterations and New Buildings;
2. Civil Authority;
3. Extended Business Income;
4. Expenses to Reduce Loss.

### **D. LOSS CONDITIONS**

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

**1. Appraisal** If we and you disagree on the amount of Net Income and operating expense 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 amount of Net Income and operating expense or amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- a. pay its chosen appraiser; and
- b. bear the other expenses of the appraisal and umpire equally.

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

## Endorsement #19

**2. Duties In The Event Of Loss** You must see that the following are done in the event of loss:

- a. notify the police if a law may have been broken;
- b. give us prompt notice of the direct physical loss or damage. Include a description of the property involved;
- c. as soon as possible, give us a description of how, when and where the direct physical loss or damage occurred;
- d. take all reasonable steps to protect the Covered Property from further damage by a Covered Cause of Loss. If feasible, set the damaged property aside and in the best possible order for examination. Also keep a record of your expenses for emergency and temporary repairs for consideration in the settlement of the claim. This will not increase the Limit of Insurance;
- e. permit us to inspect the property and records proving the loss. Also permit us to take samples of damaged property for inspection, testing and analysis;
- f. 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;
- g. send us a signed, sworn statement of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms;
- h. cooperate with us in the investigation or settlement of the claim;
- i. resume all or part of your "operations" as quickly as possible.

**3. Limitation - Electronic Media And Records** We will not pay for any loss of Business Income caused by direct physical loss of or damage to Electronic Media and Records after the longer of:

- a. 60 consecutive days from the date of direct physical loss or damage; or
- b. the period, beginning with the date of direct physical loss or damage, necessary to repair, rebuild or replace, with reasonable speed and similar quality, other property at the described premises due to loss or damage caused by the same occurrence.

Electronic Media and Records are:

- (1) electronic data processing, recording or storage media such as films, tapes, discs, drums or cells;
- (2) data stored on such media; or
- (3) programming records used for electronic data processing or electronically controlled equipment.

### Example No. 1:

A Covered Cause of Loss damages a computer on June 1. It takes until September 1 to replace the computer, and until October 1 to restore the data that was lost when the

## Endorsement #19

damage occurred. We will only pay for the Business Income loss sustained during the period June 1 – September 1. Loss during the period September 2 – October 1 is not covered.

### Example No. 2:

A Covered Cause of Loss results in the loss of data processing programming records on August 1. The records are replaced on October 15. We will only pay for the Business Income loss sustained during the period August 1–September 29 (60 consecutive days). Loss during the period September 30–October 15 is not covered.

**4. Loss Determination** The amount of Business Income loss will be determined based on:

- a. the Net Income of the business before the direct physical loss or damage occurred;
- b. the likely Net Income of the business if no loss or damage occurred;
- c. the operating expenses, including payroll expenses, necessary to resume “operations” with the same quality of service that existed just before the direct physical loss or damage; and
- d. other relevant sources of information, including:
  - (1) your financial records and accounting procedures;
  - (2) bills, invoices and other vouchers; and
  - (3) deeds, liens or contracts.

**5. Loss Payment** We will pay for covered loss within 30 days after we receive the sworn statement of loss, if:

- a. you have complied with all of the terms of this Coverage part; and
- b. (1) we have reached agreement with you on the amount of loss; or  
(2) an appraisal award has been made.

**6. Resumption of Operations** We will reduce the amount of your Business Income loss to the extent you can resume your “operations,” in whole or in part, by using damaged or undamaged property (including merchandise or stock) at the described premises or elsewhere.

## **E. ADDITIONAL CONDITION**

### **Coinsurance**

If a Coinsurance percentage is shown on the Property Schedule, the following condition applies in addition to the Common Policy Conditions and the Commercial Property Conditions.

We will not pay the full amount of any loss if the Limit of Insurance for Business Income is less than:

- a. the Coinsurance percentage shown for Business Income on the Property Schedule: times

## Endorsement #19

**b.** the sum of:

- (1) the Net Income (Net Profit or Loss before income taxes), and
- (2) all operating expenses, including payroll expenses

that would have been earned (had no loss occurred) by your “operations” at the described premises for the 12 months following the inception, or last previous anniversary date, of this policy (whichever is later).

