The BOP...We All Sell It, But How Well Do We Really Know It?!

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UNION MUTUAL OF VERMONT
The Businessowners Policy

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I. BACKGROUND

A. First introduced by Allstate in 1974; ISO version introduced in '76

B. Designed as the “Homeowners Policy of Commercial Lines” for certain small and medium sized businesses

C. Recognized the reduced risk of certain accounts

D. Limited number of endorsements available in early editions … ISO expanded their program in the '97 and '02 editions

E. Simplified rating

F. ISO vs. Independent filings: Very important to note that many carriers have their own filings which can vary considerably in terms of coverage, rates and eligibility

II. ISO ELIGIBILITY FOR BOPs

- Use as a guideline to determine the basic types of businesses that can be written under a BOP. Many carriers have their own eligibility requirements

A. Buildings
   1. Apartment and Residential Condominiums
   2. Office Buildings not over 6 stories or 100,000 square feet.
   3. Other Buildings which do not exceed a total of 35,000 square feet, and whose occupancy is principally mercantile businesses, eligible service or processing operations, or contractors
B. Business Personal Property

1. Personal Property in an office with less than 35,000 square feet

2. Personal Property in connection with mercantile operations, wholesale, or eligible service or processing operations which do not exceed 35,000 square feet and $6 million in gross sales annually at any insured location

C. Service and Processing Businesses

1. Subject to the square footage and sales limitations mentioned above.

2. No more than 25% of Annual Gross Sales can come from off-premises operations

D. Contractors

1. Eligibility limited to contractors in buildings of less than 35,000 square feet per location, no more than $300,000 in annual payroll, and no work at a height over three stories

2. Limited to the type of contractor, primarily being carpentry, construction of residential property, drywall installation and landscape gardening

E. Restaurants

1. Eligibility limited to “limited cooking establishments” which prepare or serve food cold or cooked using appliances which do not emit smoke or grease-laden vapors (electric sandwich grills, toasters, microwave ovens)

2. Must have no more than 7,500 square feet and a seating capacity of no more than 75 people. Alcohol sales limited to beer or wine and these sales cannot make up more than 25% of the total gross sales

3. Allowable seating capacity increased to 150 people for eligible fast food restaurants
F. Convenience Stores with Gasoline Pumps
   1. Gasoline sales cannot exceed 75% of the total store sales
   2. No automotive service or repair, no car washes, no propane or kerosene tank filling

G. Laundries and Dry Cleaners
   1. Must meet size and sales requirements mentioned above
   2. Must have less than three pick-up stations

H. Wholesalers
   1. Must meet size and sales requirements and can have no more than 25% of sales from retail operations and no more than 25% of the total square footage may be open to the public
   2. Some examples of eligible wholesalers:
      a. Auto parts and supplies distributors
      b. Hardware and tool distributors
      c. Clothing or wearing apparel distributors
      d. Plumbing supply distributors
III. INELIGIBLE BUSINESSES

A. Manufacturers
B. Automobile dealers, repair or service stations, parking lots and garages
C. Processing and Service not specifically identified as eligible
D. Contractors not specifically identified as eligible
E. Household Personal Property
F. 1-2 Family Dwellings
G. Wholesalers not specifically identified as eligible
H. Banks, Savings & Loans, Credit Unions
I. Bars, pubs, cocktail lounges
J. Amusement facilities

IV. ISO BOP STRUCTURE

A. Declarations Page (BP DS 01 01 10)
B. Businessowners Coverage Form (BP 00 03 01 10)
   1. Section I – Property
      a. Provides “Risk of Loss” Coverage as found in the Causes of Loss – Special Form (CP 10 30)
      b. May be endorsed with a named peril endorsement which will modify the causes of loss to be the same as found in the Causes of Loss – Basic Form (CP 10 10) except the BOP policy provides limited off premises transit coverage
   2. Section II – Liability
   3. Section III – Common Policy Conditions
C. Endorsements
BUSINESSOWNERS 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 Coverage Form the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we", "us" and "our" refer to the Company providing this insurance.

In Section II – Liability, the word "insured" means any person or organization qualifying as such under Paragraph C. Who Is An Insured.

Other words and phrases that appear in quotation marks have special meaning. Refer to Paragraph H. Property Definitions in Section I – Property and Paragraph F. Liability And Medical Expenses Definitions in Section II – Liability.

SECTION I – PROPERTY

A. Coverage

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

1. Covered Property

Covered Property includes Buildings as described under Paragraph a. below, Business Personal Property as described under Paragraph b. below, or both, depending on whether a Limit of Insurance is shown in the Declarations for that type of property. Regardless of whether coverage is shown in the Declarations for Buildings, Business Personal Property, or both, there is no coverage for property described under Paragraph 2. Property Not Covered.

a. Buildings, meaning the buildings and structures at the premises described in the Declarations, including:

(1) Completed additions;
(2) Fixtures, including outdoor fixtures;
(3) Permanently installed:
   (a) Machinery; and
   (b) Equipment;
(4) Your personal property in apartments, rooms or common areas furnished by you as landlord;

(5) Personal property owned by you that is used to maintain or service the buildings or structures or the premises, including:
   (a) Fire extinguishing equipment;
   (b) Outdoor furniture;
   (c) Floor coverings; and
   (d) Appliances used for refrigerating, ventilating, cooking, dishwashing or laundering;

(6) If not covered by other insurance:
   (a) Additions under construction, alterations and repairs to the buildings or structures;
   (b) Materials, equipment, supplies and temporary structures, on or within 100 feet of the described premises, used for making additions, alterations or repairs to the buildings or structures.

b. Business Personal Property located in or on the buildings at the described premises or in the open (or in a vehicle) within 100 feet of the described premises, including:

(1) Property you own that is used in your business;
(2) Property of others that is in your care, custody or control, except as otherwise provided in Loss Payment Property Loss Condition Paragraph E.5.d.(3)(b);
(3) Tenant's 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;
(4) Leased personal property which you have a contractual responsibility to insure, unless otherwise provided for under Paragraph 1.b.(2); and
(5) Exterior building glass, if you are a tenant and no Limit of Insurance is shown in the Declarations for Building property. The glass must be owned by you or in your care, custody or control.
V. BUSINESSOWNERS COVERAGE FORM SECTION I – PROPERTY
(BP 00 03 01 10)

A. Covered Property

1. Buildings – Definition similar to the CPP except:
   
   a. Coverage is provided within the building limit for any structure at the described premises (unless specifically identified as “Property Not Covered”), without the need to schedule the structure
   
   b. Coverage is provided for Personal Property of a landlord in furnished apartments, rooms or common areas

