

# VERLAN FIRE INSURANCE COMPANY

## COMPREHENSIVE PROPERTY DAMAGE POLICY

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

In reliance upon the information you have given us, we agree to provide coverage to you consistent with the Declarations and the terms and Conditions of this policy. In return, you must pay the premium when due and comply with all the terms and Conditions of this policy, and promptly inform us of any change in title, use or occupancy of the Covered Property. This policy applies only to losses that occur during the policy period, which is shown in the Declarations of this policy. This policy is not complete without the Declarations Page.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations of this policy. 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 the Definitions section of this policy.

### **I. COVERAGE**

We will pay for direct physical loss of or damage to Covered Property for which a limit is shown in the Declarations of this policy unless the loss or damage is caused by an excluded cause of loss. Any other type of insurance coverage shall be in writing and contained in a specific endorsement referenced in the Declarations of this policy.

### **II. COVERED PROPERTY**

We will cover the following property, but only to the extent of your financial interest in the Covered Property:

- A. All buildings and structures of every description at the location described in the Declarations of this policy which are owned or used by you, including buildings or structures while in the course of construction, installation or repair;
- B. Improvements and betterments to buildings and structures not owned by you;
- C. All personal property owned by you and used in your business while at the location described in the Declarations of this policy or within 500 feet thereof;
- D. All personal property owned by others in your care, custody or control while at the location described in the Declarations of this policy or within 500 feet thereof;
- E. Rolling stock, aircraft and watercraft, but only while such rolling stock, aircraft and watercraft are in your care, custody or control at the location described in the Declarations of this policy;
- F. Mobile equipment owned by you, or owned by others if such non-owned equipment is in your care, custody or control, while at the location described in the Declarations of this policy or within 500 feet thereof. Mobile equipment does not include vehicles and other self-propelled, motorized machines licensed for road use.

### III. PROPERTY NOT COVERED

This policy does not cover the following:

- A. Land, including any interest therein;
- B. Water, including but not limited to, ground water, bodies of water, water courses and waterways;
- C. Accounts, bills, deeds, notes, lottery tickets, currency, bullion and evidences of debt or title;
- D. Excavation, grading or filling, backfilling, bridges, walks, roadways and other paved surfaces;
- E. All pilings, piers, wharves, docks, dams and tunnels;
- F. Animals, whether held for sale or not;
- G. Vehicles and other self-propelled, motorized machines licensed for road use or operated primarily away from your premises;
- H. Property which is covered in whole or in part by any other contract of insurance, except for the amount of loss which is in excess of the amount due, whether collectible or not, from such insurance (See the Other Insurance Condition in this form);
- I. Contraband or property being illegally traded or transported.

### IV. EXCLUSIONS

- A. We will not pay for loss or damage proximately caused by any of the following:
  - 1. Intentional, dishonest or criminal acts by you or any of your employees, members, officers, managers, partners, directors, trustees, authorized representatives, or anyone to whom you entrust property for any purpose, whether acting alone or in collusion with others, and whether or not the act(s) was committed during the hours of employment;  
  
This Exclusion applies whether or not anyone is actually charged with or convicted of a crime.  
  
This Exclusion does not apply to acts of destruction by your employees (including leased employees), but theft by employees (including leased employees) is not covered.
  - 2. Parting with title or possession of any property by you or anyone to whom you have entrusted the property if induced to do so by any fraudulent scheme, trick, device or false pretense;
  - 3. Any unexplained loss, mysterious disappearance, or loss or shortage disclosed on taking inventory;
  - 4. The cost of making good faulty or defective material, faulty workmanship, errors or omissions in design, errors in processing or manufacture of your products;
  - 5. Mechanical or machinery breakdown or derangement, including rupture or bursting caused by centrifugal force and the rupture, bursting or operation of pressure relief devices;

6. Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control. However, if fire results from such an explosion, we will pay for that portion of the loss proximately caused by fire. We will also pay for loss from explosion proximately caused by the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which gases of the combustion pass;
7. Artificially generated electrical current, unless loss by fire results, in which case we will pay for only that portion of the loss proximately caused by fire. Electrical arcing itself does not constitute fire;
8. Delay or loss of market;
9. Deterioration, inherent vice, latent defect, wear and tear, dampness of atmosphere, extremes of temperature, smog, shrinkage, evaporation, loss of weight, rust, corrosion, wet or dry rot, change in flavor or color or odor or texture or finish, marring or scratching;
10. Settling, cracking, bulging, shrinkage or expansion in foundations, walls, floors or ceilings;
11. Costs, expenses, fines or penalties incurred or sustained by or imposed on you at the order of any governmental agency, court or other authority arising from any cause whatsoever;
12. Your neglect to take all reasonable and necessary steps to avoid loss in the event of actual or imminent loss or threat of loss;
13. Loss of use of any property;
14. Continuous or repeated seepage or leakage of water, or the presence or condensation of humidity, moisture or vapor, that occurs over a period of ten (10) days or more;
15. "Collapse," except as provided elsewhere in this policy;
16. Water, other liquids, powder or molten material that leaks or flows from plumbing, heating, air conditioning or other equipment (except from fire protective systems) caused by or resulting from freezing, unless:
  - a. You exercise reasonable care to maintain heat in the building or structure; or
  - b. You drain the equipment and shut off the supply if the heat is not maintained.
17. Insects, birds, rodents or other animals;
18. Smoke, vapor or gas from industrial or agricultural operations;
19. Rain, snow, ice or sleet to business personal property in the open.

- B. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss or damage:
1. Hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack:
    - a. By any government or sovereign power (de jure or de facto), or by any authority maintaining or using military, naval or air forces;
    - b. By military, naval or air forces;
    - c. By an agent of any such government, power, authority or forces;
  2. Any weapon of war employing atomic fission or radioactive force whether in time of peace or war;
  3. Insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or Customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade;
  4. Nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled;
  5. Earth movement; however, if fire, sprinkler leakage, or explosion results, we will pay for that portion of the loss proximately caused by fire, sprinkler leakage or explosion. Earth movement includes but is not limited to: earthquake; landslide; volcanic eruption, explosion or effusion; sinking, rising or shifting of the earth; mine subsidence; and mudslide or mudflow;
  6. Except as provided elsewhere in this policy, the actual, alleged or threatened release, discharge, seepage, migration, escape or dispersal of "pollutants;"
  7. Water, including flood, tides, tidal waves, waves, high water, overflow of water, surface water (all whether driven by wind or not), and water under the ground surface. However, if fire, sprinkler leakage or explosion results, we will pay for that portion of the loss proximately caused by fire, sprinkler leakage or explosion;
  8. Backing up of sewers, drains or sumps, or seepage below ground level;
  9. The failure of power or other utility service supplied to the location scheduled in the Declarations of this policy, however caused, if the failure occurs away from the scheduled location. Failure includes lack of sufficient capacity and reduction in supply. But if the failure of power or other utility service results in fire, sprinkler leakage or explosion, we will pay for that portion of the loss proximately caused by fire, sprinkler leakage or explosion;
  10. The presence of asbestos or lead;
  11. The enforcement of any ordinance or law regulating the construction, use or repair of any property; or requiring the tearing down of any property, including the cost of removing its debris;

This Exclusion applies whether the loss results from an ordinance or law that is enforced, even if the property has not been damaged, or the increased costs incurred to comply with an ordinance or law in the course of construction, repair, renovation, remodeling or demolition of property or removal of its debris following a physical loss to that property.

