

BUSINESS INCOME (AND EXTRA EXPENSE) 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

1. Business Income

- a. We will pay for the actual loss of Business Income you sustain due to the necessary "suspension" of your "operations" during the "period of restoration". The "suspension" must be caused by direct physical loss of or damage to property at premises which are described in the Declarations and for which a Business Income and Extra Expense Limit of Insurance is shown in the Declarations. With respect to loss of or damage to business personal property, the described premises includes the area within 1,000 feet of such premises.
- b. The direct physical loss or damage must be caused by or result from a Covered Cause of Loss.
- c. If you occupy only part of the site at which the described premises are located, your premises means:
 - (1) The portion of the building which you rent, lease or occupy; and
 - (2) Any area within the building or on the site at which the described premises are located, if that area services, or is used to gain access to, the described premises.
- d. Business Income means the:
 - (1) Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; plus
 - (2) Continuing normal operating expenses incurred, including payroll.
 For manufacturing risks, Net Income includes the net sales value of production.
- e. Coverage is provided as described and limited below for one or more of the following options for which a Limit of Insurance is shown in the Declarations:
 - (1) Business Income Including Rental Value;
 - (2) Business Income Other Than Rental Value; or
 - (3) Only Rental Value.
 If option e.(1) above is selected, the term Business Income will include "rental value". If option e.(3) above is selected, the term Business Income will mean "rental value" only. If limits of insurance are shown under more than one of the above options, the provisions of this Coverage Part apply separately to each.

2. Extra Expense

- a. We will pay for the actual, necessary and reasonable Extra Expense you incur during the "period of restoration" caused by direct physical loss of or damage to property at premises which are described in the Declarations and for which a Business Income and Extra Expense Limit of Insurance is shown in the Declarations. With respect to loss of or damage to business personal property, the described premises includes the area within 1,000 feet of such premises.
- b. The direct physical loss or damage must be caused by or result from a Covered Cause of Loss.
- c. If you occupy only part of the site at which the described premises are located, your premises means:
 - (1) The portion of the building which you rent, lease or occupy; and
 - (2) Any area within the building or on the site at which the described premises are located, if that area services, or is used to gain access to, the described premises.
- d. Extra Expense means the actual, necessary and reasonable expenses you incur during the "period of restoration" that you would not have incurred if there had been no direct physical loss or damage to property caused by or resulting from a Covered Cause of Loss.
- e. We will pay Extra Expense (other than the expense to repair or replace property) to:

- (1) Avoid or minimize the “suspension” of business and to continue “operations” at:
 - (a) The described premises; or
 - (b) Replacement premises or temporary locations, including relocation expenses and costs to equip and operate the replacement location or temporary location; or
 - (2) Minimize the “suspension” of business if you cannot continue “operations”.
- f. We will also pay Extra Expense to repair or replace property, or to research, replace or restore the lost information on damaged “valuable papers and records”, but only to the extent it reduces the amount of loss that otherwise would have been payable under this BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM.

3. Covered Causes Of Loss, Exclusions And Limitations

a. Covered Causes Of Loss

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

b. Exclusions And Limitations

In addition to the Exclusions and Limitations contained in this Coverage Part and except as otherwise provided in this Coverage Part, we will not pay for any loss resulting from a delay in the introduction of any new product or the enhancement of any existing product.

4. Additional Limitation – Interruption Of Computer Operations

- a. Except as otherwise provided in this Coverage Part, we will not pay for any Business Income loss sustained when a “suspension” of “operations” is caused by destruction or corruption of “electronic data”, or any loss or damage to “electronic data”.
- b. Except as otherwise provided in this Coverage Part, we will not pay for any Extra Expense incurred when action is taken to avoid or minimize a “suspension” of “operations” caused by destruction or corruption of “electronic data”, or any loss or damage to “electronic data”.

