COMMERCIAL PROPERTY - WHAT IS NOT COVERED?

SPONSORED BY

Liberty Mutual
INSURANCE
Commercial Property ...
What is Not Covered??!!
2. **Property Not Covered**

Covered Property does not include:

- **b.** Animals, unless owned by others and boarded by you, or if owned by you, only as "stock" while inside of buildings;
- **c.** Automobiles held for sale;
- **d.** Bridges, roadways, walks, patios or other paved surfaces;
- **e.** Contraband, or property in the course of illegal transportation or trade;
- **f.** The cost of excavations, grading, backfilling or filling;
- **g.** 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;
- **h.** Land (including land on which the property is located), water, growing crops or lawns;
- **i.** Personal property while airborne or waterborne;
- **j.** Bulkheads, pilings, piers, wharves or docks;
- **k.** 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;
- **l.** Retaining walls that are not part of a building;
- **m.** Underground pipes, flues or drains;
- **n.** Electronic data, except as provided under the Additional Coverage, 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, **n.**, does not apply to your "stock" of prepackaged software;

- **o.** The cost to replace or restore the information on valuable papers and records, including those which exist as electronic data. Valuable papers and records include but are not limited to proprietary information, books of account, deeds, manuscripts, abstracts, drawings and card index systems. Refer to the Coverage Extension for Valuable Papers And Records (Other Than Electronic Data) for limited coverage for valuable papers and records other than those which exist as electronic data;

- **p.** 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.

This paragraph does not apply to:

- (a) Vehicles or self-propelled machines or autos you manufacture, process or warehouse;
- (b) Vehicles or self-propelled machines, other than autos, you hold for sale;
- (c) Rowboats or canoes out of water at the described premises; or
- (d) Trailers, but only to the extent provided for in the Coverage Extension for Non-owned Detached Trailers;

- **q.** The following property while outside of buildings:
  - (1) Grain, hay, straw or other crops;
  - (2) Fences, radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers, trees, shrubs or plants (other than "stock" of trees, shrubs or plants), all except as provided in the Coverage Extensions.
Commercial Property … What is Not Covered??!!

There are 17 categories of “Property Not Covered” … We can cover most of them and increase sales while reducing E&O!!

1. Accounts, bills, currency, food stamps, etc. (Crime Program)

2. Animals.(CP 14 10 or Farm Forms, Inland Marine, et al)

3. Automobiles held for sale (Auto Forms)

4. Bridges, roadways, walks, patios or other paved surfaces (CP 14 10, Inland Marine)

5. Contraband

6. Cost of excavations, grading, backfilling or filling (CP 14 10, Inland Marine)

7. Foundations of buildings.(CP 14 10)

8. Land...
THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL COVERED PROPERTY

This endorsement modifies insurance provided under the following:

- BUILDING AND PERSONAL PROPERTY COVERAGE FORM
- CONDOMINIUM ASSOCIATION COVERAGE FORM
- CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
- STANDARD PROPERTY POLICY

The following is withdrawn from PROPERTY NOT COVERED and added to COVERED PROPERTY:

**SCHEDULE**

<table>
<thead>
<tr>
<th>Prem. No.</th>
<th>Bldg. No.</th>
<th>Paragraph Reference</th>
<th>Description of Property</th>
<th>Type of Property Coverage (Enter BUILDING or PERSONAL PROPERTY)</th>
</tr>
</thead>
</table>

* Information required to complete this Schedule, if not shown on this endorsement, will be shown in the Declarations.
9. Personal property while airborne or waterborne (Transit Coverage)

10. Bulkheads, pilings, piers, wharves or docks (CP 14 10)

11. Property covered under another coverage form

12. Retaining walls not part of building (CP 14 10)

13. Underground pipes, flues or drains (CP 14 10)


15. Cost to research, replace or restore valuable papers and records except as provided in Coverage Extensions (Inland Marine)

16. Vehicles or self-propelled machines..(Auto Policy, Inland Marine)

17. Certain outdoor property (crops, fences, antennas, etc.) (CP 14 10, CP 14 30, CP 14 40, CP 14 50, Inland Marine, et al)
This endorsement modifies insurance provided under the following:

**COMMERCIAL PROPERTY COVERAGE PART**

**SCHEDULE**

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<th>Description Of Business:</th>
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<th>Annual Aggregate Limit Of Insurance:</th>
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<th>Anti-Virus Waiver:</th>
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<th>Section I – Deductible:</th>
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Information required to complete this Schedule, if not shown above, will be shown in the Declarations.
A. Introduction

1. Under this endorsement, the business of e-commerce and e-commerce activity means commerce conducted via the Internet or other computer-based interactive communications network. This includes business-to-business commerce conducted in that manner.

2. As used in this endorsement, 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.

3. As used in this endorsement, loss or damage to electronic data means destruction or corruption of electronic data.

4. As used in this endorsement:
   a. The term employee includes a leased or temporary employee; and
   b. The term contractor, which includes an employee or any agent of the contractor, means an entity that has a written agreement with you to inspect, design, install, test, maintain, repair or replace any part of your computer system including electronic data.

5. In this endorsement, reference to your computers or your computer system means those which are owned by you or licensed or leased to you.