12. Except as covered elsewhere in this policy, the presence, growth, proliferation, spread or any activity of "fungus," wet or dry rot, or bacteria. But if "fungus," wet or dry rot or bacteria results in fire, sprinkler leakage or explosion, we will pay for that portion of the loss proximately caused by fire, sprinkler leakage or explosion.
- C. We will not pay for loss or damage caused by or resulting from any of the following:
1. Weather conditions: This Exclusion only applies if weather conditions contribute in any way with a cause of loss excluded elsewhere in this policy;
  2. Acts or decisions, including the failure to act or decide, by any person, group, organization or any governmental body;
  3. Faulty, inadequate or defective:
    - a. Planning, zoning, development, surveying, siting;
    - b. Design, specifications, workmanship, repair, construction, renovation, grading, compaction;
    - c. Materials used in repair, construction, renovation or remodeling; or
    - d. Maintenance
- of part or all of any property on or off the locations covered by this policy.

But if a cause of loss not excluded elsewhere in this policy results from the causes of loss excluded in C. above, we will pay that portion of the loss proximately caused by the cause of loss not otherwise excluded.

## **V. EXTENSIONS OF COVERAGE**

For the following types of property, we will only pay your actual loss up to the Limit of Insurance shown for each type. All causes of loss, Conditions, Exclusions, deductibles and other provisions in this policy also apply to the property shown below. These limits are included as part of the total building and personal property limits for each location shown in the Declarations of this policy. The following limits are the most we will pay for all direct and indirect loss or damage to the property shown below for all coverages including, but not limited to, Property Damage and/or Business Income and Extra Expense (including Rental Value).

- A. \$10,000 for landscaping, crops, lawns, trees, plants, shrubs and standing timber;
- B. \$25,000 for fences or retaining walls;
- C. \$10,000 for jewelry, antiques, furs, precious stones, precious metals and fine art;
- D. \$10,000 for property while in the course of transit on vehicles you own, lease or operate or in the custody of a carrier or bailee for hire;

- E. \$10,000 for personal property owned by you and used in your business while more than 500 feet away from the location described in the Declarations of this policy, but not while in or on a vehicle;
- F. \$10,000 for accounts receivable. Accounts receivable includes:
  - 1. All amounts due from your customers that you are unable to collect;
  - 2. Interest charges on any loan required to offset amounts you are unable to collect pending our payment of these amounts;
  - 3. Collection expenses in excess of your normal collection expenses that are made necessary by the loss; and
  - 4. Other reasonable expenses that you incur to reestablish your records of accounts receivable, including credit or charge card slips.
- G. \$5,000 for the cost to replace or restore the lost information on valuable papers and records for which duplicates do not exist. This extension does not apply to valuable papers and records that exist as electronic data;
- H. \$5,000 for electronic data, media, programs and software. Data is information that has been converted to a form usable in electronic format and includes computer programs. Media is the material on which data is recorded;
- I. \$2,500 for currency, money and securities;
- J. \$1,000 for fire department service charges, without application of any deductible, that are:
  - 1. Assumed by contract or agreement prior to loss; or
  - 2. Required by local ordinance.
- K. \$1,000 for personal property owned by you and used in your business while in the care, custody and control of each of your salespersons;
- L. Newly Acquired or Constructed Property
  - 1. Buildings

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

    - a. Your new buildings while being built on the described premises;  
and
    - b. Buildings you acquire at locations, other than the described premises, intended for:
      - (1) Similar use as the building described in the Declarations of this policy; or
      - (2) Use as a warehouse.

The most we will pay for loss or damage under this Extension is \$500,000 at each building.

## 2. Your Business Personal Property

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

- a. Business personal property, including such property that you newly acquire, at any location you acquire other than at fairs, trade shows or exhibitions;
- b. Business personal property, including such property that you newly acquire, located at your newly constructed or acquired buildings at the location described in the Declarations of this policy; or
- c. Business personal property that you newly acquire, located at the described premises.

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

This Extension does not apply to:

- a. Personal property of others that is temporarily in your possession in the course of installing or performing work on such property; or
- b. Personal property of others that is temporarily in your possession in the course of your manufacturing or wholesaling activities.

## 3. Period of Coverage

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

- a. This policy expires;
- b. Thirty (30) days elapse 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.

## VI. ADDITIONAL COVERAGES

The following are in addition to the total limits shown in the Declarations of this policy for covered buildings and/or business personal property at locations scheduled in the Declarations of this policy. These limits are the most we will pay for all direct and indirect loss or damage to the property shown below for all coverages including, but not limited to, Property Damage and/or Business Income and Extra Expense (including Rental Value):

- A. We will pay up to \$25,000 for the expense to extract “pollutants” from land or water at the locations described in the Declarations of this policy if the discharge, dispersal, seepage, migration, release or escape of “pollutants” is caused by or results from a Covered Cause of Loss occurring during the policy period. The expenses will be paid only if they are reported to us in writing within one- hundred eighty (180) days of the date on which the Covered Cause of Loss occurs. This Additional Coverage does not apply to costs to test for, monitor or assess the existence, concentration or effects of “pollutants.” But we will pay for testing which is performed in the course of extracting the “pollutants” from the land or water. The most we will pay for any one occurrence is \$25,000 even if the “pollutants” continue to be present or active or recur after this policy’s expiration or cancellation date.
- B. We will pay up to \$15,000 for loss or damage to Covered Property caused by “fungus,” wet or dry rot or bacteria if that loss or damage results from a Covered Cause of Loss other than fire or lightning. The expenses will be paid only if they are reported to us in writing within one-hundred eighty (180) days of the date on which the Covered Cause of Loss occurs. This Additional Coverage does not apply to costs to test for, monitor or assess the existence, concentration or effects of “fungus,” wet or dry rot or bacteria. The most we will pay for any one occurrence is \$15,000 even if the “fungus,” wet or dry rot, or bacteria continues to be present or active or recurs after this policy’s expiration or cancellation date.