Instead, we will determine the most we will pay using the following steps:

**1.** multiply the Net Income and operating expense for the 12 months following the inception, or last previous anniversary date, of this policy by the Coinsurance percentage;

**2.** divide the Limit of Insurance for the described premises by the figure determined in step 1; and

**3.** multiply the total amount of loss by the figure determined in step 2.

We will pay the amount determined in step 3. or the limit of insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

### Example No. 1 (Underinsurance):

When: The Net Income and operating expenses for the 12 months following the inception, or last previous anniversary date, of this policy at the described premises would have been \$400,000

The Coinsurance percentage is 50%

The Limit of Insurance is \$150,000

The amount of loss is \$80,000

Step 1:  $\$400,000 * 50\% = \$200,000$  (the minimum amount of insurance to meet your Coinsurance requirements)

Step 2:  $\$150,000 / \$200,000 = .75$

Step 3:  $\$80,000 * .75 = \$60,000$

We will pay no more than \$60,000. The remaining \$20,000 is not covered.

### Example No. 2 (Adequate Insurance):

When: The Net Income and operating expenses for the 12 months following the inception, or last previous anniversary date, of this policy at the described premises would have been \$400,000

The Coinsurance percentage is 50%

The Limit of Insurance is \$200,000

The amount of loss is \$80,000

**Endorsement #19**

Step 1:  $\$400,000 * 50\% = \$200,000$  (the minimum amount of insurance to meet your Coinsurance requirements)

Step 2:  $\$200,000 / \$200,000 = 1.00$

Step 3:  $\$80,000 * 1.00 = \$80,000$

We will cover the \$80,000 loss. No penalty applies.

**F. OPTIONAL COVERAGES**

If shown on the Property Schedule, the following Optional Coverages apply separately to each item.

**1. Maximum Period of Indemnity**

a. The Additional Condition, Coinsurance, does not apply to this Coverage Form at the described premises to which this Optional Coverage applies.

b. The most we will pay for loss of Business Income is the lesser of:

(1) the amount of loss sustained during the 120 days immediately following the direct physical loss or damage; or

(2) the Limit of Insurance shown in the Declarations.

**2. Monthly Limit of Indemnity**

a. The Additional Condition, Coinsurance, does not apply to this Coverage Form at the described premises to which this Optional Coverage applies.

b. The most we will pay for loss of Business Income in each period of 30 consecutive days after the direct physical loss or damage is:

(1) the Limit of Insurance, multiplied by

(2) the fraction shown in the Declarations for this Optional Coverage.

Example:

When: The Limit of Insurance is \$120,000

The fraction shown on the Property Schedule for this Optional Coverage is 1/4

The most we will pay for loss in each period of 30 consecutive days is:  
 $\$120,000 * 1/4 = \$30,000$

If, in this example, the actual amount of loss is:

|            |               |
|------------|---------------|
| Days 1–30  | \$40,000      |
| Days 31–60 | 20,000        |
| Days 61–90 | <u>30,000</u> |
|            | \$90,000      |

We will pay:

|            |               |
|------------|---------------|
| Days 1–30  | \$30,000      |
| Days 31–60 | 20,000        |
| Days 61–90 | <u>30,000</u> |

**Endorsement #19**

\$80,000

The remaining \$10,000 is not covered.

**3. Agreed Value**

**a.** To activate this Optional Coverage:

(1) a Business Income Report/ Work Sheet must be made a part of this policy and must show financial data for your “operations:”

(a) during the 12 months prior to the date of the Work Sheet; and

(b) estimated for the 12 months immediately following the inception of this Optional Coverage;

(2) an Agreed Value must be shown on the Property Schedule or on the Work Sheet.

The Agreed Value should be at least equal to:

(a) the Coinsurance percentage shown on the Property Schedule; multiplied by

(b) the amount of Net Income and Operating Expenses for the following 12 months you report on the Work Sheet.

