BUILDING AND PERSONAL PROPERTY COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy 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 Declarations. The words "we", "us" and "our" refer to the North Dakota State Fire and Tornado Fund.

Other words and phrases that appear in quotation marks have special meaning. Refer to SECTION **H** - DEFINITIONS.

A. COVERAGE

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

1. Covered Property

Covered Property, as used in this Coverage Part, means the type of property described in this section, **A.1.,** and limited in **A.2.,** Property Not Covered, if a Limit of Insurance is shown in the Schedule of Property for that type of property.

a. **Building**, meaning the building or structure described in the Schedule of Property, including:

(1) Completed additions;

(2) Attached fixtures;

(3) Permanently installed:

(a) Machinery and

(b) Equipment;

(4) Personal property owned by you that is used to maintain or service the building or structure or its premises including:

(a) Fire extinguishing equipment;

(b) Floor coverings; and

(c) Appliances used for refrigerating, ventilating, cooking, dishwashing or laundering.

(5) If not covered by other insurance:

(a) Alterations and repairs to the building or structure;

(b) Materials, equipment, supplies and temporary structures, on or within 100 feet of the described premises, used for making alterations or repairs to the building or structure.

b. **Your Business Personal Property** located in or on the building described in the Schedule of Property, in the open (or in a vehicle) on such premises, or while "temporarily" off the described premises, consisting of the following unless otherwise specified in the Declarations:

(1) Furniture and fixtures;

(2) Machinery and equipment, including lawn and ground care equipment.

(3) "Stock";

(4) All other personal property owned by you and used in your business;

(5) Labor, materials or services furnished or arranged by you on personal property of others;

(6) Your use interest as tenant in improvements and betterments. Improvements and betterments are fixtures, alterations, installations or additions:

(a) Made a part of the building or structure you occupy but do not own; and

(b) You acquired or made at your expense but cannot legally remove;

(7) Leased personal property for which you have a contractual responsibility to insure, unless otherwise provided for under Personal Property of Others.

c. **Personal Property of Others** that is:

(1) In your care, custody or control; and

(2) Located in or on the building described in the Schedule of Property or in the open (or in a vehicle) within 100 feet of the described premises.

However, our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

d. **Outdoor Property** located on the premises described in the Schedule of Property.

2. Property Not Covered

Covered Property does not include:

a. Accounts, bills, currency, food stamps or other evidences of debt, money, notes or securities except as provided in Additional Coverages - Money and Securities. Lottery tickets held for sale are not securities;

b. Works of art, antiques or rare articles, including etchings, pictures, statuary, marbles, bronzes, porcelains and bric-a-brac (except for such articles that are attached to or an integral component of a building);

c. Animals, unless owned by others and boarded by you, or if owned by you, only as "stock" while inside of buildings;

d. Automobiles held for sale;

e. Bridges, roadways, walks, patios or other exterior paved surfaces;

f. Contraband, or property in the course of illegal transportation or trade;

g. The cost of excavations, grading, backfilling or filling;

h. Foundations of buildings, structures, machinery or boilers if their foundations are below:

(1) The lowest basement floor; or

(2) The surface of the ground if there is no basement;

i. Land (including land on which the property is located), water, growing crops or lawns;

j. Personal property while airborne or waterborne;

k. Bulkheads, pilings, piers, wharves or docks;

l. Property that is covered under another coverage form of this or any other policy in which it is more specifically described, except for the excess of the amount due (whether you can collect on it or not) from that other insurance;

m. Retaining walls that are not part of a building;

n. Underground pipes, tanks, flues or drains, wiring or cables;

o. The cost to research, replace or restore the information on valuable papers and records, including those which exist on electronic or magnetic media, except as provided in the Coverage Extensions;

p. Additions under construction;

q. Electronic data, except as provided under Additional Coverages - Electronic Data. Electronic data means information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The term computer programs, referred to in the foregoing description of electronic data, means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data. This Paragraph **q.** does not apply to your "stock" of prepackaged software or to electronic data which is integrated in and operates or controls the building's elevator, lighting, heating, ventilation, air conditioning, or security system;

r. Vehicles or self-propelled machines (including aircraft or watercraft) that:

(1) Are licensed for use on public roads; or

(2) Are operated principally away from the described premises;

s. Motorcycles, all-terrain vehicles, watercraft, and pull trailers;

t. Personal property that is primarily stored on or in a vehicle;

u. Personal property while in use off-premises in law enforcement or emergency services activities;

v. The following property while outside of buildings:

(1) Grain, hay, straw or other crops;

(2) Trees, shrubs or plants (other than "stock" of trees, shrubs or plants).

