

BUILDING AND PERSONAL PROPERTY COVERAGE FORM

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

Throughout this COMMERCIAL PROPERTY COVERAGE PART, 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.

Other words and phrases that appear in quotation marks have special meaning. Refer to your COMMERCIAL PROPERTY COVERAGE PART DEFINITIONS form.

A. Coverage

We will pay for direct physical loss of or damage to Covered Property caused by or resulting from a Covered Cause of Loss.

1. Covered Property

Covered Property, as used in this Coverage Part and except as otherwise provided in this Coverage Part, means:

- The type of property described in this section **A.1.**, and limited in **A.2. Property Not Covered**, if a limit of insurance is shown in the Declarations for that type of property; and
- The type of property covered under any applicable Additional Coverage, Coverage Extension or Optional Coverage contained in this Coverage Part, to the extent provided by that Additional Coverage, Coverage Extension or Optional Coverage, if a limit of insurance is shown in the Declarations for that Additional Coverage, Coverage Extension or Optional Coverage.

Under a specific limit of insurance applying to one of the types of property described in Paragraphs **a.** or **b.** below, Covered Property means only that specific type of property.

a. **Building**, meaning the building or structure described in the Declarations including:

- (1) Completed additions;
- (2) Fixtures, including outdoor fixtures, fences, exterior lighting fixtures or poles (whether freestanding or attached to the building) and yard fixtures;
- (3) Permanently installed:
 - (a) Machinery; and
 - (b) Equipment.

This includes foundations of such machinery and equipment, tanks and their component parts including all connections thereto which are below the lowest basement floor or, where there is no basement, below the surface of the ground;
- (4) Personal property owned by you that is used to maintain or service the building or structure or its premises, including:
 - (a) Fire-extinguishing equipment;
 - (b) Outdoor furniture;
 - (c) Floor coverings;
 - (d) Appliances used for refrigerating, ventilating, cooking, dishwashing or laundering; and
 - (e) Building supplies;

all while at the premises described in the Declarations;
- (5) If not covered by other insurance:
 - (a) Additions under construction, alterations and repairs to the building or structure; and
 - (b) Materials, equipment, supplies and temporary structures on or within 1,000 feet of the described premises, used for making additions, alterations or repairs to the buildings or structures;
- (6) Glass that is part of a building or structure; and
- (7) Your personal property in apartments or rooms furnished by you as landlord.

The most we will pay for loss or damage in any one occurrence to the Covered Property included in Paragraph **a.** above is the applicable Building Limit of Insurance shown in the Declarations.

Unless otherwise provided in this Coverage Part, types of property covered by any other limit of insurance, including a specific limit of insurance, shown in the Declarations are not covered under the Building Limit of Insurance.

- b. Your Business Personal Property** consists of the following property which is used in your business and located on or within 1,000 feet of the premises described in the Declarations:
- (1) Furniture and fixtures;
 - (2) Machinery and equipment;
 - (3) "Stock";
 - (4) All other personal property owned by you and used in your business;
 - (5) Labor, materials or services furnished or arranged by you on personal property of others;
 - (6) Your use interest as tenant in improvements and betterments. Tenant improvements and betterments are fixtures, alterations, installations or additions:
 - (a) Made a part of the building or structure you occupy but do not own;
 - (b) You acquired at your expense, made at your expense or have a contractual responsibility to insure; and
 - (c) Cannot legally remove.
 - (7) Leased personal property for which you have a contractual responsibility to insure, unless otherwise provided for under Personal Property of Others; and
 - (8) Glass that is not part of a building or structure.

The most we will pay for loss or damage in any one occurrence to the Covered Property included in Paragraph **b.** above is the applicable Business Personal Property Limit of Insurance shown in the Declarations.

Unless otherwise provided in this Coverage Part, types of property covered by any other limit of insurance, including a specific limit of insurance, shown in the Declarations are not covered under the Business Personal Property Limit of Insurance.

c. Personal Property Of Others

- (1) Personal Property of Others that is:
 - (a) In your care, custody or control; and
 - (b) Located on or within 1,000 feet of the premises described in the Declarations.
- (2) However, our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.
- (3) Unless a Personal Property of Others specific limit of insurance is shown in the Declarations, loss or damage to Personal Property of Others is subject to, and will not increase, the applicable Business Personal Property Limit of Insurance shown in the Declarations.
- (4) There is no coverage for Personal Property of Others if "Not Covered" is indicated in the Declarations.