**b.** The Additional Condition, Coinsurance, is suspended until:

(1) 12 months after the effective date of this Optional Coverage; or

(2) the expiration date of this policy;

whichever occurs first.

**c.** We will reinstate the Additional Condition, Coinsurance, automatically if you do not submit a new Work Sheet and Agreed Value:

(1) within 12 months of the effective date of this Optional Coverage;

or

(2) when you request a change in your Business Income Limit of Insurance.

**d.** If the Business Income Limit of Insurance is less than the Agreed Value, we will not pay more than the amount of loss multiplied by:

(1) the Business Income Limit of Insurance; divided by

(2) the Agreed Value.

Example:

When: The Limit of Insurance is \$100,000

The Agreed Value is \$200,000

The amount of loss is \$80,000

Step 1:  $\$10,000 / \$200,000 = .50$

## Endorsement #19

Step 2:  $.50 * \$80,000 = \$40,000$

We will pay \$40,000. The remaining \$40,000 is not covered.

**4. Extended Period of Indemnity** Under paragraph A.3.d., Extended Business Income, the number “30” in subparagraph (2)(b) is replaced by the number shown on the Property Schedule for this Optional Coverage.

### G. DEFINITIONS

**1. “Finished Stock”** means stock you have manufactured.

“Finished stock” also includes whiskey and alcoholic products being aged, unless there is a Coinsurance percentage shown for Business Income on the Property Schedule.

“Finished stock” does not include stock you have manufactured that is held for sale on the premises of any retail outlet insured under this Coverage Part.

**2. “Operations”** means:

- a. your business activities occurring at the described premises; and
- b. the tenantability of the described premises, if coverage for Business Income including “Rental Value” or “Rental Value” applies.

**3. “Period of Restoration”** means the period of time that:

- a. begins with the date of direct physical loss or damage caused by or resulting from any Covered Cause of Loss at the described premises; and
- b. ends on the date when the property at the described premises should be repaired, rebuilt or replaced with reasonable speed and similar quality;

“Period of restoration” does not include any increased period required due to the enforcement of any ordinance or law that:

- 1) regulates the construction, use or repair, or requires the tearing down of any property; or
- 2) 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.”

The expiration date of this policy will not cut short the “period of restoration.”

**4. “Pollutants”** means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

**5. “Rental Value”** means the:

- a. total anticipated rental income from tenant occupancy of the premises described in the Declarations as furnished and equipped by you; and
- b. amount of all charges which are the legal obligation of the tenant(s) and which would otherwise be your obligations; and

**Endorsement #19**

c. fair rental value of any portion of the described premises which is occupied by you.

**BUSINESS INCOME COVERAGE FOR  
EDUCATIONAL INSTITUTIONS  
(WITHOUT EXTRA EXPENSE)**

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

Throughout this policy the words “you” and “your” refer to the Named Insured shown in the Endorsement. The words “we,” “us” and “our” refer to the SIF (State Insurance Fund) providing this insurance. Other words and phrases that appear in quotation marks have special meaning. Refer to SECTION G - DEFINITIONS.

**A. COVERAGE**

Coverage is provided as described below for one or more of the following options for which a Limit of Insurance is shown on the Property Schedule:

- (i) Business Income including “Rental Value.”
- (ii) Business Income other than “Rental Value.”
- (iii) “Rental Value.”

If option (i) above is selected, the term Business Income will include “Rental Value.” If option (iii) above is selected, the term Business Income will mean “Rental Value” only.

If Limits of Insurance are shown under more than one of the above options, the provisions of this Coverage Part apply separately to each.

We will pay for the actual loss of Business Income you sustain due to the necessary suspension of your “operations” during the “period of restoration.” The suspension must be caused by direct physical loss of or damage to property at the premises described on the Property Schedule, including personal property in the open (or in a vehicle) within 100 feet, caused by or resulting from any Covered Cause of Loss.