3. Covered Causes of Loss

See applicable Causes of Loss Form as shown in the Declarations.

4. Additional Coverages

a. Debris Removal

(1) Subject to Paragraphs **(2), (3)** and **(4),** we will pay your expense 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 date of direct physical loss or damage.

(2) Debris Removal does not apply to costs to:

(a) Extract "pollutants" from land or water; or

(b) Remove, restore or replace polluted land or water.

(3) Subject to the exceptions in Paragraph **(4),** the following provisions apply:

(a) The most we will pay for the total of direct physical loss or damage plus debris removal expense is the Limit of Insurance applicable to the Covered Property that has sustained loss or damage.

(b) Subject to **(a)** above, the amount we will pay for debris removal expense is limited to 25% of the sum of the deductible plus the amount that we pay for direct physical loss or damage to the Covered Property that has sustained loss or damage.

(4) We will pay up to an additional $10,000 for debris removal expense, for each location, in any one "occurrence" of physical loss or damage to Covered Property, if one or both of the following circumstances apply:

(a) The total of the actual debris removal expense plus the amount we pay for direct physical loss or damage exceeds the Limit of Insurance on the Covered Property that has sustained loss or damage.

(b) The actual debris removal expense exceeds 25% of the sum of the deductible plus the amount that we pay for direct physical loss or damage to the Covered Property that has sustained loss or damage.

Therefore, if **(4)(a)** and/or **(4)(b)** apply, our total payment for direct physical loss or damage and debris removal expense may reach but will never exceed the Limit of Insurance on the Covered Property that has sustained loss or damaged, plus $10,000.

(5) Examples:

The following examples assume that there is no coinsurance penalty.

Example #1

Limit of Insurance	$90,000
Amount of Deductible	$ 1,000
Amount of Loss	$50,000
Amount of Loss Payable	$49,000
	($50,000 - $1,000)
Debris Removal Expense	$10,000
Debris Removal Expense Payable	$10,000
($10,000 is 20% of $50,000)	

The debris removal expense is less than 25% of the sum of the loss payable plus the deductible. The sum of the loss payable and the debris removal expense ($49,000 + $10,000 = $59,000) is less than the Limit of Insurance. Therefore, the full amount of debris removal expense is payable in accordance with the terms of Paragraph **(3).**

Example #2

Limit of Insurance	$90,000
Amount of Deductible	$ 1,000
Amount of Loss	$80,000
Amount of Loss Payable	$79,000
	($80,000- $1,000)
Debris Removal Expense	$30,000
Debris Removal Expense Payable	
Basic Amount	$11,000
Additional Amount	$10,000

The basic amount payable for debris removal expense under the terms of Paragraph **(3)** is calculated as follows: $80,000 ($79,000 + $1,000) x .25 = $20,000; capped at $11,000. The cap applies because the sum of the loss payable ($79,000) and the basic amount payable for debris removal expense ($11,000) cannot exceed the Limit of Insurance ($90,000).

The additional amount payable for debris removal expense is provided in accordance with the terms of Paragraph **(4),** because the debris removal expense ($30,000) exceeds 25% of the loss payable plus the deductible ($30,000 is 37.5% of $80,000), and because the sum of the loss payable and debris removal expense ($79,000 + $30,000 = $109,000) would exceed the Limit of Insurance ($90,000). The additional amount of covered debris removal expense is $10,000, the maximum payable under Paragraph **(4).** Thus, the total payable for debris removal expense in this example is $21,000; $9,000 of the debris removal expense is not covered.

b. Preservation of Property

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

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

(2) Only if the loss or damage occurs within 30 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 discharge, dispersal, seepage, migration, release or escape of the "pollutants" is caused by or results from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the date on which the Covered Cause of Loss occurs.