2. Property Not Covered

Except as otherwise provided in this Coverage Part, Covered Property does not include:

- a. "Accounts receivable", bills, food stamps or other evidences of debt, "money", notes, "securities" or virtual currency of any kind, by whatever name known, whether actual or fictitious, including digital currency, crypto currency or any other type of electronic currency;
- b. Animals;
- c. Automobiles held for sale, lease, loan or rent;
- d. Bridges, roadways, runways, parking lots or other paved or concrete surfaces, including driveways, patios and walks;
- e. Contraband, or property in the course of illegal transportation or trade;
- f. The cost of excavations, grading, backfilling or filling;
- g. Rocks, stones or gravel (other than rocks, stones or gravel which are "stock");
- h. Land (including land on which Covered Property is located), regardless of whether it is in its natural state, land improvements or the costs of restoring or stabilizing land;
- i. Personal property while airborne or waterborne;
- j. Bulkheads, pilings, piers, wharves, docks, dikes or dams;
- k. Property more specifically covered under this or another form of this or any other policy, except as provided in the Other Insurance provision contained in your COMMERCIAL PROPERTY CONDITIONS;
- l. Retaining walls that are not part of a building;

- m. Underground pipes, flues or drains, except as provided under Paragraph **1.a.(3)** under Section **A. Coverage**;
- n. "Electronic data", "electronic data processing equipment", "film print", "fine arts", "graphic arts materials", "research and development property", "scientific and professional equipment", or "valuable papers and records";
- o. Artificial turf and associated underlayment;
- p. Vehicles or self-propelled machines (including automobiles, aircraft or watercraft) that:
 - (1) Are licensed for use on public roads; or
 - (2) Are operated principally away from the described premises.

Covered Property does not include "unmanned aircraft or watercraft", anywhere operated.

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, lease, loan or rent;
 - (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. Water, air, growing crops, "standing timber", trees, shrubs, plants or lawns (other than trees, shrubs, plants or lawns which are "stock" or are part of a vegetated roof);
 - r. All indoor or outdoor signs, regardless of whether they are attached to or part of a building or structure;
 - s. Underground mines, mine shafts, caverns, open pits or quarries or any property within such underground mines, mine shafts, caverns, open pits or quarries;
 - t. Human body parts or fluids, including organs, tissue, blood and cells;
 - u. Patterns, molds or dies;
 - v. Furs, fur garments or garments trimmed with fur;
 - w. Jewelry, costume jewelry, watches, watch movements, jewels, pearls, precious or semiprecious stones, bullion, gold, silver, platinum and other precious alloys or metals;
 - x. Property that is:
 - (1) Acquired in any trust, guardianship or estate for which you are acting in a fiduciary representative capacity; or
 - (2) Acquired by repossession, foreclosure, deed in lieu of foreclosure or as mortgagee in possession;
 except as specifically endorsed to this Coverage Part; or
 - y. Personal property sold by you under a conditional sale or trust agreement or any installment or deferred payment plan after delivery to buyers.

3. Covered Causes Of Loss

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

4. Additional Coverages

Each of the following Additional Coverages applies to this Coverage Part, unless *Not Covered* is indicated in the Declarations or except as otherwise provided in this Coverage Part.

If applicable, the Additional Condition, **F.1. Coinsurance**, does not apply to these Additional Coverages.

a. Debris Removal

- (1) 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 a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the date of direct physical loss or damage.
- (2) In addition to the Exclusions and Limitations contained in this Coverage Part, this Additional Coverage does not apply to costs to:
 - (a) Remove debris of property of yours that is not insured under this Coverage Part, or property in your possession that is not Covered Property;

- (b) Remove debris of property owned by or leased to the landlord of the building where your described premises are located, unless you have a contractual responsibility to insure such property and it is insured under this Coverage Part;
 - (c) Remove any property that is Property Not Covered, including property addressed under the Outdoor Property Coverage Extension except as provided under Paragraph (5) below;
 - (d) Remove property of others of a type that would not be Covered Property under this Coverage Part;
 - (e) Remove deposits of mud or earth from the grounds of the described premises;
 - (f) Extract "pollutants" from land or water; or
 - (g) Remove, restore or replace polluted land or water.
- (3) Your Debris Removal Limit of Insurance is shown in the Declarations and provides an excess limit of insurance.
- (4) In any one occurrence, the most we will pay for debris removal is the lesser of:
- (a) 25% of the amount of covered direct physical loss or damage; or
 - (b) The remaining applicable limit of insurance for the Covered Property that has sustained loss or damage shown in the Declarations after payment of the covered direct physical loss or damage.
- If this amount is insufficient to pay the debris removal, we will pay the remaining debris removal, subject to the Debris Removal Limit of Insurance.
- (5) We will also pay up to \$1,000 for the costs you incur at each premises to remove debris of outdoor trees, shrubs or plants that are blown onto your premises by wind.