2. Business Personal Property – Definition similar to the CPP except:

   a. Property of Others in the insured’s care, custody or control is automatically covered within the Business Personal Property limit, however, valuation is subject to Loss Payment Property Loss Condition Paragraph E.5.d.(3)(b):

   (3) The following property at actual cash value:
   
   (b) Property of others. However, if an item(s) of personal property of others is subject to a written contract which governs your liability for loss or damage to that item(s), then valuation of that item(s) will be based on the amount for which you are liable under such contract, but not to exceed the lesser of the replacement cost of the property or the applicable Limit of Insurance;

   b. Exterior building glass is covered if the insured is a tenant and not carrying building coverage. The glass must be owned by or in the CCC of the insured
2. Property Not Covered
Covered Property does not include:

a. Aircraft, automobiles, motor trucks and other vehicles subject to motor vehicle registration;

b. "Money" or "securities" except as provided in the:
   (1) Money And Securities Optional Coverage; or
   (2) Employee Dishonesty Optional Coverage;

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

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

e. Outdoor fences, radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers, signs (other than signs attached to buildings), trees, shrubs or plants, all except as provided in the:
   (1) Outdoor Property Coverage Extension; or
   (2) Outdoor Signs Optional Coverage;

f. Watercraft (including motors, equipment and accessories) while afloat;

g. Accounts, bills, food stamps, other evidences of debt, accounts receivable or "valuable papers and records"; except as otherwise provided in this policy;

h. "Computer(s)" which are permanently installed or designed to be permanently installed in any aircraft, watercraft, motor truck or other vehicle subject to motor vehicle registration. This paragraph does not apply to "computer(s)" while held as "stock";

i. "Electronic data", except as provided under Additional Coverages – Electronic Data. This Paragraph i. does not apply to your "stock" of prepackaged software.

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

3. Covered Causes Of Loss
Risks of direct physical loss unless the loss is:

a. Excluded in Paragraph B. Exclusions in Section I; or

b. Limited in Paragraph 4. Limitations in Section I.

4. Limitations

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

   (1) 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.

   (2) 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.

   (3) Property that is missing, where the only evidence of the loss or damage is a shortage disclosed on taking inventory, or other instances where there is no physical evidence to show what happened to the property. This limitation does not apply to the Optional Coverage for Money and Securities.

   (4) Property that has been transferred to a person or to a place outside the described premises on the basis of unauthorized instructions.

   (5) The interior of any building or structure caused by or resulting from rain, snow, sleet, ice, sand or dust, whether driven by wind or not, unless:

      (a) The building or structure first sustains damage by a covered cause of loss to its roof or walls through which the rain, snow, sleet, ice, sand or dust enters; or

      (b) The loss or damage is caused by or results from thawing of snow, sleet or ice on the building or structure.

b. 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:

   (1) Animals, and then only if they are killed or their destruction is made necessary.

   (2) Fragile articles such as glassware, statuary, marble, china ware and porcelain, if broken. This restriction does not apply to:

      (a) Glass that is part of the exterior or interior of a building or structure;
B. Property Not Covered

1. The list is considerably shorter than in the CPP

2. Many of the items listed are actually “limited” rather than “excluded”

3. Property Not Covered includes:
   
a. Aircraft, automobiles, motortrucks
   
b. Money & Securities unless purchased as Optional Coverage
   
c. Contraband
   
d. Land, water, growing crops or lawns
   
e. Outdoor fences, antennas, signs, tress, shrubs, plants, etc., except as provided elsewhere
   
f. Watercraft while afloat
   
g. Accounts, bills, valuable papers, etc., except as provided elsewhere
   
h. Computers permanently installed in or designed to be permanently installed in certain vehicles, except while held as stock
   
i. Electronic Data, except as provided under Additional Coverages or as your stock of prepackaged software
   
j. Animals, unless owned by others and boarded by you, or if owned by you, only as stock while inside of buildings
(1) Business Income

(a) 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 described premises. The loss or damage must be caused by or result from a Covered Cause of Loss. With respect to loss of or damage to personal property in the open or personal property in a vehicle, the described premises include the area within 100 feet of the site at which the described premises are located.

With respect to the requirements set forth in the preceding paragraph, if you occupy only part of the site at which the described premises are located, your premises means:

(i) The portion of the building which you rent, lease or occupy; and

(ii) Any area within the building or on the site at which the described premises are located, if that area services, or is used to gain access to, the described premises.

(b) We will only pay for loss of Business Income that you sustain during the "period of restoration" and that occurs within 12 consecutive months after the date of direct physical loss or damage. We will only pay for ordinary payroll expenses for 60 days following the date of direct physical loss or damage, unless a greater number of days is shown in the Declarations.

(c) Business Income means the:

(i) Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred if no physical loss or damage had occurred, but not including any Net Income that would likely have been earned as a result of an increase in the volume of business due to favorable business conditions caused by the impact of the Covered Cause of Loss on customers or on other businesses; and

(ii) Continuing normal operating expenses incurred, including payroll.

(d) Ordinary payroll expenses:

(i) Means payroll expenses for all your employees except:

i. Officers;

ii. Executives;

iii. Department Managers;

iv. Employees under contract; and

v. Additional Exemptions shown in the Declarations as:

- Job Classifications; or
- Employees.

(ii) Include:

i. Payroll;

ii. Employee benefits, if directly related to payroll;

iii. FICA payments you pay;

iv. Union dues you pay; and

iv. Workers’ compensation premiums.
C. Additional Coverages

1. Automatically included at no additional charge

2. The ‘10 ISO BOP includes the following Additional Coverages:
   
a. Debris Removal – 25% plus $10,000 – *same as BPP form*
      ➢ *Recommend BP 14 09 - Debris Removal Add'l Ins. Endorsement*

b. Preservation of Property – 30 days – *same as BPP form*

c. Fire Department Service Charge – $2,500 – *Not unique to BOP, but BPP form provides $1,000*

d. Collapse – *same as CP Broad & Special Causes of Loss forms (However, no collapse coverage on BOP when written with the Named Perils endorsement)*

e. Water Damage, Other Liquids, Powder or Molten Material Damage – *same as CP Broad & Special Causes of Loss forms*

f. Business Income – *Unique to BOP*
   
   1) Subject to a *time* limit, not a *dollar* limit …

   (b) We will only pay for loss of Business Income that you sustain during the “period of restoration” and that occurs within 12 consecutive months after the date of direct physical loss or damage. We will only pay for ordinary payroll expenses for 60 days following the date of direct physical loss or damage, unless a greater number of days is shown in the Declarations.