5. 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.

a. Civil Authority

- (1) When a Covered Cause of Loss causes damage to property other than property at the described premises, we will pay for the actual loss of Business Income you sustain and actual, necessary and reasonable Extra Expense you incur due to the action of civil authority that prohibits access to the described premises, provided that both of the following apply:
 - (a) Access to the area immediately surrounding the damaged property is prohibited by civil authority as a result of the damage, and the described premises are within that area but are not more than one mile from the damaged property, unless another Civil Authority Radius is shown in the Declarations; and
 - (b) The action of civil authority is taken in response to dangerous physical conditions resulting from the damage or continuation of a Covered Cause of Loss that caused the damage, or the action is taken to enable a civil authority to have unimpeded access to the damaged property.
- (2) Civil Authority Coverage for Business Income will:
 - (a) Begin 72 hours after the time of the first action of civil authority that prohibits access to the described premises, unless another Civil Authority Waiting Period is shown in the Declarations; and
 - (b) Apply while access to the described premises is prohibited by a civil authority, but no longer than four consecutive weeks from the date on which such coverage began, unless another Civil Authority Coverage Period is shown in the Declarations.No coverage is provided during the 72-hour waiting period or, if applicable, the Civil Authority Waiting Period shown in the Declarations.
- (3) Civil Authority Coverage for Extra Expense will begin immediately after the time of the first action of civil authority that prohibits access to the described premises and will end:
 - (a) When access to the described premises is no longer prohibited by a civil authority, but no longer than four consecutive weeks from the date on which such coverage began, unless another Civil Authority Coverage Period is shown in the Declarations; or
 - (b) When your Civil Authority Coverage for Business Income ends;whichever is later.

- (4) Business Income loss and Extra Expense covered under this Additional Coverage are subject to, and will not increase, the applicable Business Income and Extra Expense Limit of Insurance shown in the Declarations.

b. Alterations And New Buildings

- (1) We will pay for:
- (a) The actual loss of Business Income you sustain due to the necessary "suspension" of your "operations" during the "period of restoration"; and
 - (b) The actual, necessary and reasonable Extra Expense you incur during the "period of restoration";
- caused by 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;
 - (ii) Alterations or additions to existing buildings or structures at the described premises; and
 - (iii) Machinery, equipment, supplies or building materials located on or within 1,000 feet of the described premises and:
 - (A) Used in the construction, alterations or additions; or
 - (B) Incidental to the occupancy of new buildings.
- (2) If such direct physical loss or damage delays the start of "operations", the "period of restoration" for Business Income Coverage will begin on the date "operations" would have begun if the direct physical loss or damage had not occurred.
- (3) Business Income loss and Extra Expense covered under this Additional Coverage are subject to, and will not increase, the applicable Business Income and Extra Expense Limit of Insurance shown in the Declarations.
- (4) Business Income loss and Extra Expense subject to this Additional Coverage are not eligible for coverage under any other Coverage, Additional Coverage, Coverage Extension or Optional Coverage contained in this Coverage Part.

c. Extended Period Of Indemnity

(1) Business Income Other Than Rental Value

- (a) If the necessary "suspension" of your "operations" produces a Business Income loss payable under this Coverage Part, we will pay for the actual loss of Business Income you incur during the period that:
- (i) Begins on the date property (except "finished stock") is actually repaired, rebuilt or replaced and "operations" are resumed; and
 - (ii) Ends on the earlier of:
 - (A) The date you could restore your "operations", with reasonable speed, to the level which would generate the business income amount that would have existed if no direct physical loss or damage had occurred; or
 - (B) 90 consecutive days after the date determined in (1)(a)(i) above, unless another Extended Period of Indemnity Term is shown in the Declarations.
- (b) However, this Additional Coverage does not apply to loss of Business Income incurred as a result of unfavorable business conditions caused by the impact of the Covered Cause of Loss in the area where the described premises are located.
- (c) Loss of Business Income must be caused by direct physical loss or damage at the described premises caused by or resulting from a Covered Cause of Loss.