b. Preservation Of Property

- (1) If it is necessary to move Covered Property from the described premises to preserve it from loss or damage by a Covered Cause of Loss, we will pay for any direct physical loss of or damage to such property:
- (a) While it is:
 - (i) Being moved to temporary storage at another location;
 - (ii) Temporarily stored at another location; or
 - (iii) Being moved back to the described premises from temporary storage at another location; and
 - (b) Only if the loss or damage occurs within 90 days after the property is first moved. Coverage under Paragraph (1) is subject to, and will not increase, the limit of insurance applying to the Covered Property at the location from which the property is moved.
- (2) If it is necessary to move Covered Property from the described premises to preserve it from further loss or damage by a Covered Cause of Loss, we will pay the actual expense to move the property to safety and to move the property back to the described premises. We will also pay any necessary rental fees for the temporary storage at premises of others.
- (3) The most we will pay in any one occurrence for the coverage provided under Paragraph (2) is the Preservation of Property – Expense Coverage Limit of Insurance shown in the Declarations. This is additional insurance.
- (4) The Preservation of Property – Expense Coverage Limit of Insurance described in Paragraph (3) above is not a part of, and does not reduce, the limits of insurance that otherwise apply to the coverage provided under any Earthquake and Volcanic Eruption Coverage Endorsement, Earthquake – Sprinkler Leakage Coverage Endorsement or Flood Coverage Endorsement when such endorsements are included in this Coverage Part.
- (5) Unless otherwise shown in the Declarations, no deductible applies to this Additional Coverage.

c. Emergency Response Service Charge

- (1) We will pay for the fire department or other municipal agency service charges when the fire department or other municipal agency responsible for preserving the public safety is called to save or protect Covered Property from a Covered Cause of Loss.
- (2) The most we will pay in any one occurrence under this Additional Coverage is the Emergency Response Service Charge Limit of Insurance shown in the Declarations. Such limit is the most we will pay regardless of the number of responding fire departments, fire units or municipal agencies and regardless of the number or type of services performed. This is additional insurance.
- (3) This Additional Coverage applies to your liability for fire department or other municipal agency service charges:
- (a) Assumed by contract or agreement prior to loss; or
 - (b) Required by local ordinance.
- (4) Unless otherwise shown in the Declarations, no deductible applies to this Additional Coverage.

d. Pollutant Clean-up And Removal

- (1) 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.
- (2) In addition to the Exclusions and Limitations contained in this Coverage Part, 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.
- (3) The most we will pay under this Additional Coverage is the annual aggregate Pollutant Clean-up and Removal Limit of Insurance shown in the Declarations. This is additional insurance.

e. Claims Expenses Coverage

- (1) We will pay all reasonable claims expenses you incur arising out of a covered loss or damage under this Coverage Part. This includes reasonable architect, engineering and consulting fees that you incur in the course of repairing or reconstructing damaged property resulting from an occurrence covered by this Coverage Part. This also includes the cost of any inventory we require from you to determine the extent of direct physical loss or damage to which this insurance applies.
- (2) The claims expenses must be incurred to assist us in:
 - (a) The investigation of a claim or suit;
 - (b) The determination of the amount of loss; or
 - (c) The determination of the extent of direct physical loss or damage to building or business personal property to which this insurance applies.
- (3) In addition to the Exclusions and Limitations contained in this Coverage Part, we will not pay for:
 - (a) Expenses covered under any Time Element Claims Expenses Additional Coverage;
 - (b) Expenses to prove that loss or damage is covered;
 - (c) Expenses incurred under Paragraph 2. **Appraisal** of Section E. **Loss Conditions**;
 - (d) Expenses incurred for examinations under oath, even if required by us; or
 - (e) Expenses incurred for public adjusters or legal fees.
- (4) The most we will pay in any one occurrence under this Additional Coverage is the Claims Expenses Coverage Limit of Insurance shown in the Declarations. This is additional insurance.
- (5) Unless otherwise shown in the Declarations, no deductible applies to this Additional Coverage.

f. Electronic Data

- (1) We will pay for your reasonable and necessary cost to research, replace or restore your "electronic data" which has been destroyed or corrupted by a Covered Cause of Loss.
- (2) To the extent that "electronic data" is not replaced or restored, the loss will be valued at the cost of replacement of the "media" on which the "electronic data" was stored, with blank media of substantially identical type.
- (3) The most we will pay in any one occurrence under this Additional Coverage is the Electronic Data Limit of Insurance shown in the Declarations. This is additional insurance.

g. Errors In Description Coverage

- (1) We will pay for loss or damage to your property that is not otherwise payable under this Coverage Part and, if such coverage exists under this Coverage Part, resultant business income or extra expense, if such loss or damage is not payable solely because of any error or unintentional omission in the description or location of property as insured under this Coverage Part where the error or unintentional omission existed at the inception date of this Coverage Part or in any subsequent amendments.
- (2) It is a condition of this Coverage Extension that such error or unintentional omission will be reported and corrected when discovered. The policy premium will be adjusted accordingly to reflect the date the premises should have been added had no error or omission occurred.
- (3) There is no coverage for any error or unintentional omission in the coverage the Insured requested.
- (4) This Additional Coverage is subject to, and will not increase, the limit of insurance shown in the Declarations applicable to the Covered Property that has sustained loss or damage, and, if such coverage exists under this Coverage Part, the limit of insurance applicable to the resultant business income or extra expense shown in the Declarations.

h. Pair And Set Coverage

- (1) If parts of pairs or sets of Covered Property are damaged by a Covered Cause of Loss, we will pay:
- (a) To repair or replace such damaged parts to restore the pair or set to its value before the loss; or
 - (b) The difference between the value of the pair or set before and after the loss.
- (2) This Additional Coverage is subject to, and will not increase, the limit of insurance shown in the Declarations applicable to the Covered Property that has sustained loss or damage.