## **VII. DEBRIS REMOVAL**

This policy covers expenses incurred in the removal of debris of Covered Property which may be occasioned by loss or damage caused by any of the Covered Causes of Loss insured against in this policy. However, the total liability under this policy for both loss to property and removal of debris shall not exceed the total Limit of Insurance specified in the Declarations of this policy for building and personal property coverages at the location scheduled in the Declarations of this policy. The expenses will be paid only if reported to us in writing within one-hundred eighty (180) days of the date of direct physical loss or damage.

Unless liability is otherwise specifically assumed by endorsement referenced in the Declarations of this policy and attached to this policy, we shall not be liable for debris removal expense occasioned by the enforcement of any law or ordinance which necessitates the demolition of any portion of the Covered Property which has not suffered damage by a Covered Cause of Loss.

It is agreed that we will not pay the expense to:

- A. Extract “pollutants” from the debris, land, water, or atmosphere; or
- B. Remove, restore or replace land or water damaged by “pollutants.”

## **VIII. COLLAPSE**

We will cover direct physical loss to Covered Property caused by “collapse” if proximately caused by one of the following causes of loss:

- A. Fire;
- B. Lightning;
- C. Explosion;
- D. Falling objects;

- E. Weight of ice, snow, sleet or rain that collects on the roof;
- F. Hidden decay not known to you prior to the “collapse;”
- G. Insect or vermin damage not known to you prior to the “collapse;”
- H. Weight of contents; or
- I. Use of defective materials or methods for construction or renovation if the “collapse” occurs during the course of the construction or renovation.

## **IX. CONDITIONS**

### **A. Limits of Insurance**

The most we will pay for each loss at each location scheduled in the Declarations of this policy shall not exceed the total Limit of Insurance specified for that location in the Declarations of this policy. While the Limit of Insurance so specified for each location constitutes our and your best estimate of the replacement cost of the insured property at that location, our liability under this policy will in no event exceed the Limit of Insurance shown in the Declarations of this policy for each location.

### **B. Deductible**

A deductible in an amount specified in the Declarations of this policy shall be deducted from the amounts paid for each loss under this policy. Our obligation under this policy shall therefore apply only to a covered loss, if any, in excess of the deductible amount. This deductible shall apply separately to each and every such loss at each and every location scheduled in the Declarations of this policy. The deductible will not reduce the Limits of Insurance.

### **C. Territory**

Subject to the terms, Conditions and Exclusions, this policy covers the insured property only within the continental limits of the United States of America (including Alaska and Hawaii), its territories or possessions, Puerto Rico, or Canada.

### **D. Other Insurance**

This policy shall not provide coverage to the extent that any other insurance, of any type, directly or indirectly covers the same loss; we shall be liable for such loss or damage only to the extent that the amount of loss exceeds the coverage provided by other insurance, whether collectible or not.

### **E. Misrepresentation or Concealment**

This entire policy shall be void from its inception if you have obtained this policy through misrepresentation or concealment of a material fact, or if you misrepresent or conceal a material fact concerning a claim under this policy.

### **F. Records for Valuation of Loss**

You must maintain accurate records of all purchases, sales and other transactions in such a manner that we can accurately determine from your records the amount of any loss.

## G. Your Duties After a Loss

The following duties are conditions to any payment to you under this policy:

1. **Notice of Loss:** You must report to us in writing each and every loss which may give rise to a claim under this policy as soon as possible and, in no event, later than thirty (30) days after you become aware of such loss. The report shall include a description of how, when and where the loss occurred. In addition, you must promptly notify the police if the loss may be a result of a crime.
2. **Proof of Loss:** You must submit a sworn statement in proof of loss, stating the place, date, time and cause of the loss, your interest and that of anyone else in the property, the value and the amount of loss for each item of property, and any other information and supporting documentation we request in order to investigate your claim. You must do this within sixty (60) days after our request, unless we extend that time in writing. We will provide you with the necessary sworn statement in proof of loss form at the time of our request.
3. **Protection of Covered Property:** In the event of actual or imminent loss of or damage to insured property by any Covered Cause of Loss, you are required to take all reasonable and necessary steps to avoid or mitigate any loss or damage.
4. **Cooperation:** You must provide us with the cooperation and assistance we and our representatives request for the investigation of a claim, including, but not limited to, permitting inspection of your property, examination and copying of your books and records, and sampling of both damaged and undamaged property for testing and analysis.
5. **Examination Under Oath:** At our request, you, your employees, agents and representatives, must submit to examination under oath separately and while outside the presence of each other. The examination may be videotaped and/or transcribed, and in the latter case, the transcript must be signed and returned by the individual submitting to the examination within ten (10) days of receiving the transcript.

## H. Abandonment

There can be no abandonment to us of any property.

## I. Inspections and Surveys

We have the right, but are not obligated, to:

1. Make inspections and surveys at any time;
2. Give you reports on the conditions we find; and
3. Recommend changes.

Any inspections, surveys, reports or recommendations relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. And we do not warrant that conditions:

1. Are safe or healthful; or
2. Comply with laws, regulations, codes or standards.

This condition applies not only to us and our representatives, but also to any rating, advisory, rate service or similar organization that makes insurance inspections, surveys, reports or recommendations on our behalf.

J. Calculation of Premium

The premium shown in the Declarations of this policy was computed based on rates in effect at the time the policy was issued. On each renewal or anniversary date of this policy, we will compute the premium in accordance with our rates and rules then in effect. If there are any changes made to the policy during the policy period, the rates and rules in effect at the policy inception or anniversary date will apply to such change.

K. Payment of Premium

The first Named Insured shown in the Declarations of this policy is responsible for the payment of all premiums and will be the payee for any return premiums we pay unless an alternate payee is designated by you in writing.

L. Fire Protective Systems

You shall use due diligence to maintain your fire protective systems in complete working order, without interruption or significant change, unless you have obtained our prior consent for such interruption or significant change.

M. Transfer Of Your Rights And Duties Under This Policy

Your rights and duties under this policy may not be transferred without our written consent except in the case of death of an individual Named Insured.

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

N. Insurance Under Two or More Coverages

If two or more coverage provisions under this policy apply to the same loss, we will not pay more than the actual amount of the loss.

O. Liberalization

If we adopt any revision that would broaden the coverage under this policy without additional premium within forty-five (45) days prior to or during the policy period, the broadened coverage will immediately apply to this policy.