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

The most we will pay under this Additional Coverage for each described premises is $20,000 for the sum of all covered expenses arising out of Covered Causes of Loss occurring during each separate twelve (12) month period of this policy.

e. Electronic Data

(1) Under this Additional Coverage, electronic data has the meaning described under Property Not Covered - Electronic Data. This Additional Coverage does not apply to your “stock” of prepackaged software, or to electronic data which is integrated in and operates or controls the building’s elevator, lighting, heating, ventilation, air conditioning or security system.

(2) Subject to the provisions of this Additional Coverage, we will pay for the cost to replace or restore electronic data which has been destroyed or corrupted by a Covered Cause of Loss. To the extent that electronic data is not replaced or restored, the loss will be valued at the cost of replacement of the media on which the electronic data was stored, with blank media of substantially identical type.

(3) The Covered Causes of Loss applicable to your Business Personal Property apply to this Additional Coverage - Electronic Data, subject to the following:

(a) Coverage under this Additional Coverage - Electronic Data is limited to the "specified causes of loss" as defined in the Causes of Loss – Special Form, and Collapse as set forth in that form.

(b) The Covered Causes of Loss include a virus, harmful code or similar instruction introduced into or enacted on a computer system (including electronic data) or a network to which it is connected, designed to damage or destroy any part of the system or disrupt its normal operation. But there is no coverage for loss or damage caused by or resulting from manipulation of a computer system (including electronic data) by any employee, including a temporary or leased employee, or by an entity retained by you or for you to inspect, design, install, modify, maintain, repair or replace that system.

(4) The most we will pay under this Additional Coverage - Electronic Data is $2,500 for all loss or damage sustained in any one policy year, regardless of the number of "occurrences" of loss or damage or the number of premises, locations or computer systems involved. If loss payment on the first "occurrence" does not exhaust this amount, then the balance is available for subsequent loss or damage sustained in but not after that policy year. With respect to an "occurrence" which begins in one policy year and continues or results in additional loss or damage in a subsequent policy year(s), all loss or damage is deemed to be sustained in the policy year in which the "occurrence" began.

f. Money and Securities

(1) We will pay for loss of "money" and "securities" used in your business while at a bank or savings institution, within your living quarters or the living quarters of your partners or any employee having use and custody of the property, at the described premises, or in transit between any of these places, resulting directly from:

(a) Theft, meaning any act of stealing;

(b) Disappearance; or

(c) Destruction.

(2) In addition to the Limitations and Exclusions contained in this Coverage Form, we will not pay for loss:

(a) Resulting from accounting or arithmetical errors or omissions;

(b) Due to the giving or surrendering of property in any exchange or purchase; or

(c) Of property contained in any "money" operated device unless the amount of "money" deposited in it is recorded by a continuous recording instrument in the device.

(3) The most we will pay for loss in any one occurrence is $5,000.

(4) All loss:

(a) Caused by one or more persons: or

(b) Involving a single act or series of related acts is considered one occurrence.

(5) You must keep records of all "money" and "securities" so we can verify the amount of any loss or damage.

5. Coverage Extensions

Except as otherwise provided, the following Extensions apply to property located in or on the building described in the Schedule of Property or in the open (or in a vehicle).

If a Coinsurance percentage of 90% is shown the Declarations, you may extend the insurance provided by this Coverage Part as follows:

a. Newly Acquired or Constructed Property

(1) Buildings

If this policy covers Building, you may extend that insurance to apply to:

(a) Your completed new buildings built on the described premises; and

(b) Buildings you acquire at locations, other than the described premises, intended for:

(i) Similar use as the building described in the Schedule of Property; or

(ii) Use as a warehouse.

The most we will pay for loss or damage under this Extension is $250,000 at each building.

(2) Your Business Personal Property

(a) If this policy covers Your Business Personal Property, you may extend that insurance to apply to:

(i) Business personal property, including such property that you newly acquire, at any location you acquire other than at fairs, trade shows or exhibitions;

(ii) Business personal property, including such property that you newly acquire, located at your newly constructed or acquired buildings at the location described in the Schedule of Property; or

(iii) Business personal property that you newly acquire, located at the described premises.

The most we will pay for loss or damage under this Extension is $100,000 at each building.