5. Coverage Extensions

Except as otherwise provided in this Coverage Part:

- Each of the following Coverage Extensions applies to this Coverage Part unless *Not Covered* is indicated in the Declarations; and
- Each of the following Coverage Extensions applies to property which is used in your business and located on or within 1,000 feet of the premises described in the Declarations.

If applicable, the Additional Condition, Coinsurance, does not apply to these Coverage Extensions.

a. Newly Acquired Or Constructed Property**(1) Buildings**

- (a) If this Coverage Part covers Building we will pay for direct physical loss or damage caused by or resulting from a Covered Cause of Loss to:
- (i) Your new buildings while being built on or within 1,000 feet of the described premises; and
 - (ii) Buildings you acquire at locations, other than the described premises, intended for similar use as the building described in the Declarations or use as a warehouse.
- (b) In addition to the Exclusions and Limitations contained in this Coverage Part, this Coverage Extension does not apply to loss of or damage to Property Not Covered under Paragraph 2. **Property Not Covered** of Section A. **Coverage**.
- (c) The most we will pay for loss or damage under this Coverage Extension at each building in any one occurrence is the Newly Acquired or Constructed Property – Buildings Limit of Insurance shown in the Declarations. This is additional insurance.

(2) Your Business Personal Property

- (a) If this Coverage Part covers Your Business Personal Property, we will pay for direct physical loss or damage caused by or resulting from a Covered Cause of Loss to:
- (i) Business personal property, including such property that you newly acquire, at, or within 1,000 feet of, any location you acquire other than at fairs, trade shows or exhibitions;
 - (ii) Business personal property, including such property that you newly acquire, located at your newly constructed or acquired buildings at, or within 1,000 feet of, the locations described in the Declarations; or
 - (iii) Business personal property that you newly acquire, located at, or within 1,000 feet of, the premises described in the Declarations.
- (b) In addition to the Exclusions and Limitations contained in this Coverage Part, this Coverage Extension does not apply to:
- (i) Personal property of others that is temporarily in your possession in the course of installing or performing work on such property;
 - (ii) Personal property of others that is temporarily in your possession in the course of your manufacturing or wholesaling activities; or
 - (iii) Loss of or damage to Property Not Covered under Paragraph 2. **Property Not Covered** of Section A. **Coverage**, unless it is Covered Property under an Additional Coverage, Coverage Extension or Optional Coverage.
- (c) The most we will pay for loss or damage under this Coverage Extension at each building in any one occurrence is the Newly Acquired or Constructed Property – Business Personal Property Limit of Insurance shown in the Declarations. This is additional insurance.

(3) Period Of Coverage

With respect to insurance provided under this Coverage Extension for Newly Acquired or Constructed Property, coverage will end when any of the following first occurs:

- (a) This Coverage Part expires;
- (b) The number of days shown in the Declarations for the Newly Acquired or Constructed Property Coverage Period 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 Effects Of Others

- (1) We will pay for direct physical loss or damage caused by or resulting from a Covered Cause of Loss to personal effects if such personal effects are:
 - (a) Owned by you, your officers, your partners or members, your managers or your employees; and
 - (b) Located on or within 1,000 feet of the premises described in the Declarations.
- (2) The most we will pay for loss or damage in any one occurrence under this Coverage Extension is the Personal Effects of Others Limit of Insurance shown in the Declarations. This is additional insurance.

c. Valuable Papers And Records (Other than Electronic Data)

- (1) We will pay for the cost to replace or restore lost information on "valuable papers and records" for which duplicates do not exist. The loss of or damage to "valuable papers and records" must be caused by or result from a Covered Cause of Loss.
- (2) In any one occurrence, the most we will pay to replace or restore the lost information under this Coverage Extension is the Valuable Papers and Records Limit of Insurance shown in the Declarations. This is additional insurance.

d. Accounts Receivable

- (1) We will pay for direct physical loss of or damage to your records of "accounts receivable" caused by or resulting from a Covered Cause of Loss.
- (2) The most we will pay for loss or damage in any one occurrence under this Coverage Extension is the Accounts Receivable Limit of Insurance shown in the Declarations. This is additional insurance.