**X. CONDITIONS SUSPENDING OR RESTRICTING INSURANCE**

Unless otherwise provided in a written endorsement attached to this policy, we shall not be liable for loss occurring:

- A. While the hazard is increased by any means within your control or knowledge; or
- B. While a building or structure at an insured location, whether intended for occupancy by owner or tenant, is vacant, idle or unoccupied beyond a period of sixty (60) consecutive days. Vacant means a building that does not contain enough business personal property to conduct customary operations.

## **XI. VALUATION**

Subject to and limited by the applicable deductible and Limit of Insurance specified in the Declarations of this policy, the basis of adjustment in the event of loss shall be as follows:

- A. For all buildings, structures, improvements and betterments and personal property, the cost of repair or replacement, whichever is less, with material of like kind and quality and for the same occupancy and/or use, without deduction for depreciation. We will not pay more than the amount actually and necessarily spent to repair or replace the property. If not repaired or replaced, our liability shall be limited to the actual cash value of the property at the time of the loss;
- B. For stock in process, the value of raw materials and labor expended plus the proper proportion of overhead charges;
- C. For finished goods manufactured by you, the regular cash selling price at the location where the loss occurs, less all discounts and charges to which the merchandise would have been subject had no loss occurred; and
- D. For buildings vacant, idle or unoccupied at the time of loss (which have either been vacant for more than sixty (60) consecutive days, or are separately insured under an endorsement attached to this policy), the actual cash value. Vacant means a building that does not contain enough business personal property to conduct customary operations.

## **XII. SUBROGATION**

- A. In the event of any payment under this policy, we shall be subrogated to the extent of such payment to all of the rights of recovery of the person or organization to whom or for whom payment is made, and they shall do anything necessary to secure such rights.
- B. The right of subrogation against you and against any of your subsidiaries or affiliated companies or any other companies associated with you through ownership or management is waived, including individuals employed by you.
- C. We shall not be obligated to pay any loss if you have impaired any right of recovery for that loss; however, it is agreed that you may release others in writing from liability for loss prior to such loss if the release is given in the normal course of business and in conformance to industry custom, and such release shall not affect your right to recover hereunder.
- D. Any amount recovered through subrogation shall first be used to reimburse us for the amounts we paid for your loss. Any remaining balance may then be used to reimburse you for your deductible or any other uninsured loss.

## **XIII. PAYMENT OF LOSS**

All adjusted covered claims shall be due and payable sixty (60) days after the presentation and acceptance of proofs of loss at our offices if you have complied with all policy Conditions.

#### **XIV. PARTIAL PAYMENT**

In the event of a loss covered by this policy, it is agreed that we shall allow partial payment(s) of claim subject to the provisions of our normal adjustment process. To obtain said partial claim payment, you shall submit a partial proof of loss with supporting documentation. You are permitted to make claim for the actual cost incurred in effecting repairs or replacement or the agreed actual cash value of the damaged property. It is further agreed that the policy deductible must be satisfied before said partial payment(s) are allowable.

#### **XV. APPRAISAL**

After we have received your proof of loss and we fail to agree with you as to the amount of loss, you or we may make written demand for an appraisal. Each party must then select a competent appraiser and notify the other of the identity of the appraiser within fifteen (15) days after the demand is received. The appraisers shall first select a competent and impartial umpire. After fifteen (15) days, if the appraisers fail to agree upon an umpire, either you or we may then request that an umpire be selected by a judge of a court with jurisdiction in the state or commonwealth where the insured property is located.

The appraisers shall then, at a reasonable time and place, appraise the loss (stating separately the value at the time of loss and the amount of loss) and if they fail to agree, they shall submit their differences to the umpire. An award in writing by any two of the three shall, in that event, determine the amount of loss.

You and we shall each pay our chosen appraiser and shall bear equally the other expenses of the appraisal, including the umpire. The amount of the appraisers' compensation shall not be contingent upon the amount of the appraisal award.

#### **XVI. SUIT AGAINST US**

No suit or action under this policy for the recovery of any claim shall be sustainable in any court of law or equity unless you have fully complied with all the terms and Conditions of this policy, and unless commenced within eighteen (18) months after the date of the loss.

#### **XVII. MORTGAGEES AND LOSS PAYEES**

- A. A covered loss will be payable to both you and any mortgagee(s) and/or loss payee(s) identified in the Declarations of this policy, to the extent of their respective financial interests in Covered Property, and in the order of precedence, consistent with all of the provisions of this policy.
- B. If we deny your claim because of your actions or your failure to comply with policy Conditions, an otherwise covered loss will be payable to any mortgagee(s) and/or loss payee(s) identified in the Declarations of this policy, to the extent of their respective financial interests in Covered Property, and in the order of precedence, consistent with all of the provisions of this policy. In that event, the mortgagee(s) and/or loss payee(s) must:
  - 1. At our request, pay any outstanding premiums due with respect to the Covered Property in which the mortgagee(s) and/or loss payee(s) has a financial interest;
  - 2. At our request, comply with all policy Conditions;
  - 3. Have promptly notified us of any change in ownership, use or increase in hazard with respect to the Covered Property in which the mortgagee or loss payee has a financial interest; and
  - 4. Transfer to us their rights of recovery against any individual or organization liable for the loss, to the extent of our payment.

- C. We will notify any mortgagee(s) and/or loss payee(s) identified in the Declarations of this policy of cancellation or non-renewal of this policy at least ten (10) days prior to the effective date of the cancellation or non-renewal. Notification via certified mail to the address listed in the policy shall be sufficient proof of notice of cancellation or non-renewal.

## **XVIII. CANCELLATION**

- A. The first Named Insured shown in the Declarations of this policy may cancel this policy by providing us with written notice of cancellation. The cancellation will be effective on the date we receive the written notice.
- B. We may cancel this policy by mailing written notice, via certified mail, to the first Named Insured shown in the Declarations of this policy (at the last mailing address known to us), at least:
  - 1. Ten (10) days before the effective date of cancellation if we cancel for nonpayment of premium; or
  - 2. Thirty (30) days before the effective date of cancellation if we cancel for any other reason.
- C. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
- D. If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata. The cancellation will be effective even if we have not made or offered a refund.
- E. If notice is mailed, proof of mailing will be sufficient proof of notice.