(b) This Extension does not apply to:

(i) Personal property of others that is "temporarily" in your possession in the course of installing or performing work on such property; or

(ii) Personal property of others that is "temporarily" in your possession in the course of your manufacturing or wholesaling activities.

(3) Period of Coverage

With respect to insurance on or at each newly acquired or constructed property, coverage will end when any of the following first occurs:

(a) This policy expires;

(b) 30 days expire after you acquire the property or take possession of that part of the building that would qualify as covered property; or

(c) You report values to us.

We will charge you additional premium for values reported from the date you acquire the property or begin construction of that part of the building that would qualify as covered property.

b. Personal Effects and Property of Others

You may extend the insurance that applies to Your Business Personal Property to apply to:

(1) Personal effects owned by you, your officers, your partners or members, your managers or your employees. This extension does not apply to loss or damage by theft.

(2) Personal property of others in your care, custody or control.

The most we will pay for loss or damage under this Extension is $5,000 at each described premises. This coverage is excess to any other collectable insurance coverage. Our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

(3) Personal property of any student that is located in or on the insured premises you own or occupy. However:

(a) We will not pay more than $500 per "occurrence" for any one student.

(b) This coverage is excess to any other collectable insurance coverage.

c. Valuable Papers and Records

You may extend the insurance that applies to Your Business Personal Property to apply to your costs to research, replace or restore the lost information on lost or damaged valuable papers and records, including those which exist on electronic or magnetic media, for which duplicates do not exist. The most we will pay under this Extension is $25,000 at each described premises.

Each of these Extensions is additional insurance. The Additional Condition, Coinsurance, does not apply.

B. EXCLUSIONS AND LIMITATIONS

See applicable Causes of Loss Form as shown in the Declarations.

C. LIMITS OF INSURANCE

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

The most we will pay for loss or damage to outdoor signs and radio and television antennas (including satellite dishes) attached to buildings is $5,000 per sign or antenna in any one "occurrence", unless separately listed on the Schedule of Property.

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

Payments under the Preservation of Property Additional Coverage will not increase the applicable Limit of Insurance.

D. DEDUCTIBLE

In any one "occurrence" of loss or damage (hereinafter referred to as loss), we will first reduce the amount of loss if required by the Coinsurance Condition or the Agreed Value Optional Coverage. If the adjusted amount of loss is less than or equal to the Deductible, we will not pay for that loss. If the adjusted amount of loss exceeds the Deductible, we will then subtract the Deductible from the adjusted amount of loss, and will pay the resulting amount or the Limit of Insurance, whichever is less.

When the "occurrence" of loss is caused by a peril other than windstorm or hail, involves loss to more than one item of Covered Property, and separate Limits of Insurance apply, the losses will not be combined in determining application of the Deductible. However, the Deductible will be applied only once per "occurrence".

If, however, the "occurrence" of loss is caused by windstorm or hail and more than one item of Covered Property sustains damage, the Deductible will be applied per building.

Example No. 1:

This example assumes there is no coinsurance penalty, and the cause of loss is not windstorm or hail.

Deductible:	$ 1,000
Limit of Insurance - Bldg. 1:	$60,000
Limit of Insurance - Bldg. 2:	$80,000
Loss to Bldg. 1:	$60,100
Loss to Bldg. 2:	$90,000

The amount of loss to Bldg. 1 ($60,100) is less than the sum ($61,000) of the Limit of Insurance applicable to Bldg. 1 plus the Deductible.

The Deductible will be subtracted from the amount of loss in calculating the loss payable for Bldg. 1:

$60,100
- $1,000
$59,100 Loss Payable - Bldg. 1

The Deductible applies once per "occurrence" and therefore is not subtracted in determining the amount of loss payable for Bldg. 2. Loss payable for Bldg. 2 is the Limit of Insurance of $80,000.

Total amount of loss payable: $59,100 + 80,000 = $139,100

Example No. 2:

This example assumes there is no coinsurance penalty, and the cause of loss is not windstorm or hail.

The Deductible and Limits of Insurance are the same as those in Example No. 1.

Loss to Bldg. 1:	$70,000 (exceeds Limit of Insurance plus Deductible)
Loss to Bldg. 2:	$90,000 (exceeds Limit of Insurance plus Deductible)
Loss Payable - Bldg. 1:	$60,000 (Limit of Insurance)
Loss Payable - Bldg. 2:	$80,000 (Limit of Insurance)

Total amount of loss payable: $140,000

Example No. 3:

This example assumes there is no coinsurance penalty and the loss is caused by hail.