(2) Rental Value

- (a) If the necessary "suspension" of your "operations" produces a "rental value" loss payable under this Coverage Part, we will pay for the actual loss of "rental value" you incur during the period that:
- (i) Begins on the date property is actually repaired, rebuilt or replaced and tenantability is restored; and
 - (ii) Ends on the earlier of:
 - (A) The date you could restore tenant occupancy, with reasonable speed, to the level which would generate the "rental value" that would have existed if no direct physical loss or damage had occurred; or
 - (B) 90 consecutive days after the date determined in (2)(a)(i) above, unless another Extended Period of Indemnity Term is shown in the Declarations.

- (b) However, this Additional Coverage does not apply to loss of “rental value” incurred as a result of unfavorable business conditions caused by the impact of the Covered Cause of Loss in the area where the described premises are located.
- (c) Loss of “rental value” must be caused by direct physical loss or damage at the described premises caused by or resulting from a Covered Cause of Loss.
- (3) Extra Expense**
 - (a) We will pay for the actual, necessary and reasonable Extra Expense you incur during the Extended Period of Indemnity applicable to your Business Income under this Additional Coverage.
 - (b) However, this Additional Coverage does not apply to Extra Expense incurred as a result of unfavorable business conditions caused by the impact of the Covered Cause of Loss in the area where the described premises are located.
 - (c) Extra Expense must be incurred because of direct physical loss or damage at the described premises caused by or resulting from a Covered Cause of Loss.
- (4)** This Additional Coverage does not apply to any of the following coverages, if applicable to this Coverage Part:
 - (a) Business Income and Extra Expense Fungus, Wet Rot and Dry Rot, except as provided under the Limited Coverage for Fungus, Wet Rot and Dry Rot;
 - (b) Utility Services – Time Element Coverage;
 - (c) Civil Authority Additional Coverage;
 - (d) Dependent Properties Coverage Extension;
 - (e) Lessor’s Lease Cancellation Coverage Extension; or
 - (f) Lessor’s Tenant Relocation Expense Coverage Extension.
- (5)** Business Income loss and Extra Expense covered under this Additional Coverage are subject to, and will not increase, the applicable Business Income and Extra Expense Limit of Insurance shown in the Declarations.

d. Interruption Of Computer Operations

- (1)** We will pay for:
 - (a) The actual loss of Business Income you sustain due to the necessary “suspension” of your “operations” during the “period of restoration”; and
 - (b) The actual, necessary and reasonable Extra Expense you incur during the “period of restoration”;
 when a “suspension” of “operations” results from an interruption in computer operations caused by the destruction or corruption of “electronic data” caused by or resulting from a Covered Cause of Loss.
- (2)** This Additional Coverage does not apply to loss sustained or expense incurred after the end of the “period of restoration”, even if the amount of insurance stated in Paragraph **(3)** below has not been exhausted.
- (3)** The most we will pay in any one occurrence under this Additional Coverage is the Interruption of Computer Operations Limit of Insurance shown in the Declarations. This is additional Insurance.

e. Ingress And Egress

- (1)** We will pay for the actual loss of Business Income you sustain and the actual, necessary and reasonable Extra Expense you incur due to the prevention of ingress to or egress from the described premises, other than as provided in the Civil Authority Additional Coverage. The prevention of ingress to or egress from the described premises must be caused by direct physical loss of or damage to property that is away from, but within one mile of, the described premises caused by or resulting from a Covered Cause of Loss, unless another Ingress and Egress Radius is shown in the Declarations.
- (2)** Ingress and Egress Coverage does not apply to:
 - (a) Any loss resulting from lack of incoming or outgoing services consisting of electric, steam, water, gas, sewage, telephone, radio, or other electromagnetic transmission; and
 - (b) Any loss resulting from picketing or other action by strikers not constituting riot or civil commotion and not resulting in physical loss of or damage to property.
- (3)** Ingress and Egress Coverage for Business Income will:

- (a) Begin 72 hours after the time that ingress to or egress from the described premises is first prevented, unless another Ingress and Egress Waiting Period is shown in the Declarations; and
- (b) Apply while ingress to or egress from the described premises is prevented, but no longer than four consecutive weeks from the date on which such coverage began, unless another Ingress and Egress Coverage Period is shown in the Declarations.