## **XIX. DEFINITIONS**

- A. "Collapse" means an abrupt falling down or caving in of a building or any part of a building. A building or part of a building that is still standing but in danger of collapse, or the structural integrity of which is otherwise impaired, is not considered to be in a state of collapse.
- B. "Fungus" means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.
- C. "Pollutants" means any material which, after its release, can cause or threaten damage to human health or human welfare, or causes or threatens damage, deterioration, loss of value, marketability or loss of use to Covered Property, including, but not limited to, bacteria, "fungus," viruses, or hazardous substances as listed in the Federal Water Pollution Control Act, Clean Air Act, Resource Conservation and Recovery Act of 1976, Toxic Substances Control Act, Comprehensive Environmental Response, Compensation, and Liability Act, or as designated by any other federal or state statute, or by any federal or state agency.

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

## VERLAN FIRE INSURANCE COMPANY

### “BUSINESS INCOME” AND “EXTRA EXPENSE” COVERAGE INCLUDING “RENTAL VALUE”

This Endorsement modifies and is subject to the insurance provided under the following:

#### COMPREHENSIVE PROPERTY DAMAGE POLICY

#### I. COVERAGE

A. When a limit is shown in the Declarations of the policy to which this Endorsement is attached, we will pay for the actual loss of “business income” and “extra expense” including “rental value” you incur during the “restoration period” resulting from a “suspension” of your “business operations.” This coverage applies only if your “business operations” are necessarily suspended due to direct physical loss or damage to Covered Property resulting from a Covered Cause of Loss under the Comprehensive Property Damage Policy.

B. Additional Exclusions

Coverage under this Endorsement does not apply to any loss proximately caused by:

1. The “suspension,” lapse or cancellation of a license, lease or contract that extended, or would have extended, beyond the “restoration period;”
2. Direct physical loss or damage to finished stock, meaning stock you have manufactured, whether or not the stock has been packaged;
3. Direct physical loss or damage to radio or television antennas and satellite dishes, including their wiring, masts and towers;
4. Interference with the demolition, repair, replacement or rebuilding of lost or damaged property by strikers or any other person(s);
5. Delay of the demolition, repair, replacement or rebuilding of lost or damaged property due to the enforcement of any ordinance or law;
6. Any loss caused directly or indirectly by the failure of power or other utility service supplied to the covered location, regardless of cause, if the failure occurs outside of a building described in the Declarations of the policy to which this Endorsement is attached. Failure includes lack of capacity and/or reduction of supply. However, if a power or utility service failure results in a Covered Cause of Loss, we will pay for the resultant loss or damage from that Covered Cause of Loss;
7. Any other indirect, consequential or remote loss or expenses;

C. Additional Coverage – Civil Authority

We will pay for the actual loss of “business income” and “extra expense” including “rental value” you incur caused by the action of a civil authority that prohibits access to the location described in the Declarations of the policy to which this Endorsement is attached due to a direct physical loss to property other than at the covered location. The loss must be caused by or result from a Covered Cause of Loss. Coverage will begin seventy-two (72) hours after the time of the action of the civil authority and will end:

1. Three (3) consecutive weeks after the action begins; or
2. When your “business income” and “extra expense” including “rental value” coverage ends;

whichever is sooner.

**II. DEDUCTIBLE**

The deductible that applies under the Comprehensive Property Damage Policy also applies to any loss covered under this Endorsement. The deductible will not reduce the Limit of Insurance.

**III. LIMIT OF INSURANCE**

The most we will pay for loss in any one occurrence is the applicable Limit of Insurance shown for “Business Income” and “Extra Expense” Including “Rental Value” Coverage for specified locations shown in the Declarations of the policy to which this Endorsement is attached. Payments under Section I.C., Additional Coverage – Civil Authority, will not increase the Limits of Insurance that apply.

**IV. ADDITIONAL CONDITIONS**

A. Loss Determination

We will determine payment under this Endorsement based on the following:

1. Your net income or loss from your “business operations” before income taxes prior to the date of the direct physical loss or damage to Covered Property;
2. The projected net income or loss from your “business operations” before income taxes that you would have realized but for the direct physical loss or damage to Covered Property, without consideration of the favorable business conditions created by the cause of loss, and only to the extent the projected net income or loss can be determined with a reasonable degree of certainty; and
3. Operating expenses necessary to resume “business operations” at the same level of quality that existed immediately prior to the direct physical loss or damage to Covered Property.

B. Resumption of “Business Operations”

You must resume “business operations” with reasonable speed to minimize the “suspension” of “business operations” and reduce the amount of your loss. To do so, you must use every available means, including but not limited to:

1. Working extra time or overtime;

2. Utilizing the property or services of others;
3. Using alternate or temporary locations; and
4. Using property you own, control or can obtain, including but not limited to, surplus, reserve or duplicate machinery, parts, equipment, supplies and stock.

C. Appraisal

For the purposes of this Endorsement, the **APPRAISAL** condition of the Comprehensive Property Damage Policy applies, except that in appraising the loss under "Business Income" and "Extra Expense" including "Rental Value" Coverage, the appraisers shall state separately the "actual net profit," "extra expense," "net profit" and "restoration period" used to calculate the loss.

**V. ADDITIONAL DEFINITIONS**

The following definitions are added:

- A. "Actual Net Profit" means the net income or loss before income taxes that you actually realize despite direct physical loss or damage to Covered Property, plus "extra expenses" to minimize the "suspension" of "business operations" and to continue "business operations" at the location described in the Declarations of the policy to which this Endorsement is attached or at a temporary or alternate location.
- B. "Business Income" means the actual loss of "net profit" you sustain during the "restoration period" at the location described in the Declarations of the policy to which this Endorsement is attached, less your "actual net profit" during the "restoration period."
- C. "Business Operations" means your commercial or industrial activities, or your operations as the owner of rental properties leased to others.
- D. "Extra Expense" means reasonable, necessary expenses you incur to minimize the "suspension" of "business operations" and to continue "business operations" at the location described in the Declarations of the policy to which this Endorsement is attached (or at the temporary or alternate location), that you would not have incurred but for the direct physical loss or damage to Covered Property. We will deduct the purchase price of any property bought for temporary use during the "restoration period" that you retain. In no event shall "extra expense" include the cost to repair or replace Covered Property or the cost to research, replace or restore lost information, except to the extent those costs reduce the amount otherwise payable under this Endorsement.
- E. "Net Profit" means the net income or loss before income taxes that you would have realized but for the direct physical loss or damage to Covered Property.
- F. "Rental Value" means "net profit" that would have been earned or incurred as rental income from tenant occupancy of the location described in the Declarations of the policy to which this Endorsement is attached as furnished and equipped by you, including fair rental value of any portion of the covered location which is occupied by you; and continuing normal operating expenses incurred in connection with that location, including payroll and the amount of charges which are the legal obligation of the tenant(s) but would otherwise be your obligations.