Deductible:	$ 1,000
Limit of Insurance - Bldg. 1:	$80,000
Limit of Insurance - Bldg. 2:	$90,000
Limit of Insurance - Bldg. 3:	$200,000
Loss to Bldg. 1:	$ 5,000
Loss to Bldg. 2:	$ 7,500
Loss to Bldg. 3:	$20,000

The amount of loss to Bldg. 1 ($5,000) is less than the sum ($81,000) of the Limit of Insurance applicable to Bldg. 1 plus the Deductible.

The deductible will apply to each building because the loss was caused by hail. The Deductible will be subtracted from the amount of loss in calculating the loss payable for Bldg. 1:

$5,000
-$1,000
$4,000 Loss Payable-Bldg. 1

Loss Payable-Bldg. 1

The amount of loss to Bldg. 2 ($7,500) is less than the sum ($91,000} of the Limit of Insurance applicable to Bldg. 2 plus the Deductible.

The deductible will apply to each building because the loss was caused by hail. The Deductible will be subtracted from the amount of loss in calculating the loss payable for Bldg. 2:

$7,500
-$1,000
$6,500 Loss Payable-Bldg. 2

The amount of loss to Bldg. 3 ($20,000) is less the sum ($201,000) of the Limit of Insurance applicable to Bldg. 3 plus the Deductible.

The deductible will apply to each building because the loss was caused by hail. The Deductible will be subtracted from the amount of loss in calculating the loss payable for Bldg. 3:

$20,000
-$1,000
$19,000 Loss Payable-Bldg. 3

Total amount of loss payable: $4,000 + $6,500 + $19,000 = $29,500.

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. Appraisal

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

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.

3. Duties in the Event of Loss or Damage

a. You must see that the following are done in the event of loss or damage to Covered Property:

(1) Notify the police if a law may have been broken.

(2) Give us prompt notice of the loss or damage. Include a description of the property involved.

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

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

(5) At our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.

(6) As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records.

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

(7) Send us a signed notice of loss containing the information we request to investigate the claim. You must do this within 60 days of our request. We will supply you with the necessary forms.

(8) Cooperate with us in the investigation or settlement of the claim.

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

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 lost or damaged property;

(2) Pay the cost of repairing or replacing the lost or damaged property, subject to **b**. below;

(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, subject to **b.** below.

We will determine the value of lost or damaged property, or the cost of its repair or replacement, in accordance with the applicable terms of the Valuation Condition in this Coverage Form or any applicable provision which amends or supersedes the Valuation Condition.

b. The cost to repair, rebuild or replace does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property.

c. We will give notice of our intentions within 30 days after we receive all invoices and documentation related to the loss.

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

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

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

g. We will pay for covered loss or damage within 30 days after we receive the signed sworn proof of loss, if you have complied with all of the terms of this Coverage Part and:

(1) We have reached agreement with you on the amount of loss; or

(2) 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 and the expenses to repair the recovered property, subject to the Limit of Insurance.

6. Vacancy

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 sublessee and used by the lessee or sublessee 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 sixty(60) consecutive days before that loss or damage occurs:

(1) We 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, including frozen water pipes;

(e) Theft; or

(f) Attempted theft.

(2) Optional Coverage G.1 Agree Value and G.2 Replacement Cost do not apply.

7. Valuation

We will determine the value of Covered Property, including labor to remove and replace, in the event of loss or damage as follows:

a. At actual cash value as of the time of loss or damage, except as provided in **b., c., d., e.** and **f.** below.

b. If the Limit of Insurance for Building satisfies the Additional Condition, Coinsurance, and the cost to repair or replace the damaged building property is $2,500 or less, we will pay the cost of building repairs or replacement.

The cost of building repairs or replacement does not include material obsolescence or the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property.

However, the following property will be valued at the actual cash value even when attached to the building:

(1) Awnings, roof or floor coverings;

(2) Appliances for refrigerating, ventilating, cooking, dishwashing or laundering; or

(3) Outdoor equipment or furniture.

c. "Stock" you have sold but not delivered at the selling price less discounts and expenses you otherwise would have had.

d. Glass at the cost of replacement with safety glazing material if required by law.

e. Tenant's Improvements and Betterments at:

(1) Actual cash value of the lost or damaged property if you make repairs promptly.