B. Section I – Electronic Data Coverage

1. The coverage provided under Section I of this endorsement is limited to electronic data which is owned by you or licensed or leased to you, originates and resides in computers located in the Coverage Territory, and is used in the e-commerce activity of your business described in the Schedule.

Under Section I of this endorsement, electronic data does not include your electronic data that is licensed, leased or rented to others.

2. We will pay for the cost to replace or restore electronic data which has suffered loss or damage by a Covered Cause of Loss as described in Section III of this endorsement, subject to the valuation provisions in B.3. below.

3. The Valuation Condition is replaced by the following with respect to the coverage provided under Section I of this endorsement:
   a. Loss or damage to electronic data will be valued at the cost of restoration or replacement, including the cost of data entry, reprogramming and computer consultation services. But we will not pay the cost to duplicate research that led to the development of your electronic data or any proprietary or confidential information or intellectual property in any form. 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.
   b. If you recover, from a licenser or lessor, for loss or damage to electronic data, our loss payment to you will be reduced to the extent of such recovery.

C. Section II – Time Element Coverage

1. Coverage

We will pay for the actual loss of Business Income you sustain and/or Extra Expense you incur due to the necessary suspension (slow-down or cessation) of the e-commerce activity of your business described in the Schedule, for the applicable period of time specified in C.2. The suspension must be caused by:
   a. A loss covered under Section I of this endorsement; or
   b. Interruption in normal computer network service or function caused by a Covered Cause of Loss as described in Section III of this endorsement.

Income or expense from outside the Coverage Territory, generated by or pertaining to the e-commerce activity of the business described in the Schedule, is not covered under this endorsement.
2. Period Of Coverage
   
a. If the suspension of e-commerce activity is caused by a loss covered under Section I of this endorsement, then the period of coverage begins 24 hours after the time of such loss and ends on the earliest of:
   (1) The time when e-commerce activity is resumed;
   (2) The time when the electronic data is restored; or
   (3) 90 days after the date of the loss covered under Section I of this endorsement.

b. If the suspension of e-commerce activity is caused solely by an interruption described in C.1.b. above, then the period of coverage begins 24 hours after the interruption begins. Under this endorsement, the interruption in service is deemed to begin when service to your Web site is interrupted. The period of coverage ends on the earliest of:
   (1) The time when your e-commerce activity is resumed;
   (2) The time when service is restored to you; or
   (3) Two weeks after the interruption began.

c. The time periods expressed in 2.a. and 2.b. above (including the 24-hour waiting period) apply to the coverage under Section II of this endorsement and are not affected by any provision in any form or endorsement relating to or modifying business income coverage.

3. Business Income
   
a. Business Income means the:
      (1) Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; and
      (2) Continuing normal operating expenses incurred, including payroll.

b. The amount of Business Income loss will be determined based on consideration of the following, b.(1) through b.(4). However, the amount of loss will be reduced to the extent that the reduction in the volume of business from the affected e-commerce activity is offset by an increase in the volume of business from other channels of commerce:
      (1) The Net Income of the business of e-commerce before the loss or damage or interruption in service or function occurred;
      (2) The likely Net Income of the business of e-commerce if no loss or damage or interruption in service 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;
      (3) The operating expenses, including payroll, necessary to resume e-commerce activity with the same quality of service that existed before the loss or damage or interruption in service or function; and
      (4) Other relevant sources of information, including your financial records and accounting procedures, bills, invoices and other vouchers, and deeds, liens and contracts.

4. Extra Expense
   
a. Extra Expense means necessary expenses you incur:
      (1) During the period of coverage set forth in C.2. of this endorsement, that you would not have incurred if there had been no loss or damage or interruption in service or function, subject to (2) below;
      (2) To avoid or minimize the suspension of e-commerce activity.

b. The amount of Extra Expense will be determined based on:
      (1) Necessary expenses that exceed the normal operating expenses that would have been incurred in the course of e-commerce activity during the period of coverage if no loss or damage or interruption in service or function had occurred. We will deduct from the total of such expenses the salvage value that remains of any property bought for temporary use during the period of coverage, once e-commerce activity is resumed; and
      (2) Necessary expenses that reduce the Business Income loss that otherwise would have been incurred during the period of coverage.
5. Resumption Of E-commerce Activity

a. We will reduce the amount of your Business Income loss to the extent that you can resume e-commerce activity, in whole or in part, by using damaged or undamaged equipment or electronic data at the described premises or elsewhere.

b. We will reduce the amount of your Extra Expense loss to the extent that you can return e-commerce activity to normal and discontinue Extra Expense.

c. If you do not resume e-commerce activity, or do not do so as quickly as possible, we will pay based on the length of time it would have taken to resume such activity as quickly as possible.

D. Section III – Causes Of Loss

1. The provisions of this endorsement do not supersede or in any way affect the application of the Exclusion Of Certain Computer-Related Losses if such exclusion is endorsed to or otherwise made part of the Commercial Property Coverage Part. The exclusion addresses the inability of a computer system to correctly recognize, process, distinguish, interpret or accept one or more dates or times.