- G. "Restoration Period" means the period of time your "business operations" are necessarily suspended, not exceeding the period of time beginning with the date of the direct physical loss or damage to Covered Property and ending with the date the lost or damaged property should be repaired, rebuilt or replaced with reasonable speed and similar quality. This period of time shall not be affected by the expiration date of the policy. In no event shall this period of time exceed twelve (12) months.
  
- H. "Suspension" means the slowdown or cessation of your "business operations" or that a part or all of the covered location is rendered untenable, if "rental value" applies.

All other terms and Conditions of the policy to which this Endorsement is attached still apply.

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

## VERLAN FIRE INSURANCE COMPANY

### INFORMATION SYSTEMS COVERAGE

This Endorsement modifies and is subject to the insurance provided under the following:

#### COMPREHENSIVE PROPERTY DAMAGE POLICY

Unless specifically stated herein, the following replaces all corresponding provisions in the policy to which this coverage is attached.

#### A. COVERAGE

We will pay for loss to Covered Property from any of the Covered Causes of Loss.

##### 1. COVERED PROPERTY

We cover:

- a. Electronic equipment and component parts, including data processing systems owned by you and similar property of others in your care, custody and control for which you are responsible.

We also cover air conditioning equipment used exclusively in the operation of the electronic equipment.

But we only cover property you request us to insure under this coverage. You must provide us with a list of equipment and component parts to be covered and the Limit of Insurance you want for each location.

- b. Electronic media including converted data owned by you and similar property of others in your care, custody and control for which you are responsible.

Electronic media means all forms of data including computer instructions and programs which are converted to a form usable in your computer operations. This also includes the materials on which the data is recorded.

##### 2. WHERE COVERAGE APPLIES

We cover:

- a. At the locations listed in the Information Systems Coverage Schedule;
- b. Temporarily at other locations; and
- c. In transit.

### 3. PROPERTY NOT COVERED

We do not cover:

- a. Accounts, bills, evidences of debt, valuable papers, records, abstracts, deeds, securities, letters of credit, manuscripts or other documents. But we do cover such property when it is converted to data form and then only in that form;
- b. Data or media which cannot be replaced with others of the same kind and quality. But we do cover such property when:
  - (1) It is specifically described; and
  - (2) A separate Limit of Insurance is shown in the Information Systems Coverage Schedule.
- c. Property loaned, leased, or rented to others while away from your premises listed in the Information Systems Coverage Schedule;
- d. Stock in trade.

### 4. COVERED CAUSES OF LOSS

We cover risks of direct physical loss to Covered Property except those causes of loss listed in the **EXCLUSIONS**.

### 5. COVERAGE EXTENSIONS

#### a. Newly Acquired Equipment

If, during the policy period, you acquire additional electronic equipment, we will cover such equipment for up to thirty (30) days after you acquire it or until the coverage ends, whichever is sooner.

We will cover such additional equipment for up to:

- (1) 20% of the largest Limit of Insurance at any location listed in the Information Systems Coverage Schedule; or
- (2) \$250,000.

whichever is the lesser amount.

You agree to report the value of such equipment to us within the 30-day period and to pay an additional premium from the date you acquire it.

#### b. Newly Acquired Location

Electronic equipment we cover at a location listed in the Information Systems Coverage Schedule will also be covered if it is moved to a new location you acquire during the policy period. We will cover this equipment for up to \$250,000 at any one new location.

You must report the moving of equipment to a new location within thirty (30) days or your coverage will no longer apply. Your premium will be adjusted if the rate at the new location is different from the existing rate.

c. Duplicate Electronic Media

We will cover duplicate and backup electronic media for up to \$50,000 at any one backup location. But this coverage applies only:

- (1) To a separate storage location at least 100 feet from a location listed in the Information Systems Coverage Schedule; and
- (2) If there is no other insurance covering this property.

d. Removal

If you give us written notice within ten (10) days of the removal of Covered Property because of imminent danger of loss, we will cover the property while it is:

- (1) At a safe place away from your premises listed in the Information Systems Coverage Schedule; or
- (2) Being taken to and returned from that place.

This Coverage Extension is included within the Limit of Insurance applying to the premises listed in the Information Systems Coverage Schedule from which the property is removed.

e. Debris Removal

- (1) We will pay your expense to remove debris of Covered Property caused by or resulting from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us within one-hundred eighty (180) days of:

- (a) The date of direct physical loss; or
- (b) The end of the policy period;

whichever is earlier.

- (2) The most we will pay under this Coverage Extension is 25% of:

- (a) The amount we pay for the direct loss; plus
- (b) The deductible in this coverage applicable to that loss.

But the amount we pay for the direct loss and the debris removal expenses combined will not be more than the Limit of Insurance applying to the property at the premises listed in the Information Systems Coverage Schedule where the loss occurs.

- (3) This Coverage Extension does not apply to costs to:

- (a) Extract "pollutants" from land or water; or
- (b) Remove, restore or replace polluted land or water.

f. Discharge Protection

We will pay, in addition to any other amount payable by this coverage, expense you incur to recharge an automatic extinguishing system due to discharge. The most we will pay in any one discharge is \$10,000. The deductible clause of this coverage does not apply to this Coverage Extension.

6. COVERAGE OPTIONS

Coverage applies only to that Coverage Option for which a Limit of Insurance is shown in the Information Systems Coverage Schedule.

a. "Extra Expense"

When a Limit of Insurance is shown in the Information Systems Coverage Schedule we will pay the actual and necessary "Extra Expense" you incur in order to continue your normal operations which are interrupted due to direct physical loss to your electronic equipment or media including converted data. The loss must occur at a location listed in the Information Systems Coverage Schedule and be caused by or result from a Covered Cause of Loss.

"Extra Expense" means necessary expenses you incur during the restoration period that you would not have incurred if there had been no direct physical loss to the property.

We will also cover "Extra Expense" you incur:

- (1) If the premises where the property is located are damaged and you are prevented from using your electronic equipment; or
- (2) If the air conditioning or electrical system necessary for the operation of your electronic equipment is damaged and this causes a reduction or suspension of your operations. The damage must occur in the building or within 500 feet of it; or
- (3) If you are denied access to your premises by action of a civil authority because of damage to adjacent property caused by a Covered Cause of Loss. This coverage will apply for up to two (2) consecutive weeks from the date of that action.

What we will pay for "Extra Expense" losses:

If loss to Covered Property results in "Extra Expense," we will pay up to the Limit of Insurance shown in the Information Systems Coverage Schedule all expenses that exceed normal operating expenses, beginning with the date of loss and not limited by the expiration date of this coverage. Due diligence and dispatch and all reasonable means shall be used to rebuild, repair or replace the damaged property. We will deduct from the total of such expenses the salvage value that remains of any property bought for temporary use during the restoration period once operations are resumed.