No coverage is provided during the 72-hour waiting period or, if applicable, the Ingress and Egress Waiting Period shown in the Declarations.

- (4) Ingress and Egress Coverage for Extra Expense will begin immediately after the time that ingress to or egress from the described premises is first prevented and will end:
 - (a) When ingress to or egress from the described premises is no longer prevented, but no longer than four consecutive weeks from the date on which such coverage began, unless another Ingress and Egress Period is shown in the Declarations; or
 - (b) When your Ingress and Egress Coverage for Business Income ends; whichever is later.
- (5) Business Income loss and Extra Expense covered under this Additional Coverage are subject to, and will not increase, the applicable Business Income and Extra Expense Limit of Insurance shown in the Declarations.

f. Time Element Claims Expenses

- (1) We will pay all reasonable claims expenses you incur arising out of a loss covered under this Coverage Form or any endorsements modifying this Coverage Form.
- (2) The claims expenses must be incurred to assist us in:
 - (a) The investigation of a claim; or
 - (b) The determination of the amount of loss.
- (3) In addition to the Exclusions and Limitations contained in this Coverage Part, we will not pay for:
 - (a) Expenses to prove that the loss is covered;
 - (b) Expenses incurred under Paragraph 1. **Appraisal** of Section **C. Loss Conditions**;
 - (c) Expenses incurred for examinations under oath, even if required by us; or
 - (d) Expenses incurred for public adjusters or legal fees.
- (4) The most we will pay in any one occurrence under this Additional Coverage is the Time Element Claims Expenses Coverage Limit of Insurance shown in the Declarations. This is additional insurance.

g. Contractual Penalties

- (1) We will pay for contractual penalties you incur if you cannot meet your written contractual obligations because of a direct physical loss of or damage to Covered Property caused by or resulting from a Covered Cause of Loss. Such contract must be written and must have been executed prior to the date of the loss. This Coverage does not apply to loss of or damage to:
 - (a) A building or structure under construction; or
 - (b) Property you are installing for a customer.
- (2) The most we will pay in any one occurrence under this Additional Coverage is the Contractual Penalties Limit of Insurance shown in the Declarations. This is additional insurance.

6. Coverage Extensions

Each of the following Coverage Extensions 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, Coinsurance, does not apply to these Extensions.

a. Newly Acquired Locations

- (1) We will pay for:
 - (a) The actual loss of Business Income you sustain due to the necessary "suspension" of your "operations" during the "period of restoration"; and
 - (b) The actual, necessary and reasonable Extra Expense you incur during the "period of restoration";
 caused by direct physical loss or damage caused by or resulting from a Covered Cause of Loss to:
 - (i) Buildings you acquire at locations other than the described premises, intended for:

- (A) Similar use as the building described in the Declarations; or
- (B) Use as a warehouse; or
- (ii) Business personal property at any location you acquire other than at fairs, trade shows or exhibitions.
- (2) Coverage for each newly acquired location 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 Locations Business Income and Extra Expense Coverage Period expire after you acquire the building; or
 - (c) You report values to us.
- (3) The most we will pay under this Coverage Extension in any one occurrence is the Newly Acquired Locations Business Income and Extra Expense Limit of Insurance shown in the Declarations. This is additional insurance.
- (4) We will charge you additional premium for values reported from the date you acquire the property.
- (5) Business Income loss and Extra Expense subject to this Coverage Extension are not eligible for coverage under any other Coverage, Additional Coverage, Coverage Extension or Optional Coverage contained in this Coverage Part.