2. The Causes Of Loss – Special Form, by means of exclusions and limitations stated therein and all modifications stated in D.2. through D.4. of this endorsement, provides the Covered Causes of Loss applicable to Section I and Section II of this endorsement.

a. The Utility Services Exclusion does not apply with respect to power or communications supply services, provided that there is an interruption in utility service which is caused by a "specified cause of loss" as defined in the Causes Of Loss – Special Form.

b. The exclusion of artificially generated electrical, magnetic or electromagnetic energy does not apply.

c. The exclusion of mechanical breakdown does not apply with respect to the breakdown of your computers and their related equipment, but this exception is limited to the effect of such mechanical breakdown on electronic data.

d. The following exclusions are added. We will not pay for loss or damage caused by or resulting from:

(1) A virus, malicious 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 this exclusion does not apply if your e-commerce activity is conducted via a computer system that is equipped with virus-scanning or anti-virus software, or if the Anti-Virus Waiver is indicated as applicable in the Schedule. When this exclusion does not apply, then coverage also extends to shutdown of the computer system if the shutdown is undertaken in response to the detection of a virus or other incident by virus-scanning software, to mitigate or avoid attack, infiltration or infection of the system;

(2) Unauthorized viewing, copying or use of electronic data (or any proprietary or confidential information or intellectual property in any form) by any person, even if such activity is characterized as theft;

(3) Errors or omissions in programming or processing electronic data;

(4) Errors or deficiency in design, installation, maintenance, repair or modification of your computer system or any computer system or network to which your system is connected or on which your system depends (including electronic data);

(5) Manipulation of your computer system, including electronic data, by an employee, volunteer worker or contractor, for the purpose of diverting electronic data or causing fraudulent or illegal transfer of any property;

(6) Interruption in normal computer function or network service or function due to insufficient capacity to process transactions or to an overload of activity on the system or network. But this exclusion does not apply if such incident is caused by a virus, malicious code or similar instruction introduced into or enacted on a computer system or network, provided Exclusion (1) also does not apply;
(7) Unexplained or indeterminable failure, malfunction or slowdown of a computer system, including electronic data and the inability to access or properly manipulate the electronic data;

(8) Complete or substantial failure, disablement or shutdown of the entire Internet, regardless of the cause.

3. The Covered Causes of Loss include removal of electronic data from your system in an act of thievery by someone other than an employee, volunteer worker or contractor. Removal means that the electronic data is no longer in your computer system. Removal does not mean viewing, copying or use of electronic data (or any proprietary or confidential information or intellectual property in any form). Coverage for removal does not include transfer of funds, securities or similar property which is designated in the Coverage Form as Property Not Covered, even if eliminated from Property Not Covered by endorsement.

4. An endorsement(s) which adds or eliminates a Covered Cause of Loss from the Causes Of Loss – Special Form also applies to coverage under this endorsement, unless such other endorsement contains a specific provision to the contrary or is made inapplicable to this endorsement via its Schedule or the Declarations.

E. Section IV – Other Provisions

1. General
The coverage under this endorsement is limited as described, and does not extend to or modify any coverage provided under any other form or endorsement in this policy.

2. Claim-related Fees
We will not pay for costs, fees or other expenses you incur in establishing the amount of your claim.

3. Coinsurance
The Coinsurance Condition does not apply to the coverage provided under this endorsement.

4. Limit Of Insurance – Annual Aggregate
The applicable Limit of Insurance shown in the Schedule is the most we will pay under this endorsement, for the total of all losses covered under Sections I and II of this endorsement and 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 the applicable Limit of Insurance, then the balance of that Limit is available for subsequent loss 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.

5. Deductible
The Deductible shown in the Schedule applies to loss covered under Section I of this endorsement. We will not pay for loss in any one occurrence until the amount of loss exceeds the Deductible. We will then pay the amount of loss in excess of the Deductible, subject to the available limit of the Limit of Insurance.

6. Coverage Territory
With respect to the coverage provided under this endorsement, the following is added to the Coverage Territory Condition:

A computer virus or other incident that occurs on the Internet or other computer-based interactive communications network may originate anywhere in the world. However, even if an incident that originates outside the Coverage Territory results in coverage under this endorsement, the coverage is limited to the Coverage Territory (United States of America, its territories and possessions, and Puerto Rico and Canada) in accordance with the provisions of Paragraphs B.1. and C.1. of this endorsement.
OUTDOOR TREES, SHRUBS AND PLANTS

This endorsement modifies insurance provided under the following:

BUILDERS’ RISK COVERAGE FORM
BUILDING AND PERSONAL PROPERTY COVERAGE FORM
CONDONINIUM ASSOCIATION COVERAGE FORM
CONDONINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
STANDARD PROPERTY POLICY

SCHEDULE*

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</table>

*Information required to complete this Schedule, if not shown on this endorsement, will be shown in the Declarations.

A. The following is added to Covered Property:
   Outdoor trees, shrubs and plants at locations described in the Schedule.

B. The following is deleted from Property Not Covered:
   "Trees, shrubs or plants"

C. The most we will pay for loss or damage to covered trees, shrubs and plants in any one occurrence is the Limit of Insurance for All Items, subject to the separate limit applicable to Each Tree, Shrub or Plant, shown in the Schedule.

D. Outdoor trees, shrubs and plants are subject to all applicable provisions of the Causes Of Loss Form indicated in the Schedule, as well as to the following exclusions:
   We will not pay for loss or damage to outdoor trees, shrubs or plants, caused by or resulting from any of the following:
   1. Dampness or dryness of atmosphere;
   2. Changes in or extremes of temperature; or
   3. Rain, snow, ice or sleet.