   2) 72-hour deductible applies

   3) Ordinary payroll limited to 60 days

   4) Extended Business Income included up to 30 days, with option to increase

   5) No coinsurance
(4) This Additional Coverage is not subject to the Limits of Insurance of Section I – Property.

**g. Extra Expense**

(1) We will pay necessary Extra Expense you incur during the “period of restoration” that you would not have incurred if there had been no direct physical loss or damage to property at the described premises. The loss or damage must be caused by or result from a Covered Cause of Loss. With respect to loss or damage to personal property in the open or personal property in a vehicle, the described premises include the area within 100 feet of the site at which the described premises are located.

With respect to the requirements set forth in the preceding paragraph, if you occupy only part of the site at which the described premises are located, your premises means:

(a) The portion of the building which you rent, lease or occupy, and

(b) Any area within the building or on the site at which the described premises are located, if that area services, or is used to gain access to, the described premises.

(2) Extra Expense means expense incurred:

(a) To avoid or minimize the suspension of business and to continue “operations”:
   
   (i) At the described premises; or
   
   (ii) At replacement premises or at temporary locations, including relocation expenses, and costs to equip and operate the replacement or temporary locations.

(b) To minimize the suspension of business if you cannot continue “operations”.

(c) To:
   
   (i) Repair or replace any property; or
   
   (ii) Research, replace or restore the lost information on damaged “valuable papers and records”;

   where such losses would otherwise have been payable under this Additional Coverage or Additional Coverage f. Business Income.

(3) With respect to the coverage provided in this Additional Coverage, suspension means:

(a) The partial slowdown or complete cessation of your business activities;

(b) That a part or all of the described premises is rendered untenable, if coverage for Business Income applies.

(4) We will only pay for Extra Expense that occurs within 12 consecutive months after the date of direct physical loss or damage. This Additional Coverage is not subject to the Limits of Insurance of Section I – Property.

**h. 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 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.

**i. Civil Authority**

When a Covered Cause of Loss causes damage to property other than property at the described premises, we will pay for the actual loss of Business Income you sustain and necessary Extra Expense caused by action of civil authority that prohibits access to the described premises, provided that both of the following apply:

(1) Access to the area immediately surrounding the damaged property is prohibited by civil authority as a result of the damage, and the described premises are within that area but are not more than one mile from the damaged property; and
g. Extra Expense – *Unique to BOP*

1) Similar to the ISO Time Element forms covering Extra Expenses:

   a) Covers necessary Extra Expenses incurred that would not have been incurred if there had been no damage to property at the described premise

   b) 72-hour deductible does not apply

2) Unlike the Time Element forms, coverage has no stated dollar limit, but is limited to necessary Extra Expenses occurring within 12 consecutive months after the date of direct loss or damage

h. Pollutant Clean Up and Removal – $10,000 aggregate per policy period – *same as BPP form*
i. Civil Authority

When a Covered Cause of Loss causes damage to property other than property at the described premises, we will pay for the actual loss of Business Income you sustain and necessary Extra Expense caused by action of civil authority that prohibits access to the described premises, provided that both of the following apply:

(1) Access to the area immediately surrounding the damaged property is prohibited by civil authority as a result of the damage, and the described premises are within that area but are not more than one mile from the damaged property; and

(2) The action of civil authority is taken in response to dangerous physical conditions resulting from the damage or continuation of the Covered Cause of Loss that caused the damage, or the action is taken to enable a civil authority to have unimpeded access to the damaged property.

Civil Authority coverage for Business Income will begin 72 hours after the time of the first action of civil authority that prohibits access to the described premises and will apply for a period of up to four consecutive weeks from the date on which such coverage began.

Civil Authority coverage for necessary Extra Expense will begin immediately after the time of the first action of civil authority that prohibits access to the described premises and will end:

(1) Four consecutive weeks after the date of that action; or

(2) When your Civil Authority coverage for Business Income ends; whichever is later.

The definitions of Business Income and Extra Expense contained in the Business Income and Extra Expense Additional Coverages also apply to this Civil Authority Additional Coverage. The Civil Authority Additional Coverage is not subject to the Limits of Insurance of Section I – Property.
i. Civil Authority – *Unique to BOP*

- Extends Business Income and Extra Expense coverage if a civil authority prohibits access to the described premises:

  1) Due to direct physical loss or damage to property …

  2) Caused by any Covered Cause of Loss …

  3) Other than at the described premises …

  4) But not more than one mile from the described premises …

  5) Beginning:

     a) For Business Income – 72 hours after the civil action and will continue for up to 4 consecutive weeks

     b) For Extra Expense - immediately after the civil action

j. Money Orders and Counterfeit Money – *Unique to BOP*

- $1,000

k. Forgery and Alteration – *Unique to BOP*

- Pays up to $2,500 for loss, including legal fees, resulting from forgery or alteration of any check, draft, etc.

l. Increased Cost of Construction – $10,000 – *Not unique to BOP, but BPP form pays lesser of $10,000 or 5% of building limit*
m. Business Income From Dependent Properties

(1) We will pay for the actual loss of Business Income you sustain due to physical loss or damage at the premises of a dependent property caused by or resulting from any Covered Cause of Loss.

However, this Additional Coverage does not apply when the only loss to dependent property is loss or damage to "electronic data", including destruction or corruption of "electronic data". If the dependent property sustains loss or damage to "electronic data" and other property, coverage under this Additional Coverage will not continue once the other property is repaired, rebuilt or replaced.

The most we will pay under this Additional Coverage is $5,000 unless a higher Limit of Insurance is indicated in the Declarations.

(2) We will reduce the amount of your Business Income loss, other than Extra Expense, to the extent you can resume "operations", in whole or in part, by using any other available:

(a) Source of materials; or

(b) Outlet for your products.

(3) If you do not resume "operations", or do not resume "operations" as quickly as possible, we will pay based on the length of time it would have taken to resume "operations" as quickly as possible.

(4) Dependent property means property owned by others whom you depend on to:

(a) Deliver materials or services to you, or to others for your account. But services does not mean water, communication or power supply services;

(b) Accept your products or services;

(c) Manufacture your products for delivery to your customers under contract for sale; or

(d) Attract customers to your business.

The dependent property must be located in the coverage territory of this policy.

(5) The coverage period for Business Income under this Additional Coverage:

(a) Begins 72 hours after the time of direct physical loss or damage caused by or resulting from any Covered Cause of Loss at the premises of the dependent property; and

(b) Ends on the date when the property at the premises of the dependent property should be repaired, rebuilt or replaced with reasonable speed and similar quality.