b. Dependent Properties

- (1) We will pay for:
 - (a) The actual loss of Business Income you sustain due to the necessary “suspension” of your “operations” during the “period of restoration”; and
 - (b) The actual, necessary and reasonable Extra Expense you incur during the “period of restoration”;
caused by direct physical loss or damage caused by or resulting from a Covered Cause of Loss to property at the premises of a “dependent property” located anywhere in the world, excluding any country or jurisdiction which is the subject of trade or economic sanctions imposed by the laws or regulations of the United States of America to the extent such sanctions prohibit or limit this insurance.
- (2) Extra Expense under this Coverage Extension means actual, necessary and reasonable expenses you incur during the “period of restoration” that you would not have incurred if there had been no direct physical loss of or damage to property at the premises of the “dependent property” caused by or resulting from a Covered Cause of Loss:
 - (a) To avoid or minimize a “suspension” of business and to continue “operations”; or
 - (b) To minimize the “suspension” of business if you cannot continue “operations”.
- (3) In addition to the provisions included in Paragraph **3.c. Resumption of Operations** of Section **C. Loss Conditions**, we will reduce the amount of your Business Income loss, other than Extra Expense, to the extent you can resume “operations”, in whole or in part, by using any other available:
 - (a) Source of materials; or
 - (b) Outlet for your products.
- (4) Dependent Properties Coverage does not apply when the only loss to “dependent property” is loss or damage to “electronic data”, including destruction or corruption of “electronic data”. If the “dependent property” sustains loss or damage to “electronic data” and other property, coverage under this extension will not continue once the other property is repaired, rebuilt or replaced.
- (5) The most we will pay under this Coverage Extension in any one occurrence is the Dependent Properties Limit of Insurance shown in the Declarations. This is additional insurance.
- (6) If a Dependent Properties Limit of Insurance is shown in the Declarations as applying to a scheduled “dependent property”, no other limit of insurance will apply to the Business Income loss you sustain and the Extra Expense you incur as a result of covered loss of or damage to property at the premises of that “dependent property”, including any policy level Dependent Properties Limit of Insurance.
- (7) Business Income loss and Extra Expense subject to this Coverage Extension are not eligible for coverage under any other Coverage, Additional Coverage, Coverage Extension or Optional Coverage contained in this Coverage Part.

c. Lessor's Lease Cancellation Coverage

- (1) This Coverage Extension applies to the described premises to which Business Income and Extra Expense Coverage applies as shown in the Declarations.
- (2) In the event that your tenants cancel their leases in a Building that is Covered Property under your BUILDING AND PERSONAL PROPERTY COVERAGE FORM due to untenability caused by direct physical loss or damage caused by or resulting from a Covered Cause of Loss, we will pay for the loss of rental income that you would have received from those leases during the period that:
 - (a) Begins once tenantability is restored; and
 - (b) Ends on the earlier of:
 - (i) The date you lease the premises to another tenant; or
 - (ii) 12 months immediately following the "period of restoration".
- (3) In addition to the Exclusions and Limitations contained in this Coverage Part, we will not pay for:
 - (a) Prepaid rent;
 - (b) Security and other deposits made by tenants;
 - (c) Insurance, taxes or other payments you made on behalf of the tenants; and
 - (d) Loss of rental income after the normal expiration date of any cancelled lease.
- (4) The most we will pay under this Coverage Extension in any one occurrence is the Lessor's Lease Cancellation Coverage Limit of Insurance shown in the Declarations. This limit of insurance is in addition to any other limit of insurance that may be provided under this Coverage Part for coverage of such losses, but we will not pay more in total from all coverages than the loss of rental income that you would have received from those leases during the period in which this Coverage Extension applies.

d. Lessor's Tenant Relocation Expense Coverage

- (1) This Coverage Extension applies to the described premises to which Business Income and Extra Expense Coverage applies as shown in the Declarations.
- (2) In the event that your tenants must temporarily vacate a Building that is Covered Property under your BUILDING AND PERSONAL PROPERTY COVERAGE FORM due to untenability caused by direct physical loss or damage caused by or resulting from a Covered Cause of Loss, we will pay for the expenses you incur to move those tenants out of and back into the Building during the period that:
 - (a) Begins once the Building becomes untenable because of direct physical loss or damage caused by or resulting from a Covered Cause of Loss; and
 - (b) Ends 60 days after tenantability is restored.
- (3) Expenses covered under this Coverage Extension must be incurred by you and are limited to the following expenses:
 - (a) Packing, transporting and unpacking the tenant's business personal property, including the cost of insuring the moves out of and back into the Building and any expenses incurred for the necessary disassembly, reassembly or setup of furniture and equipment; and
 - (b) The net cost to discontinue and re-establish the tenants' utility and telephone services, after any refunds due to the tenants.