- 1. Business Income** means the:
  - a.** Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; and
  - b.** continuing normal operating expenses incurred, including payroll.
- 2. Covered Causes of Loss** See applicable Causes of Loss Form as shown on the Property Schedule.
- 3. Additional Coverages**
  - a. Expenses to Reduce Loss.** We will pay any necessary expenses you incur, except the cost of extinguishing a fire, to reduce the amount of loss under this Coverage Form. We will pay for such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this Coverage Form.  
The Additional Condition, Coinsurance, does not apply to this Additional Coverage.

**b. Civil Authority.** We will pay for the actual loss of Business Income you sustain caused by action of civil authority that prohibits access to the described premises due to direct physical loss of or damage to property, other than at the described premises, caused by or resulting from any Covered Cause of Loss. This coverage will apply for a period of up to two consecutive weeks from the date of that action.

**a. Alterations and New Buildings.** We will pay for the actual loss of Business Income you sustain due to direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss to:

- (1) new buildings or structures, whether complete or under construction;
- (2) alterations or additions to existing buildings or structures; and
- (3) machinery, equipment, supplies or building materials located on or within 100 feet of the described premises and
  - (a) used in the construction, alternations or additions; or
  - (b) incidental to the occupancy of new buildings.

If such direct physical loss or damage delays the start of “operations,” the “period of restoration” will begin on the date “operations” would have begun if the direct physical loss or damage had not occurred.

**b. Extended Business Income.** We will pay for the actual loss of Business Income you incur during the period that:

- (1) begins on the date property (except “finished stock”) is actually repaired, rebuilt or replaced and “operations” are resumed; and
- (2) ends on the earlier of:
  - (a) the date you could restore your “operations,” with reasonable speed, to the condition that would have existed if no direct physical loss or damage occurred; or
  - (b) 30 consecutive days after the date determined in (1) above.

Loss of Business Income must be caused by direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss.

**4. Coverage Extension** If a Coinsurance percentage of 50% or more is shown on the Property Schedule, you may extend the insurance provided by this Coverage Part as follows:

**Newly Acquired Locations**

- a.** You may extend your Business Income Coverage to apply to property at any location you acquire other than fairs or exhibitions.
- b.** The most we will pay for loss under this Extension is 10% of the Limit of Insurance for Business Income shown on the Property Schedule, but not more than \$100,000 at each location.
- c.** Insurance under this Extension for each newly acquired location will end when any of the following first occurs:

**Endorsement #19A**

- (1) this policy expires;
- (2) 30 days expire after you acquire or begin to construct the property; or
- (3) you report values to us.

We will charge you additional premium for values reported from the date you acquire the property.

This Extension is additional insurance. The Additional Condition, Coinsurance, does not apply to this Extension.

**B. EXCLUSIONS**

See applicable Causes of Loss Form as shown on the Property Schedule.

**C. LIMITS OF INSURANCE**

The most we will pay for loss in any one occurrence is the applicable Limit of Insurance shown on the Property Schedule.

The limit applicable to the Coverage Extension is in addition to the Limit of Insurance.

Payments under the following Additional Coverages will not increase the applicable Limit of Insurance:

1. Alterations and New Buildings;
2. Civil Authority;
3. Extended Business Income;
4. Expenses to Reduce Loss.

**D. LOSS CONDITIONS**

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

**1. Appraisal** If we and you disagree on the amount of Net Income and operating expense 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 amount of Net Income and operating expense or amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- a. pay its chosen appraiser; and
- b. bear the other expenses of the appraisal and umpire equally.

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

**2. Duties In The Event Of Loss** You must see that the following are done in the event of loss:

- a. notify the police if a law may have been broken;

## Endorsement #19A

- b. give us prompt notice of the direct physical loss or damage. Include a description of the property involved;
- c. as soon as possible, give us a description of how, when and where the direct physical loss or damage occurred;
- d. take all reasonable steps to protect the Covered Property from further damage by a Covered Cause of Loss. If feasible, set the damaged property aside and in the best possible order for examination. Also keep a record of your expenses for emergency and temporary repairs for consideration in the settlement of the claim. This will not increase the Limit of Insurance;
- e. permit us to inspect the property and records proving the loss. Also permit us to take samples of damaged property for inspection, testing and analysis;
- f. 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;
- g. send us a signed, sworn statement of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms;
- h. cooperate with us in the investigation or settlement of the claim;
- i. resume all or part of your "operations" as quickly as possible.