(6) The Business Income coverage period, as stated in Paragraph (5), does not include any increased period required due to the enforcement of any ordinance or law that:

(a) Regulates the construction, use or repair, or requires the tearing down of any property; or

(b) 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 reduce the Business Income coverage period.

(7) The definition of Business Income contained in the Business Income Additional Coverage also applies to this Business Income From Dependent Properties Additional Coverage.
m. Business Income from Dependent Properties – *Unique to BOP*

1) Extends business income coverage to respond when direct damage from a Covered Cause of Loss occurs at the premises of a "Dependent Property"

2) Dependent Property means property owned by others on whom you depend to:
   
   a) Deliver materials or services to you
   
   b) Accept your products or services
   
   c) Manufacture your products for delivery to your customers under contract for sale
   
   d) Attract customers to your business

3) The Dependent Property does not need to be scheduled

4) The Dependent Property must be located in the coverage territory of this policy

5) $5,000 limit (Higher limits may be purchased)
(4) Dependent property means property owned by others whom you depend on to:

(a) Deliver materials or services to you, or to others for your account. But services does not mean water, communication or power supply services;

(b) Accept your products or services;

(c) Manufacture your products for delivery to your customers under contract for sale; or

(d) Attract customers to your business.
The dependent property must be located in the coverage territory of this policy.

(5) The coverage period for Business Income under this Additional Coverage:

(a) Begins 72 hours after the time of direct physical loss or damage caused by or resulting from any Covered Cause of Loss at the premises of the dependent property; and

(b) Ends on the date when the property at the premises of the dependent property should be repaired, rebuilt or replaced with reasonable speed and similar quality.

(6) The Business Income coverage period, as stated in Paragraph (5), does not include any increased period required due to the enforcement of any ordinance or law that:

(a) Regulates the construction, use or repair, or requires the tearing down of any property; or

(b) 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 reduce the Business Income coverage period.

(7) The definition of Business Income contained in the Business Income Additional Coverage also applies to this Business Income From Dependent Properties Additional Coverage.

n. Glass Expenses

(1) We will pay for expenses incurred to put up temporary plates or board up openings if repair or replacement of damaged glass is delayed.

(2) We will pay for expenses incurred to remove or replace obstructions when repairing or replacing glass that is part of a building. This does not include removing or replacing window displays.

o. Fire Extinguisher Systems Recharge Expense

(1) We will pay:

(a) The cost of recharging or replacing, whichever is less, your fire extinguishers and fire extinguishing systems (including hydrostatic testing if needed) if they are discharged on or within 100 feet of the described premises; and

(b) For loss or damage to Covered Property if such loss or damage is the result of an accidental discharge of chemicals from a fire extinguisher or a fire extinguishing system.

(2) No coverage will apply if the fire extinguishing system is discharged during installation or testing.

(3) The most we will pay under this Additional Coverage is $5,000 in any one occurrence.

p. Electronic Data

(1) 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.

(2) The Covered Causes of Loss applicable to Business Personal Property include a computer 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.
n. Glass Expenses – *Glass is covered on BPP as part of building, but broader on BOP*
   - Pays for temporary plates, boarding up openings, etc.

o. Fire Extinguisher Systems Recharge Expense – $5,000 – *Unique to BOP*

p. Electronic Data – $10,000 (Higher limits may be purchased) – *Not unique to BOP, but BPP form provides $2,500*

q. Interruption of Computer Operations – *Unique to BOP*

r. Limited Coverage for Fungi, Wet Rot, Dry Rot and Bacteria – *same as CP Causes of Loss forms*

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**Summary of Additional Coverages Unique to the BOP**

- **f. Business Income**
- **g. Extra Expense**
- **i. Civil Authority**
- **j. Money Orders and Counterfeit Money**
- **k. Forgery and Alteration**
- **m. Business Income from Dependent Properties**
- **o. Fire Extinguisher Systems Recharge Expense**
- **q. Interruption of Computer Operations**
6. Coverage Extensions

In addition to the Limits of Insurance of Section I – Property, you may extend the insurance provided by this policy as provided below.

Except as otherwise provided, the following Extensions apply to property located in or on the building described in the Declarations or in the open (or in a vehicle) within 100 feet of the described premises.

a. Newly Acquired Or Constructed Property

(1) Buildings

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

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

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

(i) Similar use as the building described in the Declarations; 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) Business Personal Property

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

(a) Business Personal Property, including such property that you newly acquire, at any location you acquire;

(b) Business Personal Property, including such property that you newly acquire, located at your newly constructed or acquired buildings at the location described in the Declarations; or

(c) Business Personal Property that you newly acquire, located at the described premises.

This Extension does not apply to personal property that you temporarily acquire in the course of installing or performing work on such property or your wholesale activities.

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

(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 begin construction 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 Property Off-premises

You may extend the insurance provided by this policy to apply to your Covered Property, other than "money" and "securities", "valuable papers and records" or accounts receivable, while it is in the course of transit or at premises you do not own, lease or operate. The most we will pay for loss or damage under this Extension is $10,000.

c. Outdoor Property

You may extend the insurance provided by this policy to apply to your outdoor fences, radio and television antennas (including satellite dishes), signs (other than signs attached to buildings), trees, shrubs and plants, including debris removal expense. Loss or damage must be caused by or result from any of the following causes of loss:

(1) Fire;
(2) Lightning;
(3) Explosion;
(4) Riot or Civil Commotion; or
(5) Aircraft.

The most we will pay for loss or damage under this Extension is $2,500, unless a higher Limit of Insurance for Outdoor Property is shown in the Declarations, but not more than $1,000 for any one tree, shrub or plant.
D. Coverage Extensions

1. Newly Acquired or Constructed Property – (Similar to CPP)
   
a. Buildings - $250,000 / Personal Property - $100,000
   
b. Coverage ceases the earlier of 30 days or policy expiration

2. Personal Property Off Premises
   
a. Covered while in transit or at a premises not owned, leased or operated by the insured
   
b. Maximum payable is $10,000

3. Outdoor Property – (Similar to CPP except CPP limit is $1,000)
   
a. $2,500 limit (and 2010 edition allows increase), but no more than $1,000 per tree, shrub or plant
   
b. Covered only for the “FLARE” perils
d. Personal Effects
You may extend the insurance that applies to Business Personal Property to apply to personal effects owned by you, your officers, your partners or "members", your "managers" or your employees. This extension does not apply to:

(1) Tools or equipment used in your business; or

(2) Loss or damage by theft.