e. Outdoor Property

- (1) We will pay for direct physical loss of or damage to your trees, lawns, shrubs and plants (other than trees, lawns, shrubs or plants which are "stock" or are part of a vegetated roof), including debris removal expense, caused by or resulting from any of the following causes of loss:
 - (a) Fire;
 - (b) Lightning;
 - (c) Explosion;
 - (d) Riot or Civil Commotion;
 - (e) Aircraft; or
 - (f) Vehicles which you do not own, operate or lease.
- (2) In addition to the Exclusions and Limitations contained in this Coverage Part, this Coverage Extension does not apply to direct physical loss of or damage to "standing timber".
- (3) The most we will pay for loss or damage under this Coverage Extension is the Outdoor Property Limit of Insurance shown in the Declarations. This limit applies to any one occurrence, regardless of the types or number of items lost or damaged in that occurrence. This is additional insurance.
- (4) Subject to all aforementioned terms and limitations of coverage, this Coverage Extension includes the expense of removing from the described premises the debris of trees, shrubs and plants which are the property of others, except in the situation in which you are a tenant and such property is owned by the landlord of the described premises.

f. Non-Owned Detached Trailers

- (1) We will pay for direct physical loss or damage caused by or resulting from a Covered Cause of Loss to trailers that you do not own, provided that:
 - (a) The trailer is used in your business;
 - (b) The trailer is in your care, custody or control at the premises described in the Declarations; and
 - (c) You have a contractual responsibility to pay for loss or damage to the trailer.
- (2) In addition to the Exclusions and Limitations contained in this Coverage Part, we will not pay for any loss or damage that occurs:
 - (a) While the trailer is attached to any motor vehicle or motorized conveyance, regardless of whether the motor vehicle or motorized conveyance is in motion; or

- (b) During hitching or unhitching operations, or when a trailer becomes accidentally unhitched from a motor vehicle or motorized conveyance.
- (3) The most we will pay for loss or damage in any one occurrence under this Coverage Extension is the Non-Owned Detached Trailers Limit of Insurance shown in the Declarations. This is additional insurance.
- (4) This insurance is excess over the amount due (whether you can collect on it or not) from any other insurance covering such property.

B. Exclusions And Limitations

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

C. Limits Of Insurance

1. The most we will pay for loss or damage in any one occurrence, regardless of the types or number of items lost or damaged in that occurrence, is the applicable limit of insurance shown in the Declarations, unless the limit applies on an annual aggregate basis.
2. A limit of insurance will not be reduced by the payment of a claim, unless the limit applies on an annual aggregate basis.
3. An annual aggregate limit of insurance is the most we will pay for the total of all loss or damage arising out of all covered occurrences during each separate 12-month period of this Coverage Part, regardless of the types or number of items lost or damaged in such occurrences. Each separate 12-month period of this Coverage Part starts with the beginning of the present annual policy period. If loss payment on or relating to the first occurrence does not exhaust the applicable limit, then the balance is available for subsequent loss or damage sustained in but not after that 12-month period. A balance remaining at the end of the 12-month period does not increase the amount of insurance in the next 12-month period. With respect to any occurrence which begins in one 12-month period and continues or results in additional loss or damage in a subsequent 12-month period, all loss or damage is deemed to be sustained or incurred in the 12-month period in which the occurrence began.
4. A blanket limit of insurance is one limit of insurance that applies:
 - a. To one coverage across all specified premises where that coverage applies as described in the Declarations;
 - b. To multiple coverages across all specified premises where those coverages apply as described in the Declarations; or
 - c. At one specified premises across the coverages described in the Declarations.
5. A location level limit of insurance applies to a coverage only at specified premises, as described in the Declarations.
6. A policy level limit of insurance is one limit of insurance that applies to a coverage across all locations where that coverage applies, rather than at a specified premises.
7. If location level limits of insurance and a policy level limit of insurance both apply to a loss occurrence, the policy level limit applies on an excess basis.
8. If a blanket limit of insurance and a policy level limit of insurance both apply to a loss occurrence, the policy level limit applies on an excess basis.
9. A specific limit of insurance is a location level or blanket limit shown in the Declarations that applies at a premises described in the Declarations to a specific type of property that is eligible as Covered Property. Where a specific limit of insurance applies to a specific type of property, no other limit of insurance will apply to that type of property at that location, except for any applicable policy level limit of insurance and except as may be provided under any Bucket Limit of Insurance.

D. Deductible

1. We will not pay for loss or damage in any one occurrence until the amount of loss or damage, after application of Coinsurance if applicable, 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.

2. If no other deductible is shown in the Declarations, your deductible is \$500.
3. If more than one deductible applies in any one occurrence, only the largest applicable deductible will be used, except as otherwise provided in this Coverage Part.

E. Loss Conditions

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

1. Abandonment

There can be no abandonment of any property to us.