E. If the Vehicle Exclusion option is designated in the Schedule by an "X", we will not pay for loss or damage caused by vehicles to outdoor trees, shrubs or plants.
OUTDOOR SIGNS

This endorsement modifies insurance provided under the following:

- BUILDING AND PERSONAL PROPERTY COVERAGE FORM
- CONDOMINIUM ASSOCIATION COVERAGE FORM
- CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
- STANDARD PROPERTY POLICY

**SCHEDULE**

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<th>Building Number:</th>
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<td><strong>Description Of Sign:</strong></td>
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<tr>
<td>Construction Of Sign:</td>
<td>□ Entirely Metal □ Other</td>
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<td>Limit Of Insurance:</td>
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<tr>
<td>Coinsurance Percentage:</td>
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<td>Additional Premium:</td>
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<td><strong>Description Of Sign:</strong></td>
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**Description Of Sign:**

**Construction Of Sign:** [ ] Entirely Metal [ ] Other

**Limit Of Insurance:** $

**Coinsurance Percentage:** 

**Additional Premium:** $

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

With respect to the outdoor signs described in the Schedule, the provision in the Limits Of Insurance section which pertains to signs does not apply. The limit applicable to each sign is shown in the Schedule. The limit applicable to each sign is the most we will pay for loss or damage to the sign in any one occurrence.
THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

RADIO OR TELEVISION ANTENNAS

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
BUILDERS' RISK COVERAGE FORM
CONDOMINIUM ASSOCIATION COVERAGE FORM
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
STANDARD PROPERTY POLICY

SCHEDULE*

|-----------|------------|--------------------|--------------------------------|------------------------|--------------------|

*Information required to complete this Schedule, if not shown on this endorsement, will be shown in the Declarations.

A. The following is added to **Covered Property**:
   Radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers, as described in the Schedule.

B. The following is deleted from **Property Not Covered**:
   "Radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers".

C. Property covered under this endorsement is subject to all applicable provisions of the Causes of Loss form indicated in the Schedule, as well as to the following exclusions:
   We will not pay for loss or damage caused by or resulting from any of the following:
   1. Dampness or dryness of atmosphere;
   2. Changes in or extremes of temperature; or
   3. Rain, snow, ice or sleet.
THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EARTHQUAKE AND VOLCANIC ERUPTION ENDORSEMENT

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY COVERAGE PART
STANDARD PROPERTY POLICY

A. When this endorsement is attached to the Standard Property Policy, the terms Coverage Part and Coverage Form in this endorsement are replaced by the term Policy.

B. This endorsement applies to the Covered Property and Coverages for which an Earthquake – Volcanic Eruption Limit Of Insurance is shown in the Declarations.

C. Additional Covered Causes Of Loss
   1. The following are added to the Covered Causes Of Loss:
      a. Earthquake.
      b. Volcanic Eruption, meaning the eruption, explosion or effusion of a volcano.
      
      All Earthquake shocks or Volcanic Eruptions that occur within any 168-hour period will constitute a single Earthquake or Volcanic Eruption. The expiration of this policy will not reduce the 168-hour period.

   2. If the Declarations indicate that this endorsement covers Earthquake – Sprinkler Leakage Only, then the Covered Causes of Loss in Paragraph C.1. of this endorsement do not apply, and the following apply instead:
      a. Sprinkler Leakage resulting from Earthquake.
      b. Sprinkler Leakage resulting from Volcanic Eruption. Volcanic Eruption means the eruption, explosion or effusion of a volcano.
      
      All Earthquake shocks or Volcanic Eruptions that occur within any 168-hour period will constitute a single Earthquake or Volcanic Eruption. The expiration of this policy will not reduce the 168-hour period.

D. Exclusions, Limitations And Related Provisions
   1. The Exclusions and Limitation(s) sections of the Causes Of Loss Form (and the Exclusions section of the Mortgageholders Errors And Omissions Coverage Form and the Standard Property Policy) apply to coverage provided under this endorsement, except as provided in D.2. and D.3. below.
   2. To the extent that the Earth Movement Exclusion might conflict with coverage provided under this endorsement, the Earth Movement Exclusion does not apply.
   3. The exclusion of collapse, in the Causes Of Loss – Special Form and Mortgageholders Errors And Omissions Coverage Form, does not apply to collapse caused by Earthquake or Volcanic Eruption.
   4. The Additional Coverage – Collapse, in the Causes Of Loss – Broad Form, Causes Of Loss – Special Form and Mortgageholders Errors And Omissions Coverage Form, does not apply to the coverage provided under this endorsement. This endorsement includes coverage for collapse caused by Earthquake or Volcanic Eruption.
   5. We will not pay for loss or damage caused directly or indirectly by tidal wave or tsunami, even if attributable to an Earthquake or Volcanic Eruption.
   6. We will not pay for loss or damage caused by or resulting from any Earthquake or Volcanic Eruption that begins before the inception of this insurance.
   7. The Ordinance Or Law Exclusion in this Coverage Part continues to apply with respect to any loss under this Coverage Part including any loss under this endorsement, unless Ordinance Or Law Coverage is added by endorsement.
8. We will not pay for loss of or damage to exterior masonry veneer (except stucco) on wood frame walls caused by or resulting from Earthquake or Volcanic Eruption. The value of such veneer will not be included in the value of Covered Property or the amount of loss when applying the Property Damage Deductible applicable to this endorsement.