The most we will pay for loss or damage under this Extension is $2,500 at each described premises.

e. Valuable Papers And Records
(1) You may extend the insurance that applies to Business Personal Property to apply to direct physical loss or damage to "valuable papers and records" that you own, or that are in your care, custody or control caused by or resulting from a Covered Cause of Loss. This Coverage Extension includes the cost to research, replace or restore the lost information on "valuable papers and records" for which duplicates do not exist.

(2) This Coverage Extension does not apply to:

(a) Property held as samples or for delivery after sale; and

(b) Property in storage away from the premises shown in the Declarations.

(3) The most we will pay under this Coverage Extension for loss or damage to "valuable papers and records" in any one occurrence at the described premises is $10,000, unless a higher Limit of Insurance for "valuable papers and records" is shown in the Declarations.

For "valuable papers and records" not at the described premises, the most we will pay is $5,000.

(4) Loss or damage to "valuable papers and records" will be valued at the cost of restoration or replacement of the lost or damaged information. To the extent that the contents of the "valuable papers and records" are not restored, the "valuable papers and records" will be valued at the cost of replacement with blank materials of substantially identical type.

(5) Paragraph B. Exclusions in Section I – Property does not apply to this Coverage Extension except for:

(a) Paragraph B.1.c., Governmental Action;

(b) Paragraph B.1.d., Nuclear Hazard;

(c) Paragraph B.1.f., War And Military Action;

(d) Paragraph B.2.f., Dishonesty;

(e) Paragraph B.2.g., False Pretense;

(f) Paragraph B.2.m.(2), Errors Or Omissions; and

(g) Paragraph B.3.

f. Accounts Receivable
(1) You may extend the insurance that applies to Business Personal Property to apply to accounts receivable. We will pay:

(a) All amounts due from your customers that you are unable to collect;

(b) Interest charges on any loan required to offset amounts you are unable to collect pending our payment of these amounts;

(c) Collection expenses in excess of your normal collection expenses that are made necessary by loss or damage; and

(d) Other reasonable expenses that you incur to reestablish your records of accounts receivable that result from direct physical loss or damage by any Covered Cause of Loss to your records of accounts receivable.

(2) The most we will pay under this Coverage Extension for loss or damage in any one occurrence at the described premises is $10,000, unless a higher Limit of Insurance for accounts receivable is shown in the Declarations.

For accounts receivable not at the described premises, the most we will pay is $5,000.

(3) Paragraph B. Exclusions in Section I – Property does not apply to this Coverage Extension except for:

(a) Paragraph B.1.c., Governmental Action;

(b) Paragraph B.1.d., Nuclear Hazard;

(c) Paragraph B.1.f., War And Military Action;

(d) Paragraph B.2.f., Dishonesty;

(e) Paragraph B.2.g., False Pretense;

(f) Paragraph B.3.; and

(g) Paragraph B.6., Accounts Receivable Exclusion.
4. Personal Effects – (Similar to CPP)
   a. Does not cover tools and equipment
   b. Does not cover loss by theft
   c. $2,500 limit

5. Valuable Papers and Records
   a. $10,000 on premises, $5,000 off premises
   b. Similar to CPP except CPP provides $2,500 on or off premises

6. Accounts Receivable
   a. Not found in CPP
   b. $10,000 on premises, $5,000 off premises
B. Exclusions

C. Limits Of Insurance

1. The most we will pay for loss or damage in any one occurrence is the applicable Limit of Insurance of Section I – Property shown in the Declarations.

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

3. The amounts of insurance applicable to the Coverage Extensions and the following Additional Coverages apply in accordance with the terms of such coverages and are in addition to the Limits of Insurance of Section I – Property:
   a. Fire Department Service Charge;
   b. Pollutant Clean-up And Removal;
   c. Increased Cost Of Construction;
   d. Business Income From Dependent Properties;
   e. Electronic Data; and
   f. Interruption Of Computer Operations.

4. Building Limit – Automatic Increase
   a. In accordance with Paragraph C.4.b., the Limit of Insurance for Buildings will automatically increase by 8%, unless a different percentage of annual increase is shown in the Declarations.
   b. The amount of increase is calculated as follows:
      (1) Multiply the Building limit that applied on the most recent of the policy inception date, the policy anniversary date, or any other policy change amending the Building limit by:
          (a) The percentage of annual increase shown in the Declarations, expressed as a decimal (example: 7% is .07); or
          (b) .08, if no percentage of annual increase is shown in the Declarations; and
      (2) Multiply the number calculated in accordance with b.(1) by the number of days since the beginning of the current policy year, or the effective date of the most recent policy change amending the Building limit, divided by 365.

Example:
The applicable Building limit is $100,000. The annual percentage increase is 8%. The number of days since the beginning of the policy year (or last policy change) is 146.
The amount of increase is $100,000 x .08 x 146 ÷ 365 = $3,200.

5. Business Personal Property Limit – Seasonal Increase
   a. Subject to Paragraph 5.b., the Limit of Insurance for Business Personal Property is automatically increased by:
      (1) The Business Personal Property – Seasonal Increase percentage shown in the Declarations; or
      (2) 25% if no Business Personal Property – Seasonal Increase percentage is shown in the Declarations;

   to provide for seasonal variances.
   b. The increase described in Paragraph 5.a will apply only if the Limit of Insurance shown for Business Personal Property in the Declarations is at least 100% of your average monthly values during the lesser of:
      (1) The 12 months immediately preceding the date the loss or damage occurs; or
      (2) The period of time you have been in business as of the date the loss or damage occurs.

D. Deductibles

1. We will not pay for loss or damage in any one occurrence until the amount of loss or damage exceeds the Deductible shown in the Declarations. We will then pay the amount of loss or damage in excess of the Deductible up to the applicable Limit of Insurance of Section I – Property.

2. Regardless of the amount of the Deductible, the most we will deduct from any loss or damage under all of the following Optional Coverages in any one occurrence is the Optional Coverage Deductible shown in the Declarations:
   a. Money and Securities;
   b. Employee Dishonesty;
   c. Outdoor Signs; and d. Forgery or Alteration. But this Optional Coverage Deductible will not increase the Deductible shown in the Declarations. This Deductible will be used to satisfy the requirements of the Deductible in the Declarations.

3. No deductible applies to the following Additional Coverages:
   a. Fire Department Service Charge;
   b. Business Income;
   c. Extra Expense; d. Civil Authority; and
   e. Fire Extinguisher Systems Recharge Expense.
F. Limits of Insurance

1. Attached outdoor signs – $1,000 per sign

2. Building Limit – Automatic Increase (aka Inflation Guard)
   a. Automatically included
   b. Set at 8% unless another percentage is shown on the Dec Page
   c. Minimum is 2%

3. Business Personal Property Limit - Seasonal Increase
   a. Automatic 25% “Peak Season” increase, unless another percentage is shown on the Dec Page, if Limit of Insurance is at least 100% of average monthly values for previous 12 months
   b. Not found in the Commercial Property Policy.