(2) A proportion of your original cost if you do not make repairs promptly. We will determine the proportionate value as follows:

(a) Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and

(b) Divide the amount determined in **(a)** above by the number of days from the installation of improvements to the expiration of the lease.

If your lease contains a renewal option, the expiration of the renewal option period will replace the expiration of the lease in this procedure.

(3) Nothing if others pay for repairs or replacement.

f. Valuable Papers and Records, including those which exist on electronic or magnetic media (other than prepackaged software programs), at the cost of:

(1) Blank materials for reproducing the records; and

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

F. ADDITIONAL CONDITIONS

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

1. Coinsurance

If a Coinsurance percentage is shown in the Declarations, the following condition applies.

a. We will not pay the full amount of any loss if the value of Covered Property at the time of loss times the Coinsurance percentage shown for it in the Declarations is greater than the Limit of Insurance for the property. Instead, we will determine the most we will pay using the following steps:

(1) Multiply the value of Covered Property at the time of loss by the Coinsurance percentage;

(2) Divide the Limit of Insurance of the property by the figure determined in step **(1);**

(3) Multiply the total amount of loss, before the application of any deductible, by the figure determined in step **(2)**; and

(4) Subtract the deductible from the figure determined in step **(3).**

We will pay the amount determined in step **(4)** 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 value of the property Is:	$250,000
The Coinsurance percentage for it is:	90%
The Limit of Insurance for it is:	$100,000
The Deductible is:	$ 1,000
The amount of loss is:	$ 40,000

Step (1): $250,000 x 90% = $225,000 (the minimum amount of insurance to meet your Coinsurance requirements)
Step (2): $100,000 ÷ $225,000 = .44
Step (3): $40,000 x .44 = $17,600
Step (4): $ 17,600-$1,000 = $16,600
We will pay no more than $16,600. The remaining $23,400 is not covered.

Example No. 2 (Adequate Insurance):
When:

The value of the property is:	$250,000
The Coinsurance percentage for it is:	90%
The Limit of Insurance for it is:	$225,000
The Deductible is:	$ 1,000
The amount of loss is:	$ 40,000

The minimum amount of insurance to meet your Coinsurance requirement is $225,000 ($250,000 x 90%). Therefore, the Limit of Insurance in this Example is adequate and no penalty applies. We will pay no more than $39,000 ($40,000 amount of loss minus the deductible of $1,000).

b. If one Limit of Insurance applies to two or more separate items, this condition will apply to the total of all property to which the limit applies.

Example No. 3:
When:

The value of property is:	
Bldg. at Location No. 1	$75,000
Bldg. at Location No. 2	$100,000
Personal Property at Location No. 2	$75,000
	$250,000
The Coinsurance percentage for it is:	90%
The Limit of Insurance for Buildings and Personal Property at Location Nos. 1 and 2 is:	$180,000
The Deductible is:	$ 1,000
The amount of loss is:	

Bldg. at Location No. 2	$30,000
Personal Property at Location No. 2.	$20,000
	$50,000

Step (1): $250,000 x 90% = $225,000 (the minimum amount of insurance to meet your Coinsurance requirements and to avoid the penalty shown below)
Step (2): $180,000 ÷ $225,000 = .80
Step (3): $ 50,000 X .80 = $40,000.
Step (4): $ 40,000 - $1,000 = $39,000.
We will pay no more than $39,000. The remaining $11,000 is not covered.

2. Mortgageholders

a. The term mortgageholder includes trustee.

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

c. The mortgageholder has the right to receive loss payment even if the mortgageholder 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 mortgageholder will still have the right to receive loss payment if the mortgageholder:

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

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

(3) Has notified us of any change in ownership, occupancy or substantial change in risk known to the mortgageholder.

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

e. If we pay the mortgageholder 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:

(1) The mortgageholder's rights under the mortgage will be transferred to us to the extent of the amount we pay; and

(2) The mortgageholder's right to recover the full amount of the mortgageholder's claim will not be impaired.