We will not cover "Extra Expense" you incur as a result of any of the following:

- (1) Loss to property loaned, leased or rented to others while away from your premises listed in the Information Systems Coverage Schedule;
- (2) Loss of income;

- (3) Error or omission in machine programming or incorrect instructions to a machine;
- (4) Enforcement of any law that:
  - (a) Regulates the construction, use or repair, or requires the tearing down of any property; or
  - (b) Regulates the prevention, control, repair, clean-up or restoration of damage caused by "pollutants;"
- (5) Suspension, lapse, or cancellation of any lease, license, contract or order;
- (6) Interference at your premises by strikers or other persons which delays your efforts to repair or replace damaged property or resume your normal operations;
- (7) Repair or replacement of property.

But we will pay extra repair or replacement costs you incur in order to reduce "Extra Expense," but only up to the amount by which that loss is actually reduced.

You must make every reasonable effort to resume your normal operations as quickly as possible.

b. Loss of Income

When a Limit of Insurance is shown in the Information Systems Coverage Schedule, we will pay the Actual Loss of Income you sustain due to the necessary suspension of your normal operations. The suspension must be caused by direct physical loss to your electronic equipment or media including converted data. The loss must occur at a location listed in the Information Systems Coverage Schedule and be caused by or result from a Covered Cause of Loss.

We will also cover Loss of Income you sustain:

- (1) If the premises where the property is located are damaged and you are prevented from using your electronic equipment; or
- (2) If the air conditioning or electrical system necessary for the operation of your electronic equipment is damaged and this causes a reduction or suspension of your operations. The damage must occur in the building or within 500 feet of it; or
- (3) If you are denied access to your premises by action of a civil authority because of damage to adjacent property caused by a Covered Cause of Loss. This coverage will apply for up to two (2) consecutive weeks from the date of that action.

What we will pay for Loss of Income:

If loss to Covered Property results in total or partial suspension of your normal operations, we will pay up to the Limit of Insurance shown in the Information Systems Coverage Schedule:

- (1) The actual Loss of Income you sustain beginning with the date of loss and not limited by the expiration date of this coverage. Due diligence and dispatch and all reasonable means shall be used to rebuild, repair or replace the damaged property. We will deduct from this amount all charges and expenses which do not necessarily continue during the restoration period; and
- (2) All necessary expenses that you incur to reduce Loss of Income.

But we will not pay more than the actual amount by which the Loss of Income is reduced.

You must take all reasonable steps to minimize your Loss of Income either by making partial use of your own property or by using other property to continue your operations.

Loss of Income that is not covered:

We will not cover your Loss of Income resulting from any of the following:

- (1) Loss to property loaned, leased or rented to others while away from your premises listed in the Information Systems Coverage Schedule;
- (2) Error or omission in machine programming or incorrect instructions to a machine;
- (3) Enforcement of any law that:
  - (a) Regulates the construction, use or repair, or requires the tearing down of any property; or
  - (b) Regulates the prevention, control, repair, clean-up or restoration of damage caused by "pollutants."
- (4) Suspension, lapse or cancellation of any lease, license, contract or order;
- (5) Interference at your premises by strikers or other persons which delays your efforts to repair or replace damaged property or resume your normal operations.

## **B. EXCLUSIONS**

We will not pay for a loss caused by or resulting from:

1. Delay, loss of use, loss of market or any other consequential loss;
2. Wear and tear, any quality in the property that causes it to damage or destroy itself, hidden or latent defect, deterioration, depreciation, insects, vermin, or rodents;
3. Dishonest, fraudulent or criminal acts by you, a partner, your officers, your directors or your trustees whether or not acting alone or in collusion with other persons;
4. Any Covered Cause of Loss for which you are not responsible under the terms of any lease or rental agreement;

5. Corrosion, rust, dampness or dryness, cold or heat. But we will pay for such loss resulting from direct physical loss to the air conditioning system that services your electronic equipment if the damage to such system is caused by a Covered Cause of Loss;
6. Interruption of electrical power supply, power surge, blackout or brownout, if the cause of such occurrence took place more than 500 feet from the premises listed in the Information Systems Coverage Schedule;
7. Electrical or magnetic injury, disturbance or erasure of electronic recordings, if the cause of such occurrence took place more than 500 feet from the premises listed in the Information Systems Coverage Schedule;
8. Release, discharge or dispersal of "pollutants" as defined elsewhere in this policy. This Exclusion applies regardless of whether or not any other cause or event contributes concurrently or in any sequence to the loss;
9. Governmental Action  

Seizure or destruction of property by order of governmental authority. But we will pay for acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread if the fire would be covered under this policy;
10. Nuclear Hazard
  - a. Any weapon employing atomic fission or fusion; or
  - b. Nuclear reaction or radiation, or radioactive contamination from any other cause.
11. War and Military Action
  - a. War, including undeclared or civil war;
  - b. Warlike action by a military force, including action in hindering or defending against an actual or expected attack by any government, sovereign or other authority using military personnel or other agents; or
  - c. Insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these.
12. Earth movement; however, if fire, sprinkler leakage, or explosion results, we will pay for that portion of the loss proximately caused by fire, sprinkler leakage or explosion. Earth movement includes but is not limited to: earthquake; landslide; volcanic eruption, explosion or effusion; sinking; rising or shifting of the earth; mine subsidence; and mudslide or mudflow;
13. Water, including flood, tides, tidal waves, waves, high water, overflow of water, surface water (all whether driven by wind or not), and water under the ground surface. However, if fire, sprinkler leakage or explosion results, we will pay for that portion of the loss proximately caused by fire, sprinkler leakage or explosion;
14. We will not pay for loss or damage caused by or resulting from weather conditions. This Exclusion only applies if weather conditions contribute in any way with a cause of loss excluded elsewhere in this policy.

### **C. LIMITS OF INSURANCE**

The most we will pay for loss in any one occurrence is the applicable Limit of Insurance shown in the Information Systems Coverage Schedule.

### **D. DEDUCTIBLE**

We will not pay for loss in any one occurrence until the amount of the adjusted loss exceeds the deductible shown in the Information Systems Coverage Schedule. We will then pay the amount of the adjusted loss in excess of the deductible, up to the applicable Limit of Insurance. The deductible will not reduce the Limit of Insurance.

### **E. ADDITIONAL CONDITIONS**

The following Conditions are added or replace corresponding Conditions as respects Information Systems Coverage only:

#### 1. Coverage Territory

We cover property wherever located within the United States of America (including Alaska and Hawaii), its territories or possessions, Puerto Rico or Canada.