2. Appraisal

If we and you disagree on the value of the property or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser and notify the other of the appraiser selected within 20 days of such demand. The two appraisers will select an umpire. If they cannot agree within 30 days upon such umpire, we and you may file a joint motion requesting that a judge of a court having jurisdiction appoint a competent and impartial umpire after a joint hearing before the court. Along with the joint motion requesting the appointment of the umpire, each party will submit to the court sworn affidavits which describe the efforts their appraiser has taken to reach agreement regarding the appointment of the umpire. If either party does not agree to a joint motion, we or you may unilaterally file a motion to compel appraisal in a court having jurisdiction. Such motion to compel must include a request for a joint hearing, and notice of hearing must be sent to the non-requesting party's appraiser by certified mail 7 days prior to the hearing.

Once appraisal proceeds, each appraiser will state separately the value of the property and amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding as to the value of the property and the amount of loss. Each party will:

- a. Pay its chosen appraiser, and
- b. Bear the other expenses of the appraisal and umpire equally.

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

3. Duties In The Event Of Loss Or Damage

- a. You must see to it that the following are done in the event of loss or damage to Covered Property:
 - (1) Notify the police if a law may have been broken.
 - (2) Give us prompt notice of the loss or damage. Include a description of the property involved.
 - (3) As soon as possible, give us a description of how, when and where the loss or damage occurred.
 - (4) Take all reasonable steps to protect the Covered Property from further damage, and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the limit of insurance. However, we will not pay for any subsequent loss or damage resulting from a cause of loss that is not a Covered Cause of Loss, unless such loss or damage is covered under Paragraph (1) of your Preservation of Property Additional Coverage. Also, if feasible, set the damaged property aside and in the best possible order for examination.
 - (5) At our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.
 - (6) As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records. Also, permit us to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.
 - (7) Send us a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within 90 days after our request. We will supply you with the necessary forms.
 - (8) Cooperate with us in the investigation or settlement of the claim.
 - (9) Make no statement that will assume any obligation or admit any liability for any loss for which we may be liable without our consent.

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

4. Loss Payment

- a. In the event of loss or damage covered by this Coverage Part, at our option, we will either:
 - (1) Pay the value of lost or damaged property;
 - (2) Pay the cost of repairing or replacing the lost or damaged property, subject to Paragraph **b.** below;
 - (3) Take all or any part of the property at an agreed value or, if an agreed value cannot be reached, appraised value; or
 - (4) Repair, rebuild or replace the property with other property of like kind and quality, subject to Paragraph **b.** below.

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

- b. The cost to repair, rebuild or replace does not include the increased cost attributable to enforcement of or compliance with any ordinance or law regulating the construction, use or repair of any property.
- c. We will give you notice of our intentions within 30 days after we receive the sworn proof of loss.
- d. We will not pay you more than your financial interest in the Covered Property.
- e. We may adjust losses with the owners of lost or damaged property if other than you. If we pay the owners, such payments will satisfy your claims against us for the owners' property. We will not pay the owners more than their financial interest in the Covered Property.
- f. We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.
- g. We will pay for covered loss or damage within 30 days after we receive the sworn proof of loss if you have complied with all of the terms of this Coverage Part, and:
 - (1) We have reached agreement with you on the amount of loss; or
 - (2) An appraisal award has been made.
- h. A party wall is a wall that separates and is common to adjoining buildings that are owned by different parties. In settling covered losses involving a party wall, we will pay a proportion of the loss to the party wall based on your interest in the wall in proportion to the interest of the owner of the adjoining building. However, if you elect to repair or replace your building and the owner of the adjoining building elects not to repair or replace that building, we will pay you the full value of the loss to the party wall, subject to all applicable policy provisions, including Limits of Insurance, the Valuation Condition and, if applicable, the Coinsurance Condition and all other Loss Payment provisions. Our payment under the provisions of this paragraph does not alter any right of subrogation we may have against any entity, including the owner or insurer of the adjoining building, and does not alter the terms of the Transfer Of Rights Of Recovery Against Others To Us Condition in this Coverage Part.

5. Recovered Property

If either you or we recover any property after loss settlement, that party must give the other prompt notice. At your option, the property will be returned to you. You must then return to us the amount we paid to you for the property. We will pay recovery expenses and the expenses to repair the recovered property, subject to the applicable limit of insurance.

6. Vacancy

a. Description Of Terms

- (1) As used in this Vacancy Condition, the term building and the term vacant have the meanings set forth in (1)(a) and (1)(b) below:
 - (a) When this Coverage Part 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 Coverage Part 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; 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 is discovered:

(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 **b.(1)(a)** through **b.(1)(f)** above, we will pay the lesser of:

- (a) The amount we would otherwise pay for the loss or damage reduced by 15%; or
- (b) The Actual Cash Value of the loss or damage.