This limitation, D.8., does not apply if:

a. The Declarations indicate that the "Including Masonry Veneer" option applies or the premises description in the Declarations specifically states "Including Masonry Veneer"; or

b. Less than 10% of the total outside wall area is faced with masonry veneer (excluding stucco).

9. Under this Coverage Part, as set forth under Property Not Covered in the Coverage Form to which this endorsement is attached, land is not covered property, nor is the cost of excavations, grading, backfilling or filling. Therefore, coverage under this endorsement does not include the cost of restoring or remediating land.

E. Property Damage Deductible

1. The provisions of Section E.3. of this endorsement are applicable to all Coverage Forms except:

a. Business Income (And Extra Expense) Coverage Form;

b. Business Income (Without Extra Expense) Coverage Form;

c. Extra Expense Coverage Form.

2. If the Declarations indicate that this endorsement covers Earthquake – Sprinkler Leakage Only, then the Deductible set forth in Section E.3. of this endorsement does not apply to such coverage. The applicable Deductible for such coverage is the same Deductible that applies to Fire.

3. The Deductible, if any, in this Coverage Part is replaced by the following with respect to Earthquake and Volcanic Eruption:

a. All Policies

   (1) The Deductible provisions apply to each Earthquake or Volcanic Eruption.

   (2) Separate Deductibles are calculated for, and apply to, each building, personal property at each building and personal property in the open. Deductibles are separately calculated and applied even if:

      (a) Two or more buildings sustain loss or damage;

      (b) Personal property at two or more buildings sustains loss or damage; and/or

      (c) A building and the personal property in that building sustain loss or damage.

3. We will not pay for loss or damage until the amount of loss or damage exceeds the applicable Deductible. We will then pay the amount of loss or damage in excess of that Deductible, up to the applicable Limit of Insurance, after any reduction required by any of the following: Coinsurance Condition, Agreed Value Optional Coverage, Additional Condition – Need For Adequate Insurance or Additional Condition – Need For Full Reports.

4. When property is covered under the Coverage Extension for Newly Acquired or Constructed Property: In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage of the value of the property at time of loss. The applicable percentage for Newly Acquired or Constructed Property is the highest percentage shown in the Declarations for any described premises.

5. If there is loss or damage caused by Earthquake or Volcanic Eruption, and loss or damage caused by a Cause of Loss (e.g., fire) that is covered by means of an exception to the Earth Movement Exclusion, then the only applicable Deductible provisions are those stated in this endorsement.
b. Calculation Of The Deductible – Specific Insurance Other Than Builders Risk

(1) Property Not Subject To Value Reporting Forms

In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage (as shown in the Declarations, concerning the Earthquake – Volcanic Eruption Deductible) of the Limit of Insurance applicable to the property that has sustained loss or damage.

(2) Property Subject To Value Reporting Forms

In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage (as shown in the Declarations, concerning the Earthquake – Volcanic Eruption Deductible) of the value of the property that has sustained loss or damage. The value to be used is the latest value shown in the most recent Report of Values on file with us.

However:

(a) If the most recent Report of Values shows less than the full value of the property on the report dates, we will determine the deductible amount as a percentage of the full value as of the report dates.

(b) If the first Report of Values is not filed with us prior to loss or damage, we will determine the deductible amount as a percentage of the applicable Limit of Insurance.

c. Calculation Of The Deductible – Blanket Insurance Other Than Builders Risk

(1) Property Not Subject To Value Reporting Forms

In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage (as shown in the Declarations, concerning the Earthquake – Volcanic Eruption Deductible) of the value of the property that has sustained loss or damage. The value to be used is that shown in the most recent Statement of Values on file with us.

(2) Property Subject To Value Reporting Forms

In determining the amount, if any, that we will pay for property that has sustained loss or damage, we will deduct an amount equal to a percentage (as shown in the Declarations, concerning the Earthquake – Volcanic Eruption Deductible) of the value of that property as of the time of loss or damage.

d. Calculation Of The Deductible – Builders Risk Insurance

(1) Builders Risk Other Than Reporting Form

In determining the amount, if any, that we will pay for property that has sustained loss or damage, we will deduct an amount equal to a percentage (as shown in the Declarations, concerning the Earthquake – Volcanic Eruption Deductible) of the value of that property as of the time of loss or damage.

(2) Builders Risk Reporting Form

In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage (as shown in the Declarations, concerning the Earthquake – Volcanic Eruption Deductible) of the value of the property that has sustained loss or damage. The value to be used is the actual cash value shown in the most recent Report of Values on file with us.

However:

(a) If the most recent Report of Values shows less than the actual cash value of the property on the report date, we will determine the deductible amount as a percentage of the actual cash value as of the report date.