G. Deductible

1. Standard Deductible is $500

2. Separate Deductible applies to:
   a. Money & Securities
   b. Employee Dishonesty
   c. Outdoor signs
   d. Forgery & Alteration

3. No deductible applies to:
   a. Fire Department Service Charge
   b. Business Income
   c. Extra Expense
   d. Civil Authority
   e. Fire Extinguisher Systems Recharge Expenses
d. Except as provided in Paragraphs (2) through (7) below, we will determine the value of Covered Property as follows:

(1) At replacement cost without deduction for depreciation, subject to the following:

   (a) If, at the time of loss, the Limit of Insurance on the lost or damaged property is 80% or more of the full replacement cost of the property immediately before the loss, we will pay the cost to repair or replace, after application of the deductible and without deduction for depreciation, but not more than the least of the following amounts:

      (i) The Limit of Insurance under Section I – Property that applies to the lost or damaged property;

      (ii) The cost to replace, on the same premises, the lost or damaged property with other property:

         i. Of comparable material and quality; and

         ii. Used for the same purpose;

      or

      (iii) The amount that you actually spend that is necessary to repair or replace the lost or damaged property.

   If a building is rebuilt at a new premises, the cost is limited to the cost which would have been incurred had the building been built at the original premises.

(b) If, at the time of loss, the Limit of Insurance applicable to the lost or damaged property is less than 80% of the full replacement cost of the property immediately before the loss, we will pay the greater of the following amounts, but not more than the Limit of Insurance that applies to the property:

   (i) The actual cash value of the lost or damaged property; or

   (ii) A proportion of the cost to repair or replace the lost or damaged property, after application of the deductible and without deduction for depreciation. This proportion will equal the ratio of the applicable Limit of Insurance to 80% of the cost of repair or replacement.

(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 on a replacement cost basis 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:

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

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

   However, if the cost to repair or replace the damaged building property is $2,500 or less, we will settle the loss according to the provisions of Paragraphs d.(1)(a) and d.(1)(b) above whether or not the actual repair or replacement is complete.

(e) 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.
H. Loss Provision #5: Loss Payment

1. The policy automatically provides coverage on a Replacement Cost basis if the insured carries a Limit equal to at least 80% of the replacement cost of the property immediately before the loss.

2. If the insured does not carry a Limit equal to at least 80% of the replacement cost of the property, a penalty somewhat similar to the coinsurance clause in the Building & Personal Property Coverage Form, but actually patterned after the Valuation Provision in the Homeowners Policy, will be applied.

3. However, the policy will not pay less than the actual cash value of the lost or damaged property. Also, building losses of $2,500 or less will be paid at replacement cost.

4. Stock sold but not delivered is valued at replacement cost, instead of Selling Price as found in the CPP.

Loss Payment Example

If underinsured, policy will pay the greater of: “The Formula” or ACV

<table>
<thead>
<tr>
<th>Building Repl. Cost</th>
<th>$500,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deductible</td>
<td>$ 1,000</td>
</tr>
<tr>
<td>Insurance Carried</td>
<td>$300,000</td>
</tr>
<tr>
<td>Coinsurance Req.</td>
<td>80%</td>
</tr>
<tr>
<td>Fire Loss</td>
<td>$100,000</td>
</tr>
</tbody>
</table>

Due to age and condition, this building has an Actual Cash Value of $250,000 (i.e. 50% depreciation).

Settlement: (Note: The deductible is applied before the calculation)

How much would be paid if the ACV had been $450,000 (10% depreciation)?

Note: The 80% requirement can be removed by use of the BP 04 83 - Removal of Insurance to Value Endorsement.
8. 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 Paragraphs (a) and (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 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;
          
          (e) Theft; or
          
          (f) Attempted theft.

      (2) With respect to Covered Causes of Loss other than those listed in Paragraphs (1)(a) through (1)(f) above, we will reduce the amount we would otherwise pay for the loss or damage by 15%.

F. Property General Conditions
   1. Control Of Property
      
      Any act or neglect of any person other than you beyond your direction or control will not affect this insurance.

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

   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 policy, the mortgageholder will still have the right to receive loss payment if the mortgageholder:
          
          (1) Pays any premium due under this policy 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 policy 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 policy:
          
          (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.
3. Provision #8: Vacancy – same as CPP

a. If the insured is a tenant:

   (a) …Such building is vacant when it does not contain enough business personal property to conduct customary operations

b. If the insured is the owner or general lessee:

   (b) …Such building is vacant unless at least 31% of its total square footage is:

   (i) Rented to a lessee or sub-lessee and used… to conduct its customary operations; and/or

   (ii) Used by the building owner to conduct customary operations

c. If vacant for more than 60 consecutive days before the loss, the policy will not pay for any loss caused by:

   (1) Vandalism

   (2) Sprinkler Leakage, unless protected from freezing

   (3) Building Glass Breakage

   (4) Water Damage

   (5) Theft

   (6) Attempted Theft

d. Loss payments from any other covered Causes of Loss will be reduced by 15% from the amount which would otherwise be paid
G. Optional Coverages

If shown as applicable in the Declarations, the following Optional Coverages also apply. These coverages are subject to the terms and conditions applicable to property coverage in this policy, except as provided below.

1. Outdoor Signs
   a. We will pay for direct physical loss of or damage to all outdoor signs at the described premises:
      (1) Owned by you; or
      (2) Owned by others but in your care, custody or control.
   b. Paragraph A.3., Covered Causes Of Loss, and Paragraph B., Exclusions in Section I – Property, do not apply to this Optional Coverage, except for:
      (1) Paragraph B.1.c., Governmental Action;
      (2) Paragraph B.1.d., Nuclear Hazard; and
      (3) Paragraph B.1.f., War And Military Action.
   c. We will not pay for loss or damage caused by or resulting from:
      (1) Wear and tear;
      (2) Hidden or latent defect;
      (3) Rust;
      (4) Corrosion; or
      (5) Mechanical breakdown.
   d. The most we will pay for loss or damage in any one occurrence is the Limit of Insurance for Outdoor Signs shown in the Declarations.
   e. The provisions of this Optional Coverage supersede all other references to outdoor signs in this policy.