7. Valuation

a. We will not pay more than the least of the following amounts:

- (1) The limit of insurance under this Coverage Part that applies to the loss;
- (2) The value of the lost or damaged property; or
- (3) The amount that you actually spend that is necessary to repair or replace the lost or damaged property at:
 - (a) The same location; or
 - (b) Another location;
 for the same use and occupancy. This Paragraph (3) does not apply to losses subject to any Property in Transit Additional Coverage Limit of Insurance or any Property Off-Premises Additional Coverage Limit of Insurance.

b. Subject to Paragraph 7.a., we will determine the value of Covered Property in the event of covered loss or damage using one of the following methods, except as otherwise provided in this Coverage Part:

(1) Replacement Cost

(a) Replacement Cost means the cost to repair, rebuild or replace the lost or damaged property with other property:

- (i) Of comparable material and quality;
- (ii) Used for the same purpose; and
- (iii) Without a deduction for depreciation.

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

(b) Covered Property will be adjusted based on its Replacement Cost, unless otherwise shown in the Declarations or more specifically addressed in this Coverage Part, including below.

(c) 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 repair or replacement is made as soon as reasonably possible after the loss or damage.

(d) You may make a claim on an Actual Cash Value basis for loss or damage covered by this insurance 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:

- (i) The lost or damaged property is actually repaired or replaced; and

- (ii) You notify us of your intent to do so within 180 days after the date of loss or damage or some other reasonable period on which we agree in writing.
- (e) Replacement Cost valuation of your business personal property includes the cost of:
 - (i) Replacing labels, capsules, wrappers or containers from the damaged business personal property; or
 - (ii) Identifying and reconditioning damaged business personal property.
- (2) Actual Cash Value**
 - (a) Actual Cash Value means Replacement Cost, as identified in **b.(1)** above, minus applicable depreciation.
 - (b) We will adjust the following Covered Property on an Actual Cash Value basis:
 - (i) Any Covered Property identified as Actual Cash Value in the Declarations;
 - (ii) Used or second-hand merchandise held in storage or for sale; and
 - (iii) Manuscripts;
 unless otherwise identified in the Declarations or elsewhere in this Coverage Part.
 - (c) Any property that otherwise would be valued on a Replacement Cost basis will be valued on an Actual Cash Value basis if repairs or replacements are not made as soon as reasonably possible.
- (3) Functional Replacement Cost**
 - (a) Functional Replacement Cost means the cost to repair or replace the lost or damaged property with available property that most closely duplicates the function of the lost or damaged property at the time of loss. The replacement property may perform additional functions if it is the available property that most closely duplicates the function of the lost or damaged property.
 - (b) Covered Property will be adjusted based on its Functional Replacement Cost if the Covered Property is identified as Functional Replacement Cost in the Declarations or elsewhere in this Coverage Part.
 - (c) We will not pay on a Functional Replacement Cost basis for any loss or damage:
 - (i) Until the lost or damaged property is actually repaired or replaced; and
 - (ii) Unless the repair or replacement is made as soon as reasonably possible after the loss or damage.
 - (d) If the lost or damaged property is not actually repaired or replaced or if repairs or replacements are not made as soon as reasonably possible, any property that otherwise would be valued on a Functional Replacement Cost basis will be valued according to the following:
 - (i) Functional Replacement Cost, as identified in Paragraph **(3)(a)** above, minus
 - (ii) Applicable depreciation.
- (4) Stated Value**
 - (a) Stated Value means that in a total loss we will pay the amount stated in the Declarations for the lost or damaged property.
 - (b) Covered Property will be adjusted based on its Stated Value if the Covered Property is identified as Stated Value in the Declarations. The Declarations must indicate Stated Value individually for each item.
 - (c) If we determine that there has been a partial loss to property covered on a Stated Value basis, we will pay no more than the proportion that the value of the damaged part bears to the Stated Value in the Declarations.
- (5) Accounts Receivable**
 - (a) If you cannot accurately establish the amount of "accounts receivable" outstanding as of the time of loss or damage:
 - (i) We will determine the total of the average monthly amounts of "accounts receivable" for the 12 months immediately preceding the month in which the loss or damage occurs; and
 - (ii) We will adjust that total for any normal fluctuations in the amount of "accounts receivable" for the month in which the loss or damage occurred or for any demonstrated variance from the average for that month.
 - (b) The following will be deducted from the total amount of "accounts receivable", however that amount is established:
 - (i) The amount of the accounts for which there is no loss or damage;
 - (ii) The amount of the accounts that you are able to re-establish or collect;
 - (iii) An amount to allow for probable bad debts that you are normally unable to collect; and
 - (iv) All unearned interest and service charges.

(6) Glass

We will pay for all interior and exterior building glass based on the cost of replacement with glass of comparable material and quality. We will pay the cost of replacement with safety glazing material if safety glazing is required by law.