(b) If the first Report of Values is not filed with us prior to loss or damage, we will determine the deductible amount as a percentage of the actual cash value of the property as of the time of loss or damage.
F. Examples – Application Of Deductible In E.3.:  

**EXAMPLE 1 – SPECIFIC INSURANCE (E.3.b.(1))**  
The amount of loss to the damaged building is $60,000.  
The value of the damaged building at time of loss is $100,000. The Coinsurance percentage shown in the Declarations is 80%; the minimum Limit of Insurance needed to meet the Coinsurance requirement is $80,000 (80% of $100,000).  
The actual Limit of Insurance on the damaged building is $70,000.  
The Deductible is 5%.  
Step (1): $70,000 ÷ $80,000 = .875  
Step (2): $60,000 X .875 = $52,500  
Step (3): $70,000 X 5% = $3,500  
Step (4): $52,500 – $3,500 = $49,000  
The most we will pay is $49,000. The remainder of the loss, $11,000, is not covered due to the Coinsurance penalty for inadequate insurance (steps (1) and (2)) and the application of the Deductible (steps (3) and (4)).

**EXAMPLE 2 – SPECIFIC INSURANCE (E.3.b.(1))**  
The amounts of loss to the damaged property are $60,000 (building) and $40,000 (business personal property in building).  
The value of the damaged building at time of loss is $100,000. The value of the business personal property in that building is $80,000. The Coinsurance percentage shown in the Declarations is 80%; the minimum Limits of Insurance needed to meet the Coinsurance requirement are $80,000 (80% of $100,000) for the building and $64,000 (80% of $80,000) for the business personal property.  
The actual Limits of Insurance on the damaged property are $80,000 on the building and $64,000 on the business personal property (therefore no Coinsurance penalty).  
The Deductible is 10%.  
**Building 1**  
Step (1): $80,000 X 10% = $8,000  
Step (2): $60,000 – $8,000 = $52,000  
**Business Personal Property**  
Step (1): $64,000 X 10% = $6,400  
Step (2): $40,000 – $6,400 = $33,600  
The most we will pay is $85,600. That portion of the total loss not covered due to application of the Deductible is $14,400.

**EXAMPLE 3 – BLANKET INSURANCE (E.3.c.(1))**  
The sum of the values of Building 1 ($500,000), Building 2 ($500,000) and Building 3 ($1,000,000), as shown in the most recent Statement of Values on file with us, is $2,000,000.  
The Coinsurance percentage shown in the Declarations is 90%; the minimum Blanket Limit of Insurance needed to meet the Coinsurance requirement is $1,800,000 (90% of $2,000,000).  
The actual Blanket Limit of Insurance covering Buildings 1, 2, and 3, shown in the Declarations, is $1,800,000 (therefore no Coinsurance penalty).  
Buildings 1 and 2 have sustained damage; the amounts of loss to these buildings are $40,000 (Building 1) and $60,000 (Building 2).  
The Deductible is 5%.  
**Building 1**  
Step (1): $500,000 X 5% = $25,000  
Step (2): $40,000 – $25,000 = $15,000  
**Building 2**  
Step (1): $500,000 X 5% = $25,000  
Step (2): $60,000 – $25,000 = $35,000  
The most we will pay is $50,000. That portion of the total loss not covered due to application of the Deductible is $50,000.

**EXAMPLE 4 – BLANKET INSURANCE (E.3.c.(1))**  
The sum of the values of Building 1 ($500,000), Building 2 ($500,000), Business Personal Property at Building 1 ($250,000) and Business Personal Property at Building 2 ($250,000), as shown in the most recent Statement of Values on file with us, is $1,500,000.  
The Coinsurance percentage shown in the Declarations is 90%; the minimum Blanket Limit of Insurance needed to meet the Coinsurance requirement is $1,350,000 (90% of $1,500,000).  
The actual Blanket Limit of Insurance covering Buildings 1 and 2 and Business Personal Property at Buildings 1 and 2, shown in the Declarations, is $1,350,000. Therefore there is no Coinsurance penalty.
Building 1 and Business Personal Property at Building 1 have sustained damage; the amounts of loss are $95,000 (Building) and $5,000 (Business Personal Property).

The Deductible is 10%.

**Building**

Step (1): $500,000 \times 10\% = $50,000

Step (2): $95,000 - $50,000 = $45,000

**Business Personal Property**

Step (1): $250,000 \times 10\% = $25,000

The loss, $5,000, does not exceed the deductible.

The most we will pay is $45,000. The remainder of the building loss, $50,000, is not covered due to application of the Deductible. There is no loss payment for the business personal property.

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### G. Business Income And Extra Expense Period Of Restoration

This Section G. is applicable only to the Coverage Forms specified below:

1. Business Income (And Extra Expense) Coverage Form;
2. Business Income (Without Extra Expense) Coverage Form;
3. Extra Expense Coverage Form.

The "period of restoration" definition stated in the Coverage Form, or in any endorsement amending the beginning of the "period of restoration", applies to each Earthquake or Volcanic Eruption. A single Earthquake or Volcanic Eruption is defined in Section C. of this endorsement.
THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

FLOOD COVERAGE ENDORSEMENT

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY COVERAGE PART

A. When this endorsement is attached to the Standard Property Policy, the terms Coverage Part and Coverage Form in this endorsement are replaced by the term Policy.

B. This endorsement applies to the Covered Property and Coverages for which a Flood Limit of Insurance is shown in the Flood Coverage Schedule or in the Declarations.

C. Additional Covered Cause Of Loss

The following is added to the Covered Causes Of Loss:

Flood, meaning a general and temporary condition of partial or complete inundation of normally dry land areas due to:

1. The overflow of inland or tidal waters;
2. The unusual or rapid accumulation or runoff of surface waters from any source; or
3. Mudslides or mudflows which are caused by flooding as defined in C.2. above. For the purpose of this Covered Cause Of Loss, a mudslide or mudflow involves a river of liquid and flowing mud on the surface of normally dry land areas as when earth is carried by a current of water and deposited along the path of the current.