2. Money And Securities
   a. We will pay for direct loss of or damage to Business Personal Property and "money" and "securities" resulting from dishonest acts committed by any of your employees acting alone or in collusion with other persons (except you or your partner) with the manifest intent to:
      (1) Cause you to sustain loss or damage; and also
      (2) Obtain financial benefit (other than salaries, commissions, fees, bonuses, promotions, awards, profit sharing, pensions or other employee benefits earned in the normal course of employment) for:
         (a) Any employee; or
         (b) Any other person or organization.
   b. In addition to the Limitations and Exclusions applicable to Section I – Property, we will not pay for loss:
      (1) Resulting from accounting or arithmetical errors or omissions;
      (2) Due to the giving or surrendering of property in any exchange or purchase; or
      (3) 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.
   c. The most we will pay for loss in any one occurrence is:
      (1) The limit shown in the Declarations for Inside the Premises for "money" and "securities" while:
         (a) In or on the described premises; or
         (b) Within a bank or savings institution; and
      (2) The limit shown in the Declarations for Outside the Premises for "money" and "securities" while anywhere else.
   d. All loss:
      (1) Caused by one or more persons; or
      (2) Involving a single act or series of related acts;
      is considered one occurrence.
   e. You must keep records of all "money" and "securities" so we can verify the amount of any loss or damage.

3. Employee Dishonesty
   a. We will pay for direct loss of or damage to Business Personal Property and "money" and "securities" resulting from dishonest acts committed by any of your employees acting alone or in collusion with other persons (except you or your partner) with the manifest intent to:
      (1) Cause you to sustain loss or damage; and also
      (2) Obtain financial benefit (other than salaries, commissions, fees, bonuses, promotions, awards, profit sharing, pensions or other employee benefits earned in the normal course of employment) for:
         (a) Any employee; or
         (b) Any other person or organization.
I. Optional Coverages Found in the BOP - activated by an entry on the Dec Page

1. Outdoor Signs

   1. Outdoor Signs
      a. We will pay for direct physical loss of or damage to all outdoor signs at the described premises:
         (1) Owned by you; or
         (2) Owned by others but in your care, custody or control.

2. Money and Securities

   2. Money And Securities
      a. 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:
         (1) Theft, meaning any act of stealing;
         (2) Disappearance; or
         (3) Destruction.

3. Employee Dishonesty

   3. Employee Dishonesty
      a. We will pay for direct loss of or damage to Business Personal Property and "money" and "securities" resulting from dishonest acts committed by any of your employees acting alone or in collusion with other persons (except you or your partner) with the manifest intent to:
         (1) Cause you to sustain loss or damage; and also
         (2) Obtain financial benefit (other than salaries, commissions, fees, bonuses, promotions, awards, profit sharing, pensions or other employee benefits earned in the normal course of employment) for:
            (a) Any employee; or
            (b) Any other person or organization.
(2) The loss or damage would have been covered by this Optional Coverage had it been in effect when the acts or events causing the loss or damage were committed or occurred.

i. The insurance under Paragraph h. above is part of, not in addition to, the Limit of Insurance applying to this Optional Coverage and is limited to the lesser of the amount recoverable under:
(1) This Optional Coverage as of its effective date; or
(2) The prior insurance had it remained in effect.

j. With respect to the Employee Dishonesty Optional Coverage in Paragraph G.3., employee means:
(1) Any natural person:
(a) While in your service or for 30 days after termination of service;
(b) Who you compensate directly by salary, wages or commissions; and
(c) Who you have the right to direct and control while performing services for you;
(2) Any natural person who is furnished temporarily to you:
(a) To substitute for a permanent employee as defined in Paragraph (1) above, who is on leave; or
(b) To meet seasonal or short-term workload conditions;
(3) Any natural person who is leased to you under a written agreement between you and a labor leasing firm, to perform duties related to the conduct of your business, but does not mean a temporary employee as defined in Paragraph (2) above;
(4) Any natural person who is a former employee, director, partner, member, manager, representative or trustee retained as a consultant while performing services for you; or
(5) Any natural person who is a guest student or intern pursuing studies or duties, excluding, however, any such person while having care and custody of property outside any building you occupy in conducting your business.

But employee does not mean:
(1) Any agent, broker, factor, commission merchant, consignee, independent contractor or representative of the same general character; or
(2) Any “manager”, director or trustee except while performing acts coming within the usual duties of an employee.

4. Equipment Breakdown Protection Coverage

a. We will pay for direct loss of or damage to Covered Property caused by or resulting from a mechanical breakdown or electrical failure to pressure, mechanical or electrical machinery and equipment.

Mechanical breakdown or electrical failure to pressure, mechanical or electrical machinery and equipment does not mean any:
(1) Malfunction including but not limited to adjustment, alignment, calibration, cleaning or modification;
(2) Leakage at any valve, fitting, shaft seal, gland packing, joint or connection;
(3) Damage to any vacuum tube, gas tube, or brush; or
(4) The functioning of any safety or protective device.

b. Paragraphs A.4.a.(1) and A.4.a.(2), Limitations, do not apply to this Optional Coverage.

c. With respect to the coverage provided by this Optional Coverage, the following exclusions in Paragraph B. Exclusions do not apply:
(1) Paragraph B.2.a. Electrical Apparatus;
(2) Paragraph B.2.d. Steam Apparatus; and

d. With respect to the coverage provided by this Optional Coverage, Paragraph G.1.c.(5) of the Outdoor Sign Optional Coverage does not apply.

e. If a dollar deductible is shown in the Declarations for this Optional Coverage, we will first subtract the applicable deductible amount from any loss we would otherwise pay. We will then pay the amount of loss in excess of the applicable deductible up to the applicable limit for this coverage.

If no optional deductible is chosen for this Optional Coverage, the Property Deductible shown in the Declarations applies.
4. Equipment Breakdown Protection Coverage

a. A “mini-version” of Equipment Breakdown (aka Boiler & Machinery) Coverage

b. Contains a “Suspension” provision

h. Whenever any covered pressure, mechanical or electrical machinery and equipment is found to be in, or exposed to, a dangerous condition, any of our representatives may suspend coverage provided by this Optional Coverage for loss from a mechanical breakdown or electrical failure to that pressure, mechanical or electrical machinery and equipment.
SECTION II – LIABILITY
A. Coverages
   1. Business Liability
      a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury", "property damage" or "personal and advertising injury" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "bodily injury", "property damage" or "personal and advertising injury" to which this insurance does not apply. We may, at our discretion, investigate any "occurrence" or any offense and settle any claim or "suit" that may result. But:
         (1) The amount we will pay for damages is limited as described in Paragraph D. – Liability And Medical Expenses Limits Of Insurance in Section II – Liability; and
         (2) Our right and duty to defend end when we have used up the applicable Limit of Insurance in the payment of judgments or settlements or medical expenses.
      