**3. Limitation - Electronic Media And Records** We will not pay for any loss of Business Income caused by direct physical loss of or damage to Electronic Media and Records after the longer of:

- a. 60 consecutive days from the date of direct physical loss or damage; or
- b. the period, beginning with the date of direct physical loss or damage, necessary to repair, rebuild or replace, with reasonable speed and similar quality, other property at the described premises due to loss or damage caused by the same occurrence.

Electronic Media and Records are:

- (1) electronic data processing, recording or storage media such as films, tapes, discs, drums or cells;
- (2) data stored on such media; or
- (3) programming records used for electronic data processing or electronically controlled equipment.

### Example No. 1:

A Covered Cause of Loss damages a computer on June 1. It takes until September 1 to replace the computer, and until October 1 to restore the data that was lost when the damage occurred. We will only pay for the Business Income loss sustained during the period June 1 – September 1. Loss during the period September 2 – October 1 is not covered.

## Endorsement #19A

### Example No. 2:

A Covered Cause of Loss results in the loss of data processing programming records on August 1. The records are replaced on October 15. We will only pay for the Business Income loss sustained during the period August 1–September 29 (60 consecutive days). Loss during the period September 30–October 15 is not covered.

- 4. Loss Determination** The amount of Business Income loss will be determined based on:
  - a. the Net Income of the business before the direct physical loss or damage occurred;
  - b. the likely Net Income of the business if no loss or damage occurred;
  - c. the operating expenses, including payroll expenses, necessary to resume “operations” with the same quality of service that existed just before the direct physical loss or damage; and
  - d. other relevant sources of information, including:
    - (1) your financial records and accounting procedures;
    - (2) bills, invoices and other vouchers; and
    - (3) deeds, liens or contracts.
- 5. Loss Payment** We will pay for covered loss within 30 days after we receive the sworn statement of loss, if:
  - a. you have complied with all of the terms of this Coverage part; and
  - b.
    - (1) we have reached agreement with you on the amount of loss; or
    - (2) an appraisal award has been made.
- 6. Resumption of Operations** We will reduce the amount of your Business Income loss to the extent you can resume your “operations,” in whole or in part, by using damaged or undamaged property (including merchandise or stock) at the described premises or elsewhere.

## **E. ADDITIONAL CONDITION**

### **Coinsurance**

If a Coinsurance percentage is shown on the Property Schedule, the following condition applies in addition to the Common Policy Conditions and the Commercial Property Conditions.

We will not pay the full amount of any loss if the Limit of Insurance for Business Income is less than:

- a. the Coinsurance percentage shown for Business Income in the Declarations: times
- b. the sum of:
  - (1) the Net Income (Net Profit or Loss before income taxes), and
  - (2) all operating expenses, including payroll expenses

## Endorsement #19A

that would have been earned (had no loss occurred) by your “operations” at the described premises for the 12 months following the inception, or last previous anniversary date, of this policy (whichever is later).

Instead, we will determine the most we will pay using the following steps:

1. multiply the Net Income and operating expense for the 12 months following the inception, or last previous anniversary date, of this policy by the Coinsurance percentage;
2. divide the Limit of Insurance for the described premises by the figure determined in step 1; and
1. multiply the total amount of loss by the figure determined in step 2.

We will pay the amount determined in step 3. or the limit of insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

### Example No. 1 (Underinsurance):

When: The Net Income and operating expenses for the 12 months following the inception, or last previous anniversary date, of this policy at the described premises would have been \$400,000

The Coinsurance percentage is 50%

The Limit of Insurance is \$150,000

The amount of loss is \$80,000

Step 1:  $\$400,000 * 50\% = \$200,000$  (the minimum amount of insurance to meet your Coinsurance requirements)

Step 2:  $\$150,000 / \$200,000 = .75$

Step 3:  $\$80,000 * .75 = \$60,000$

We will pay no more than \$60,000. The remaining \$20,000 is not covered.