All flooding in a continuous or protracted event will constitute a single flood.

D. Exclusions, Limitations And Related Provisions

1. The Exclusions and Limitation(s) sections of the Causes Of Loss Form (and the Exclusions section of the Mortgageholders Errors And Omissions Coverage Form and the Standard Property Policy) apply to coverage provided under this endorsement except as provided in D.2. and D.3. below.
2. To the extent that a part of the Water Exclusion might conflict with coverage provided under this endorsement, that part of the Water Exclusion does not apply.
3. To the extent that a tsunami causes the overflow of tidal waters, the exclusion of earthquake, in the Earth Movement Exclusion, does not apply.
4. The Ordinance Or Law Exclusion in this Coverage Part continues to apply with respect to any loss under this Coverage Part including any loss under this endorsement, unless Ordinance Or Law Coverage is added by endorsement.
5. The following exclusions and limitations are added and apply to coverage under this endorsement:
   a. We will not pay for any loss or damage caused by or resulting from any Flood that begins before or within 72 hours after the inception date of this endorsement. If you request and we provide an increase in the stated Limit of Insurance for Flood, the increase will not apply to loss or damage from any Flood that begins before or within 72 hours after your request was made.
   b. We will not pay for loss or damage caused by or resulting from destabilization of land arising from the accumulation of water in subsurface land areas.
c. Under this Coverage Part, as set forth under Property Not Covered in the Coverage Form to which this endorsement is attached, land is not covered property, nor is the cost of excavations, grading, backfilling or filling. Therefore, coverage under this endorsement does not include the cost of restoring or remediating land due to the collapse or sinking of land caused by or resulting from Flood. However, coverage under this endorsement includes damage to the covered portions of the building and to covered personal property, caused by collapse or sinking of land along the shore of a body of water as the result of erosion or undermining caused by waves or currents of water which exceed the cyclical levels and cause Flood.

d. We do not cover loss or damage by Flood to personal property in the open except to the extent that such coverage, if any, is specified in the Flood Coverage Schedule or in the Declarations.

e. Property Not Covered, in the Coverage Form to which this endorsement is attached, is amended and supplemented as follows with respect to Flood Coverage:

(1) Property Not Covered includes any building or other property that is not eligible for flood insurance pursuant to the provisions of the Coastal Barrier Resources Act, 16 U.S.C. 3501 et seq. and the Coastal Barrier Improvement Act of 1990, Pub. L. 101-591, 16 U.S.C. 3501 et seq.

(2) Property Not Covered includes boat houses and open structures, and any property in or on the foregoing, if the structure is located on or over a body of water.

(3) If bulkheads, pilings, piers, wharves, docks, or retaining walls that are not part of a building, have been removed from Property Not Covered and added as Covered Property by separate endorsement, this Flood Coverage Endorsement does not apply to such property.

(4) The following are removed from Property Not Covered and are therefore Covered Property:

(a) Foundations below the lowest basement floor or the subsurface of the ground; and

(b) Underground pipes, flues and drains.

f. We will not pay for loss or damage caused by sewer back-up or overflow unless such back-up or overflow results from Flood and occurs within 72 hours after the flood recedes.

E. Additional Coverages And Coverage Extensions

1. With respect to Flood Coverage, the Debris Removal Additional Coverage (and any additional limit for Debris Removal under a Limit Of Insurance clause or an endorsement) is not applicable and is replaced by the following:

DEBRIS REMOVAL

a. We will pay your expense to remove debris of Covered Property and other debris that is on the described premises, when such debris is caused by or results from Flood. However, we will not pay to remove deposits of mud or earth from the grounds of the described premises.

b. We will also pay the expense to remove debris of Covered Property that has floated or been hurled off the described premises by Flood.

c. This coverage for Debris Removal, as set forth in E.1.a. and E.1.b. above, does not increase the applicable Limit of Insurance for Flood. Therefore, the most we will pay for the total of debris removal and loss or damage to Covered Property is the Limit of Insurance for Flood that applies to the Covered Property at the affected described premises covered under this endorsement.

2. With respect to Flood Coverage, the Coverage Extension for Newly Acquired or Constructed Property is amended by adding the following:

a. With respect to Flood Coverage, this Coverage Extension does not apply to any building or structure that is not fully enclosed by walls and roof.

b. With respect to a building or structure covered under this Coverage Extension, the amounts of coverage stated in the Coverage Extension do not apply to Flood Coverage. Instead, the most we will pay for all loss or damage to property covered under this Coverage Extension is 10% of the total of all Limits of Insurance for Flood Coverage as provided under this endorsement. Such coverage does not increase the Limit of Insurance for Flood.
3. With respect to any applicable Additional Coverages and Coverage Extensions in the Coverage Form to which this endorsement is attached, other than those addressed in E.1. and E.2. above, amounts payable under such other provisions, as set forth therein, do not increase the Limit of Insurance for Flood.

F. Coinsurance

1. The Coinsurance Condition, if any, in the applicable Coverage Form applies to the coverage provided under this endorsement, unless the No-Coinsurance Option, in the Flood Coverage Schedule or in the Declarations, is specified as being applicable.