Expenses incurred by your tenants are not covered under this Coverage Extension.
- (4) The most we will pay under this Coverage Extension in any one occurrence is the Lessor's Tenant Relocation Expense Coverage Limit of Insurance shown in the Declarations. This is additional insurance.

e. Lessee's Leasehold Interest Coverage

- (1) We will pay for loss of Covered Leasehold Interest you sustain as lessee due to the cancellation of your lease because of direct physical loss of or damage to property at premises described in the Declarations to which Lessee's Leasehold Interest Coverage applies as shown in the Declarations. The direct physical loss or damage must be caused by or resulting from a Covered Cause of Loss. Covered Leasehold Interest means:
 - (a) Tenants' Lease Interest, meaning the difference between the:
 - (i) Rent you pay at the described premises; and
 - (ii) Rental value of the described premises that you lease.
 - (b) Bonus Payments, meaning the unamortized portion of a cash bonus that will not be refunded to you. A cash bonus is money you paid to acquire your lease. It does not include:

- (i) Rent, whether or not prepaid; or
 - (ii) Security.
 - (c) Prepaid Rent, meaning the unamortized portion of any amount of advance rent you paid that will not be refunded to you. This does not include the customary rent due at:
 - (i) The beginning of each month; or
 - (ii) Any other rental period.
 - (2) In addition to the Exclusions and Limitations contained in this Coverage Part, we will not pay for any loss caused by:
 - (a) Your cancelling the lease;
 - (b) The suspension, lapse or cancellation of any license; or
 - (c) Any other consequential loss.
 - (3) The most we will pay under this Coverage Extension in any one occurrence is the Lessee's Leasehold Interest Coverage Limit of Insurance shown in the Declarations. This is additional insurance.
- f. Lessee's Leasehold Interest Coverage: Undamaged Tenant Improvements And Betterments**
- (1) We will pay for the value of undamaged tenant improvements and betterments which are Covered Property under **A.1.b.(6)** of your BUILDING AND PERSONAL PROPERTY COVERAGE FORM when your lease is cancelled:
 - (a) By your lessor; and
 - (b) By a valid condition of your lease;
 when such cancellation results from direct physical loss of or damage to property at premises described in the Declarations to which Lessee's Leasehold Interest Coverage applies as shown in the Declarations caused by or resulting from a Covered Cause of Loss.
 - (2) Undamaged tenant improvements and betterments are valued based on:
 - (a) The cost to replace undamaged tenant improvements and betterments at the time of loss or damage at another site if you start replacement within 24 months following the termination of your lease; or
 - (b) The unamortized portion of payments made by you for tenant improvements and betterments if you do not replace undamaged tenant improvements and betterments.
 - (3) We will not pay under this Coverage Extension for that part of any undamaged tenant improvements and betterments which is paid by others.
 - (4) Coverage under this Coverage Extension is subject to, and will not increase, the Lessee's Leasehold Interest Coverage Limit of Insurance shown in the Declarations.

B. Limits Of Insurance

The limits of insurance provisions contained in the **Limits Of Insurance** Section of your BUILDING AND PERSONAL PROPERTY COVERAGE FORM apply.

C. Loss Conditions

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

1. Appraisal

If we and you disagree on the amount of Net Income and operating expense or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser 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 amount of Net Income and operating expense or amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding as to 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.