(7) Personal Property Of Others

- (a) Personal property of others is valued on the same basis as your business personal property (subject to any exceptions in any Valuation or Loss Payment provision contained in this Coverage Part). However, we will not pay more than the amount for which you are legally liable.
- (b) Labor, materials and services that you furnish or arrange on personal property of others are valued based on the actual cost of the labor, materials and services.

(8) Stock

- (a) Except as otherwise provided below, "stock" will be valued on a Replacement Cost basis.
- (b) In the event of damage to "stock", you have two options when:
 - (i) You do not want to sell your damaged "stock" under your brand or label; or
 - (ii) The owner of any damaged "stock" in your care, custody or control does not want to sell that damaged "stock" under the owner's brand or label even though the damaged "stock" has salvage value.

You may:

- (A) Remove the brand or label and then re-label the damaged "stock" to comply with any applicable law; or
- (B) Label the damaged "stock" as SALVAGE, but, in doing so, cause no further damage to the "stock".

Either way, the business personal property valuation will include the difference between:

- (I) The salvage value of the damaged "stock" with the brand or label attached; and
 - (II) The salvage value of the damaged "stock" with the brand or label removed.
- (c) We will determine the value of all "finished stock" at the regular cash selling price as of the time and place of loss or damage, less all discounts and expenses to which such "finished stock" would have been subject had no loss occurred.
 - (d) "Stock" in process is valued based on the cost of raw materials and costs expended as of the date of loss or damage.
 - (e) If undamaged "stock" has become unmarketable as a complete product because of direct physical loss of or damage to other "stock" caused by or resulting from a Covered Cause of Loss, valuation of your "stock" will include the consequential loss in value of such undamaged "stock".

(9) Tenant Improvements And Betterments

Unless another valuation method is shown in the Declarations, we will value tenant improvements and betterments as follows:

- (a) Replacement Cost value of the lost or damaged property if you make repairs or replace the lost or damaged property as soon as reasonably possible after the loss or damage.
- (b) A proportion of your original cost if you do not make repairs or replace the lost or damaged property as soon as reasonably possible after the loss or damage. We will determine the proportionate value as follows:
 - (i) Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and
 - (ii) Divide the amount determined in (i) above by the number of days from the installation of the improvements to the expiration of the lease.

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

- (c) Nothing if others pay for repairs or replacement.

(10) Valuable Papers And Records

For any "valuable papers or records" actually replaced or restored, we will determine the value based on the costs at the time of the loss or damage of:

- (a) Blank materials for reproducing the "valuable papers or records"; and
- (b) The actual amount spent for labor and other expenses to research, transcribe or copy the "valuable papers or records".

F. Additional Conditions

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

1. Coinsurance

Unless a Coinsurance percentage is shown in the Declarations, this Additional Condition does not apply. If a Coinsurance percentage is shown in the Declarations:

- a. We will not pay the full amount of any loss if the value of Covered Property at the time of loss times the Coinsurance percentage shown for it in the Declarations is greater than the limit of insurance for the property. Instead, we will determine the most we will pay using the following steps:
 - (1) Multiply the value of Covered Property at the time of loss by the Coinsurance percentage;
 - (2) Divide the limit of insurance of the property by the figure determined in Step (1);
 - (3) Multiply the total amount of loss, before the application of any deductible, by the figure determined in Step (2); and
 - (4) Subtract the deductible from the figure determined in Step (3).

We will pay the amount determined in Step (4) or the limit of insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

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

2. Mortgageholders

- a. The term mortgageholder includes trustee.
- b. We will pay for covered loss or damage to buildings or structures to each mortgageholder shown in the Declarations in their order of precedence, as interests may appear.
- c. The mortgageholder has the right to receive loss payment even if the mortgageholder has started foreclosure or similar action on the building or structure.
- d. If we deny your claim because of your acts or because you have failed to comply with the terms of this Coverage Part, the mortgageholder will still have the right to receive loss payment if the mortgageholder:
 - (1) Pays any premium due under this Coverage Part at our request if you have failed to do so;
 - (2) Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so; and
 - (3) Has notified us of any change in ownership, occupancy or substantial change in risk known to the mortgageholder.

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

- e. If we pay the mortgageholder for any loss or damage and deny payment to you because of your acts or because you have failed to comply with the terms of this Coverage Part:
 - (1) The mortgageholder's rights under the mortgage will be transferred to us to the extent of the amount we pay; and
 - (2) The mortgageholder's right to recover the full amount of the mortgageholder's claim will not be impaired.

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

- f. If we cancel this policy, we will give written notice to the mortgageholder at least:
 - (1) 10 days before the effective date of cancellation, if we cancel for your nonpayment of premium; or
 - (2) 30 days before the effective date of cancellation, if we cancel for any other reason.
- g. If we elect not to renew this policy, we will give written notice to the mortgageholder at least 10 days before the expiration date of this policy.

G. Definitions

See your COMMERCIAL PROPERTY COVERAGE PART DEFINITIONS form.