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

f. If we cancel this policy, we will give written notice to the mortgageholder 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 policy, we will give written notice to the mortgageholder at least 10 days before the expiration date of this policy.

G. OPTIONAL COVERAGES

If shown as applicable in the Schedule of Property, the following Optional Coverages apply separately to each item.

1. Agreed Value

a. The Additional Condition, Coinsurance, does not apply to Covered Property to which this Optional Coverage applies. We will pay no more for loss of or damage to that property than the proportion that the Limit of Insurance under this Coverage Part for the property bears to the Agreed Value shown for it in the Schedule of Property.

b. If the expiration date for this Optional Coverage shown in the Schedule of Property is not extended, the Additional Condition, Coinsurance, is reinstated and this Optional Coverage expires.

c. The terms of this Optional Coverage apply only to loss or damage that occurs:

(1) On or after the effective date of this Optional Coverage; and

(2) Before the Agreed Value expiration date shown in the Schedule of Property or the policy expiration date, whichever occurs first.

2. Replacement Cost

a. Replacement Cost (without deduction for depreciation) replaces Actual Cash Value in the Loss Condition, Valuation, of this Coverage Form.

b. This Optional Coverage does not apply to:

(1) Personal property of others;

(2) "Stock", unless the Including "Stock" option is shown in the Declarations.

(3) Roof systems, underlayment, flashing, or roof covering fifteen (15) years or older at the time of loss or damage caused by windstorm or hail.

Under the terms of this Replacement Cost Optional Coverage, tenants' improvements and betterments are not considered to be the personal property of others.

c. You may make a claim for loss or damage covered by this insurance on an actual cash value basis instead of on a replacement cost basis. In the event you elect to have loss or damage settled on an actual cash value basis, you may still make a claim for the additional coverage this Optional Coverage provides if you notify us of your intent to do so within 180 days after the loss or damage.

d. We will not pay on a replacement cost basis for any loss or damage:

(1) Until the lost or damaged property is actually repaired or replaced; and

(2) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage.

With respect to tenants' improvements and betterments, the following also apply:

(3) If the conditions in **d.(1)** and **d.(2)** above are not met, the value of tenants' improvements and betterments will be determined as a proportion of your original cost, as set forth in the Valuation Condition of this Coverage Form; and

(4) We will not pay for loss or damage to tenants' improvements and betterments if others pay for repairs or replacement.

e. We will not pay more for loss or damage on a replacement cost basis than the least of **(1), (2)** or **(3),** subject to **f.** below:

(1) The Limit of Insurance applicable to the lost or damaged property;

(2) The cost to replace the lost or damaged property with other property:

(a) Of comparable material and quality; and

(b) Used for the same purpose; or

(3) The amount actually spent that is necessary to repair or replace the lost or damaged property.

If a building is rebuilt at a new premises, the cost described in **e.(2)** above is limited to the cost which would have been incurred if the building had been rebuilt at the original premises.

f. The cost of repair or replacement does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property.

H. DEFINITIONS

1. **"Money"** means:
- **a.** Currency, coins and bank notes in current use and having a face value; and
- **b.** Travelers checks register checks and money orders held for sale to the public.

2. **"Pollutants"** means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, asbestos, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

3. **"Securities"** means negotiable and non-negotiable instruments or contracts representing either "money" or other property and includes:
- **a.** Tokens, tickets, revenue and other stamps (whether represented by actual stamps or unused value in a meter) in current use; and
- **b.** Evidences of debt issued in connection with credit or charge cards, which cards are not issued by you;

but does not include "money".

4. **"Stock"** means merchandise held in storage or for sale, raw materials and in-process or finished goods, including supplies used in their packing or shipping.

5. **"Occurrence"** means any loss or series of losses arising out of one event. However, as to the peril of windstorm the term "occurrence" shall mean the sum total of all the losses sustained by you as the result of damage from this peril which arise during a continuous period of seventy-two (72) hours. You may elect the moment from which each of these seventy-two (72) hour periods shall commence, but no such seventy-two (72) hour period shall overlap.

6. **"Temporarily"** means:
- **a.** Up to 7 consecutive days for personal property that is not intended to be used within, to maintain, or to service the building or structure or its premises; or
- **b.** Up to 90 consecutive days for all other personal property.