2. Duties In The Event Of Loss

- a. You must see to it that the following are done in the event of loss:
- (1) Notify the police if a law may have been broken.
 - (2) Give us prompt notice of the direct physical 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 direct physical 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 contained in your BUILDING AND PERSONAL PROPERTY COVERAGE FORM. Also, if feasible, set the damaged property aside and in the best possible order for examination.
 - (5) 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.
 - (6) 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.
 - (7) Cooperate with us in the investigation or settlement of the claim.
 - (8) If you intend to continue your business, you must resume all or part of your "operations" as quickly as possible.
- 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.

3. Loss Determination

- a. The amount of Business Income loss will be determined based on:
- (1) The Net Income of the business before the direct physical loss or damage occurred;
 - (2) The likely Net Income of the business if no physical loss or damage had occurred, but not including any Net Income that would likely have been earned as a result of an increase in the volume of business due to favorable business conditions caused by the impact of the Covered Cause of Loss on customers or on other businesses;
 - (3) The operating expenses, including payroll expenses, necessary to resume "operations" with the same quality of service that existed just before the direct physical loss or damage; and
 - (4) Other relevant sources of information, including:
 - (a) Your financial records and accounting procedures;
 - (b) Bills, invoices and other vouchers; and
 - (c) Deeds, liens or contracts.
- b. The amount of Extra Expense will be determined based on:
- (1) All expenses that exceed the normal operating expenses that would have been incurred by "operations" during the "period of restoration" if no direct physical loss or damage had occurred. We will deduct from the total of such expenses:
 - (a) The salvage value that remains of any property bought for temporary use during the "period of restoration", once "operations" are resumed; and
 - (b) Any Extra Expense that is paid for by other insurance, except for insurance that is written subject to the same plan, terms, conditions and provisions as this insurance; and
 - (2) Necessary expenses that reduce the Business Income loss that otherwise would have been incurred.
- c. **Resumption Of Operations**
We will reduce the amount of your:
- (1) Business Income loss, other than Extra Expense, to the extent you can resume your "operations", in whole or in part, by using damaged or undamaged property (including merchandise or "stock") at the described premises or elsewhere.

(2) Extra Expense loss to the extent you can return "operations" to normal and discontinue such Extra Expense.

- d. If you do not resume your "operations", or do not resume your "operations" with reasonable speed, any loss determination will be based on the length of time it would have taken to resume "operations" with reasonable speed.
- e. Other than any Waiting Period provided under any Business Income coverage and except as otherwise provided in this Coverage Part, no deductible applies to any Coverage, Additional Coverage, Coverage Extension or Optional Coverage that may be provided under this Coverage Form and any endorsements modifying this Coverage Form.

4. Loss Payment

We will pay for covered loss 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:

- a. We have reached agreement with you on the amount of loss; or
- b. An appraisal award has been made.

D. Additional Condition

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, the following condition applies in addition to the Common Policy Conditions and the Commercial Property Conditions.

- 1. We will not pay the full amount of any Business Income loss if the Limit of Insurance for Business Income is less than:
 - a. The Coinsurance percentage shown for Business Income in the Declarations; times
 - b. The sum of:
 - (1) The Net Income (Net Profit or Loss before income taxes), plus
 - (2) Operating expenses, including payroll expenses,that would have been earned or incurred (had no loss occurred) by your "operations" at the described premises for the 12 months following the inception, or last previous anniversary date, of this policy (whichever is later).
- 2. Instead, we will determine the most we will pay using the following steps:
 - Step (1):** Multiply the Net Income and operating expense for the 12 months following the inception, or last previous anniversary date, of this policy by the Coinsurance percentage;
 - Step (2):** Divide the limit of insurance for the described premises by the figure determined in **Step (1)**; and
 - Step (3):** Multiply the total amount of loss by the figure determined in **Step (2)**.We will pay the amount determined in **Step (3)** or the limit of insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.
- 3. In determining operating expenses for the purpose of applying this Additional Condition, the following expenses, if applicable, will be deducted from the total of all operating expenses:
 - a. Prepaid freight – outgoing;
 - b. Returns and allowances;
 - c. Discounts;
 - d. Bad debts;
 - e. Collection expenses;
 - f. Cost of raw stock and factory supplies consumed (including transportation charges);
 - g. Cost of merchandise sold (including transportation charges);
 - h. Cost of other supplies consumed (including transportation charges);
 - i. Cost of services purchased from outsiders (not employees) to resell, that do not continue under contract;
 - j. Power, heat and refrigeration expenses that do not continue under contract (if Form **CP 15 11** is attached);
 - k. All payroll expenses or the amount of payroll expense excluded (if Form **CP 15 10** is attached); and
 - l. Special deductions for mining properties (royalties unless specifically included in coverage; actual depletion commonly known as unit or cost depletion – not percentage depletion; welfare and retirement fund charges based on tonnage; hired trucks).