### Example No. 2 (Adequate Insurance):

When: The Net Income and operating expenses for the 12 months following the inception, or last previous anniversary date, of this policy at the described premises would have been \$400,000

The Coinsurance percentage is 50%

The Limit of Insurance is \$200,000

The amount of loss is \$80,000

Step 1:  $\$400,000 * 50\% = \$200,000$  (the minimum amount of insurance to meet your Coinsurance requirements)

Step 2:  $\$200,000 / \$200,000 = 1.00$

Step 3:  $\$80,000 * 1.00 = \$80,000$

We will cover the \$80,000 loss. No penalty applies.

**F. OPTIONAL COVERAGES**

If shown on the Property Schedule, the following Optional Coverages apply separately to each item.

**1. Maximum Period of Indemnity**

- a. The Additional Condition, Coinsurance, does not apply to this Coverage Form at the described premises to which this Optional Coverage applies.
- b. The most we will pay for loss of Business Income is the lesser of:
  - (1) the amount of loss sustained during the 120 days immediately following the direct physical loss or damage; or
  - (2) the Limit of Insurance shown in the Declarations.

**2. Monthly Limit of Indemnity**

- a. The Additional Condition, Coinsurance, does not apply to this Coverage Form at the described premises to which this Optional Coverage applies.
- b. The most we will pay for loss of Business Income in each period of 30 consecutive days after the direct physical loss or damage is:
  - (1) the Limit of Insurance, multiplied by
  - (2) the fraction shown in the Declarations for this Optional Coverage.

Example:

When: The Limit of Insurance is \$120,000

The fraction shown on the Property Schedule for this Optional Coverage is 1/4

The most we will pay for loss in each period of 30 consecutive days is:  $\$120,000 * 1/4 = \$30,000$

If, in this example, the actual amount of loss is:

|            |               |
|------------|---------------|
| Days 1–30  | \$40,000      |
| Days 31–60 | 20,000        |
| Days 61–90 | <u>30,000</u> |
|            | \$90,000      |

We will pay:

|            |               |
|------------|---------------|
| Days 1–30  | \$30,000      |
| Days 31–60 | 20,000        |
| Days 61–90 | <u>30,000</u> |
|            | \$80,000      |

The remaining \$10,000 is not covered.

**3. Agreed Value**

- c. To activate this Optional Coverage:

## Endorsement #19A

(1) a Business Income Report/ Work Sheet must be made a part of this policy and must show financial data for your “operations:”

(a) during the 12 months prior to the date of the Work Sheet; and

(b) estimated for the 12 months immediately following the inception of this Optional Coverage;

(2) an Agreed Value must be shown on the Property Schedule or on the Work Sheet.

The Agreed Value should be at least equal to:

(a) the Coinsurance percentage shown on the Property Schedule; multiplied by

(b) the amount of Net Income and Operating Expenses for the following 12 months you report on the Work Sheet.

b. The Additional Condition, Coinsurance, is suspended until:

(1) 12 months after the effective date of this Optional Coverage; or

(2) the expiration date of this policy;

whichever occurs first.

c. We will reinstate the Additional Condition, Coinsurance, automatically if you do not submit a new Work Sheet and Agreed Value:

(1) within 12 months of the effective date of this Optional Coverage; or

(2) when you request a change in your Business Income Limit of Insurance.

d. If the Business Income Limit of Insurance is less than the Agreed Value, we will not pay more than the amount of loss multiplied by:

(1) the Business Income Limit of Insurance; divided by

(2) the Agreed Value.

### Example:

When: The Limit of Insurance is \$100,000

The Agreed Value is \$200,000

The amount of loss is \$80,000

Step 1:  $\$10,000 / \$200,000 = .50$

Step 2:  $.50 * \$80,000 = \$40,000$

We will pay \$40,000. The remaining \$40,000 is not covered.

**4. Extended Period of Indemnity** Under paragraph A.3.d., Extended Business Income, the number “30” in subparagraph (2)(b) is replaced by the number shown on the Property Schedule for this Optional Coverage.