      No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under Paragraph f. Coverage Extension – Supplementary Payments.
      
      b. This insurance applies:
         (1) To "bodily injury" and "property damage" only if:
             (a) The "bodily injury" or "property damage" is caused by an "occurrence" that takes place in the "coverage territory";
             (b) The "bodily injury" or "property damage" occurs during the policy period; and
         (c) Prior to the policy period, no insured listed under Paragraph C.1. Who Is An Insured and no "employee" authorized by you to give or receive notice of an "occurrence" or claim, knew that the "bodily injury" or "property damage" had occurred, in whole or in part. If such a listed insured or authorized "employee" knew, prior to the policy period, that the "bodily injury" or "property damage" occurred, then any continuation, change or resumption of such "bodily injury" or "property damage" during or after the policy period will be deemed to have been known before the policy period.
         (2) To "personal and advertising injury" caused by an offense arising out of your business, but only if the offense was committed in the "coverage territory" during the policy period.
      
      c. "Bodily injury" or "property damage" which occurs during the policy period and was not, prior to the policy period, known to have occurred by any insured listed under Paragraph C.1. Who Is An Insured or any "employee" authorized by you to give or receive notice of an "occurrence" or claim, includes any continuation, change or resumption of "bodily injury" or "property damage" after the end of the policy period.
      
      d. "Bodily injury" or "property damage" will be deemed to have been known to have occurred at the earliest time when any insured listed under Paragraph C.1. Who Is An Insured or any "employee" authorized by you to give or receive notice of an "occurrence" or claim:
         (1) Reports all, or any part, of the "bodily injury" or "property damage" to us or any other insurer;
         (2) Receives a written or verbal demand or claim for damages because of the "bodily injury" or "property damage"; or
         (3) Becomes aware by any other means that "bodily injury" or "property damage" has occurred or has begun to occur.
VI. BUSINESSOWNERS COVERAGE FORM – SECTION II – LIABILITY (BP 00 03 01 10)

A. Coverage applies to Bodily Injury & Property Damage, Personal & Advertising Injury and Medical Expenses

B. Premises & Operations and Products & Completed Operations

C. Limits of $300,000, $500,000, $1,000,000 and $2,000,000 available

D. Limits of $50,000 or $100,000 available for Fire Legal Liability

➢ To remove these dollar limitations and broaden the coverage, Use BP 04 55 - Broadened Coverage for Damage to Premises Rented to You

E. $5,000 Medical Expenses per person

F. Two aggregates:

1. General Aggregate

2. Products/Completed Operations Aggregate

3. Both are two times the Occurrence limit
VII. SELECTED ENDORSEMENTS FOR DISCUSSION (not a complete listing)

A. Spoilage Coverage (BP 04 15 01 10)
   1. Provides coverage for spoilage of "Perishable Stock" due to breakdown or contamination, or power outage
   2. Covers property owned by or in the care, custody or control of the Insured
   3. $50,000 maximum limit per location

B. Business Income Changes – Time Period (BP 04 41 01 10)
   • Removes the 72-hour deductible for Business Income, Civil Authority & Business Income From Dependent Properties

C. Utility Services - Direct Damage (BP 04 56 01 10)
   1. Allows buy-back of coverage for off-premises failure of power or other utility services
   2. Provides coverage for direct damage to an insured property due to loss of water, communication and power supply services
   3. May include or exclude overhead transmission lines

D. Utility Services - Time Element (BP 04 57 01 10)
   1. Provides coverage for indirect damage (Time Element Loss) due to loss of water, communication and power supply services
   2. May include or exclude overhead transmission lines
E. Contractors’ Installation, Tools and Equipment Coverage (*BP 07 01 01 10*)

1. CLM rules specify that this should be added to all BOPs of all eligible contractors
2. Provides limited coverage for installation, tools and equipment
3. Higher limits available for additional premium

F. Vacancy Changes (*BP 04 86 01 06*)

- Can be used to change the 31% minimum-use requirement to as low as 10% by indicating the new percentage in the schedule

G. Vacancy Permit (*BP 04 87 01 06*)

1. Can be used to waive the Vacancy Loss Condition, allowing coverage to continue when a building is deemed vacant beyond 60 days
2. Waives Vacancy Loss Condition for a specified period of time
3. Can still exclude vandalism and/or sprinkler leakage

H. Ordinance or Law Coverage (*BP 04 46 01 06*)

1. Allows the “buy-back” of coverage for the three excluded exposures in order to comply with current building, zoning or land-use laws or ordinances:
   a. Loss to the undamaged portion of the building
   b. Demolition & debris removal of the undamaged portion
   c. Increased cost of construction coverage
2. Can also apply to Business Income and Extra Expense if that option is indicated on the Dec Page
VIII. OTHER ENDORSEMENTS (again, not a complete listing)

A. Earthquake (*BP 10 03*)

B. Flood (*BP 10 79*)

C. Employment-Related Practices Liability (*BP 05 89*)

D. Employee Benefits Liability Coverage (*BP 04 98*)

E. Barber Shops and Hair Salons Professional Liability (*BP 08 01*)

F. Funeral Directors Professional Liability (*BP 08 02*)

G. Optical and Hearing Aid Establishments (*BP 08 03*)

H. Printers Errors and Omissions Liability (*BP 08 04*)

I. Veterinarians Professional Liability (*BP 08 05*)

J. Beauty Salons Professional Liability (*BP 08 09*)

K. Additional Insured (*16 categories*)
IX. ADVANTAGES AND DISADVANTAGES OF USING A BOP

A. Advantages

1. Replacement cost contract for buildings and personal property as long as insured to at least 80% of full replacement cost

2. Includes coverage within the building limit for unscheduled “Other Structures” at the described premises

3. Automatic seasonal increase on personal property limit if insured meets specified requirements

4. Business Income and Extra Expense are not subject to a dollar limit … They are subject only to a twelve month time limit

5. Personal Property of Others automatically covered up to the insured’s Personal Property limit

6. Landlord’s Furnishings included in building limit

7. BOP has fewer items on the Property Not Covered list than CPP

8. BOP has more "built-in" Additional Coverages

9. Easy rating/Well priced

B. Disadvantages

1. Limited classification eligibility

2. Older buildings are usually ineligible

3. Size limitations

4. Business Income and Extra Expense limited to 12 months

5. Loss settlement for Property of Others is ACV, unless Replacement Cost is required by contract

6. No Peak Season endorsement

7. In general, less flexible than CPP