E. Optional Coverages

If applicable, the Additional Condition, Coinsurance, does not apply to these Optional Coverages.

1. Maximum Period Of Indemnity

If shown as applicable in the Declarations, this Optional Coverage applies separately to each item.

- a. The Additional Condition, Coinsurance, does not apply to this Coverage Form and any endorsements modifying this Coverage Form at the described premises to which this Optional Coverage applies.
- b. If a Maximum Period of Indemnity is shown in the Declarations, the most we will pay for the total of Business Income loss, including the Extended Period of Indemnity Additional Coverage, and Extra Expense is the lesser of:
 - (1) The amount of loss sustained and expenses incurred during the 120 days immediately following the beginning of the "period of restoration"; or
 - (2) The limit of insurance shown in the Declarations.

2. Monthly Limit Of Indemnity

If shown as applicable in the Declarations, this Optional Coverage applies separately to each item.

- a. The Additional Condition, Coinsurance, does not apply to this Coverage Form and any endorsements modifying this Coverage Form at the described premises to which this Optional Coverage applies.
- b. If a Monthly Limit of Indemnity is shown in the Declarations, the most we will pay for loss of Business Income in each period of 30 consecutive days after the beginning of the "period of restoration" is:
 - (1) The limit of insurance, multiplied by
 - (2) The fraction shown in the Declarations for this Optional Coverage.

3. Optional Property In Transit

- a. If a Business Income and Extra Expense Property In Transit Limit of Insurance is shown in the Declarations, we will pay for:
 - (1) The actual loss of Business Income you sustain due to the necessary "suspension" of your "operations" during the "period of restoration"; and
 - (2) The actual, necessary and reasonable Extra Expense you incur during the "period of restoration";
 caused by direct physical loss or damage caused by or resulting from a Covered Cause of Loss to business personal property covered under any Property in Transit Additional Coverages contained in this Coverage Part.
- b. The most we will pay under this Optional Coverage in any one occurrence is the Business Income and Extra Expense Property in Transit Limit of Insurance shown in the Declarations. This is additional insurance.
- c. Business Income loss and Extra Expense subject to this Coverage Extension are not eligible for coverage under any other Coverage, Additional Coverage, Coverage Extension or Optional Coverage contained in this Coverage Part.

4. Optional Property At Other Locations

- a. If a Business Income and Extra Expense Property At Other Locations Limit of Insurance is shown in the Declarations, we will pay for:
 - (1) The actual loss of Business Income you sustain due to the necessary "suspension" of your "operations" during the "period of restoration"; and
 - (2) The actual, necessary and reasonable Extra Expense you incur during the "period of restoration";
 caused by direct physical loss or damage caused by or resulting from a Covered Cause of Loss to business personal property covered under your Property At Other Locations Additional Coverage contained in this Coverage Part.
- b. The most we will pay under this Optional Coverage in any one occurrence is the Business Income and Extra Expense Property At Other Locations Limit of Insurance shown in the Declarations. This is additional insurance.
- c. Business Income loss and Extra Expense subject to this Coverage Extension are not eligible for coverage under any other Coverage, Additional Coverage, Coverage Extension or Optional Coverage contained in this Coverage Part.

F. Definitions

See your COMMERCIAL PROPERTY COVERAGE PART DEFINITIONS form.