2. Various Coverage Extensions, in the Coverage Form to which this endorsement is attached, require coinsurance. If the No-Coinsurance Option applies, then the coinsurance requirement for such Coverage Extensions is eliminated.

G. Limit Of Insurance

1. General Information

Flood Coverage may be written at a Limit of Insurance that is equal to or less than the Limit of Insurance which applies to other Covered Causes of Loss (e.g., Fire) under this Commercial Property Coverage Part.

The Limit of Insurance for Flood is shown in the Flood Coverage Schedule or in the Declarations. If such Limit is not shown, then the Limit applicable to Fire also applies to Flood.

2. Application Of Limit And Aggregate

The Limit of Insurance for Flood is the most we will pay in a single occurrence of Flood for loss or damage caused by the Flood. If there is more than one Flood in a 12-month period (starting with the beginning of the present annual policy period), the most we will pay for the total of all loss or damage sustained during that period of time and caused by Flood is the amount that is identified as the Annual Aggregate for Flood as shown in the Flood Coverage Schedule or the Declarations.

If the Limit of Insurance and the Annual Aggregate amount are the same, or if there is no amount stated as an Annual Aggregate, then the Limit of Insurance is the most we will pay for the total of all loss or damage that is caused by Flood in a 12-month period (starting with the beginning of the present annual policy period), even if there is more than one occurrence of Flood during that period of time. Thus, if the first Flood does not exhaust the applicable Limit of Insurance, then the balance of that Limit is available for a subsequent Flood(s).

If a single occurrence of Flood begins during one annual policy period and ends during the following annual policy period, any Limit of Insurance or Annual Aggregate applicable to the following annual policy period will not apply to that Flood.

3. Ensuing Loss

In the event of covered ensuing loss, for example, loss caused by Fire, Explosion and/or Sprinkler Leakage which results from the Flood, the most we will pay, for the total of all loss or damage caused by flood, fire, explosion and sprinkler leakage, is the Limit of Insurance applicable to Fire. We will not pay the sum of the Fire and Flood Limits.

EXAMPLES – ENSUING LOSS

Two examples follow, using these facts: The Commercial Property Coverage Part, in these examples, includes the Causes of Loss – Basic Form (which covers fire) and this Flood Coverage Endorsement. A building is damaged by Flood and by Fire which is caused by the Flood. The value of the damaged building is $1,000,000. The Limit of Insurance applicable to the building, for the Basic Causes of Loss, is $800,000. The Limit of Insurance for Flood is $400,000. The Flood Deductible amount is $5,000.

EXAMPLE #1

The damage due to Flood is $500,000. The damage due to Fire is $500,000.

Payment for Flood damage is $400,000 ($500,000 damage minus $5,000 Flood deductible = $495,000; Limit is $400,000)

Payment for Fire damage is $400,000 ($500,000 damage capped at the difference between the Basic Limit and the Flood Limit)

Total Loss Payment is $800,000.
EXAMPLE #2
The damage due to Flood is $800,000. The damage due to Fire is $100,000.
Payment for Flood damage is $400,000 ($800,000 damage minus $5,000 Flood deductible = $795,000; Limit is $400,000)
Payment for Fire damage is $100,000 (amount of damage)
Total Loss Payment is $500,000.
Note: These Examples are given only to illustrate the situation of flood and ensuing loss. Therefore, the loss payment stated for flood damage does not address the situation where another policy also covers the flood damage.

H. Deductible
1. The Deductible for coverage provided under this endorsement is the Deductible applicable to Flood as shown in the Flood Coverage Schedule or in the Declarations.
2. We will not pay that part of the loss that is attributable to any Deductible(s) in the National Flood Insurance Program policy.
3. If Flood results in another Covered Cause of Loss and if both Covered Causes of Loss cause loss or damage, then only the higher deductible applies (e.g., the Flood deductible or the Fire deductible).

I. Other Insurance
The Other Insurance Commercial Property Condition is replaced by the following with respect to the coverage provided under this endorsement:

1. If the loss is also covered under a National Flood Insurance Program (NFIP) policy, or if the property is eligible to be written under an NFIP policy but there is no such policy in effect, then we will pay only for the amount of loss in excess of the maximum limit that can be insured under that policy. This provision applies whether or not the maximum NFIP limit was obtained or maintained, and whether or not you can collect on the NFIP policy. We will not, under any circumstances, pay more than the applicable Limit of Insurance stated in the Flood Coverage Schedule or the Declarations of this Coverage Part.

However, this Provision I.1. does not apply under the following circumstances:

a. At the time of loss, the property is eligible to be written under an NFIP policy but such policy is not in effect due solely to ineligibility of the property at the time this Flood Coverage Endorsement was written; or
b. An NFIP policy is not in effect because we have agreed to write this Flood Coverage Endorsement without underlying NFIP coverage. There is such an agreement only if the Flood Coverage Schedule or the Declarations indicate that the Underlying Insurance Waiver applies.

2. If there is other insurance covering the loss, other than that described in I.1. above, we will pay our share of the loss. Our share is the proportion that the applicable Limit of Insurance under this endorsement bears to the total of the applicable Limits of Insurance under all other such insurance. But we will not pay more than the applicable Limit of Insurance stated in the Flood Coverage Schedule or the Declarations of this Coverage Part.