## **G. DEFINITIONS**

**1. “Finished Stock”** means stock you have manufactured.

## Endorsement #19A

“Finished stock” also includes whiskey and alcoholic products being aged, unless there is a Coinsurance percentage shown for Business Income on the Property Schedule.

“Finished stock” does not include stock you have manufactured that is held for sale on the premises of any retail outlet insured under this Coverage Part.

### 2. “Operations” means:

**a.** your business activities occurring at the described premises, which generate tuition and related fees from students, including fees from room, board, laboratories and other similar sources and

**b.** the tenantability of the described premises, if coverage for Business Income including “Rental Value” or “Rental Value” applies.

“Operations” does not include:

- 1) Bookstores;
- 2) Athletic events;
- 3) Activity related to research grants; or
- 4) Business activities other than those which generate tuition and related fees from students.

### 3. “Period of Restoration” means the period of time that:

**a.** begins:

- 1) 72 hours after the time of direct physical loss or damage for Business Income coverage; or
- 2) Immediately after the time of direct physical loss or damage for Extra Expense coverage; and

caused by or resulting from any Covered Cause of Loss at the described premises; and

**c.** ends on the earlier of:

- 1) The day before the opening of the next school term following the date when the property at the described premises should be repaired, rebuilt or replaced with reasonable speed and similar quality; or
- 2) The date when the school term is resumed at a new permanent location.

“Period of restoration” does not include any increased period required due to the enforcement of any ordinance or law that:

- 1) regulates the construction, use or repair, or requires the tearing down of any property; or
- 2) 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.”

The expiration date of this policy will not cut short the “period of restoration.”

**Endorsement #19A**

**4. "Pollutants"** means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

**5. "Rental Value"** means the:

- a.** total anticipated rental income from tenant occupancy of the premises described in the Declarations as furnished and equipped by you; and
- b.** amount of all charges which are the legal obligation of the tenant(s) and which would otherwise be your obligations; and
- c.** fair rental value of any portion of the described premises which is occupied by you.

**Endorsement #19**

**PREMISES LIGHTNING PROTECTION SYSTEM(S)**

We acknowledge the installation of a UL (Underwriters Laboratories) lightning protection system approved by us on the building premises. You agree to maintain this system(s), for which we have granted a 5% premium credit for the scheduled building to which this endorsement is attached, in working order and to let us know promptly of any change, including removal, made to the system(s). If the system is removed or otherwise taken out of service, the credit will be rescinded and the 5% added back to the premium charged.

## VACANCY ENDORSEMENT

All other Policy coverage and endorsement provisions relating to Vacancy or Unoccupancy are replaced by the following:

### a. Description of Terms

(1) As used in this Vacancy Condition, the term building and the term vacant have the meanings set forth in (1) (a) and (1) (b) below:

(a) When this policy is issued to a tenant, and with respect to that tenant's interest in Covered Property, building means the unit or suite rented or leased to the tenant. Such building is vacant when it does not contain enough business personal property to conduct customary operations.

(b) When this policy is issued to the owner or general lessee of a building, building means the entire building. Such building is vacant unless at least 31% of its total square footage is:

(i) Rented to a lessee or sub-lessee and used by the lessee or sub-lessee to conduct its customary operations; and/or

(ii) Used by the building owner to conduct customary operations.

(2) Buildings under construction or renovation are not considered vacant.

### b. Vacancy Provisions

If the building where loss or damage occurs has been vacant for more than 60 consecutive days before that loss or damage occurs:

(1) The SIF will not pay for any loss or damage caused by any of the following even if they are Covered Causes of Loss:

(a) Vandalism;

(b) Sprinkler leakage, unless you have protected the system against freezing;

(c) Building glass breakage;

(d) Water damage;

(e) Theft; or

(f) Attempted theft.

(2) With respect to Covered Causes of Loss other than those listed in b. (1) (a) through b.

(1) (f) above, the SIF will reduce the amount we would otherwise pay for the loss or damage by 90%.