#### 2. Valuation

##### a. Electronic Equipment

The value of covered equipment will be determined by the valuation method shown in the Information Systems Coverage Schedule:

##### (1) Actual Cash Value

We will pay the least of the following amounts:

- (a) The actual cash value of the damaged property as of the date of loss;
- (b) The cost of restoring the property to its condition immediately before the loss;
- (c) The cost of replacing the property with material of the same kind and quality.

##### (2) Replacement Cost

We will pay up to the replacement cost of the damaged property. But we will not pay more than the cost of repairing or replacing the property with material of the same kind and quality;

##### (3) Functional Replacement Cost

We will pay the cost of replacing destroyed equipment with equipment of greater processing ability. However, the new equipment must be able to perform the same function as the destroyed equipment;

For Functional Replacement Cost coverage to apply, the following requirements must be met:

- (a) Before a loss occurs, you must give us a list of equipment which includes:
  - (1) The description and current replacement cost of the item you now own that you plan to replace; and
  - (2) The description and current cost of the replacement item;
- (b) There must be a total loss of the current item. If a partial loss occurs to an item covered for Functional Replacement Cost, we will pay as if the item were insured for replacement cost as explained above;

We will not pay more than:

- (a) The amount you actually spend to replace the current item; or
- (b) The amount shown as the current cost of the replacement item on the last list you gave us.

We will pay for a loss on a replacement cost basis until the designated replacement item is actually purchased. When you buy this item we will pay you the difference between the replacement cost and the increased value.

In the event of loss, the value of property will be determined as of the date of loss.

b. Electronic Media

The value will be the actual cost of reproducing the data and the cost of the media.

When the data is not reproduced, we will not pay more than the cost of blank discs, films, tapes, or similar electronic data processing media, of the same kind and quality.

When the data and media are listed or described in the Information Systems Coverage Schedule, their value will be the applicable Limit of Insurance shown in the Information Systems Coverage Schedule for that item.

All other terms and Conditions of the policy to which this Endorsement is attached still apply.

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

## VERLAN FIRE INSURANCE COMPANY

### PROPERTY IN TRANSIT COVERAGE

This Endorsement modifies and is subject to the insurance provided under the following:

#### COMPREHENSIVE PROPERTY DAMAGE POLICY

Section V.D. is deleted and the following is added to Section VI., **ADDITIONAL COVERAGES**, as respects property in transit. If any provisions in this form are similar to those found elsewhere in this policy, the provisions contained in this Endorsement will replace and take precedence over any other similar provisions unless otherwise specified:

#### I. COVERAGE

We will pay for loss to Covered Property from any of the Covered Causes of Loss.

##### A. COVERED PROPERTY

We cover:

Property described on the Property in Transit Coverage Schedule while in transit and for which you have a financial interest while the Covered Property is:

1. In the care of:
  - a. Railroads;
  - b. Public truckers, land transfer or land transportation companies;
  - c. Air carriers or air express companies.
2. In or on vehicles owned or operated by you.

We cover from the time the property leaves the initial point of shipment and continuously thereafter in transit, including while on ferries or car transfers until delivered to its destination.

##### B. PROPERTY NOT COVERED

We do not cover:

1. Accounts, bills, deeds, notes, securities, evidences of debt, letters of credit, tickets, stamps, valuable papers, antiques, works of art, money, currency, bullion, precious stones, watches, furs or jewelry;
2. Property shipped by mail;

3. Samples in the care, custody or control of any salesperson;
4. Export shipments after loaded on board the export conveyance or after Ocean Marine insurance applies to the shipment, whichever occurs first;
5. Import shipments while Ocean Marine insurance applies to this shipment;
6. Property you accept while acting as a common or contract carrier, or as a bailee for hire;
7. Property while located in or on your premises, or in any garage or building where your vehicles are usually garaged;
8. Contraband or property in the course of illegal transportation or trade.

### C. COVERED CAUSES OF LOSS

We will pay for risks of direct physical loss or damage to Covered Property subject to the following:

#### 1. F.O.B. Shipments

We cover your contingent interest in property sold under Free on Board or Freight Allowed terms. But we will pay for loss only if you cannot collect:

- a. From the purchaser; or
- b. From other insurance that would cover the loss if this insurance had not been issued.

#### 2. Return Shipments

We cover the return of property you have shipped if the original shipment was covered by this coverage. We also cover the property while held temporarily by the receiver or carrier while awaiting its return to you.

#### 3. Debris Removal Extension

- a. We will pay your expense to remove debris of Covered Property caused by or resulting from a Covered Cause of Loss that occurs during the policy period;
- b. The most we will pay under this Coverage Extension is \$5,000. This amount is in addition to any other amount payable under this coverage;
- c. This Coverage Extension does not apply to costs to:
  - (1) Extract "pollutants" from land or water; or
  - (2) Remove, restore or replace polluted land or water.

4. We will pay for the cost to replace the identifying label or wrapper containing the Covered Property if this is the only part lost or damaged.

## II. EXCLUSIONS

For this Endorsement only, the following Exclusions replace those in Section IV. of the policy to which this Endorsement is attached:

We will not pay for a loss caused by or resulting from:

- A. Delay, loss of use, loss of market or any other consequential loss.
- B. Wear and tear, any quality in the property that causes it to damage or destroy itself, hidden or latent defect, deterioration, depreciation, insects, vermin or rodents.
- C. Spoilage, contamination, leakage, breakage, marring, scratching, corrosion, rust, dampness or dryness, cold or heat. But this Exclusion does not apply to direct physical loss resulting from:
  - 1. Fire, lightning or explosion;
  - 2. Windstorm, cyclone or tornado;
  - 3. Flood, surface water, waves, tidal waves, or overflow of any body of water;
  - 4. Collision, overturn or derailment of the transporting conveyance;
  - 5. Collapse of bridges or culverts;
  - 6. Hazards of seas, lakes, rivers, or inland waters while on ferries only.
- D. Inadequate packing, improper preparation for shipment, or insecure stowage of property in or on any vehicle you own or operate.
- E. Dishonest acts by you, anyone else with an interest in the property, your or their employees or authorized representatives, or anyone entrusted with the property whether or not acting alone or in collusion with other persons, or occurring during the hours of employment. But this Exclusion does not apply to a carrier for hire.
- F. Release, discharge or dispersal of "pollutants" as defined elsewhere in this policy. This Exclusion applies regardless of whether or not any other cause or event contributes concurrently or in any sequence to the loss.
- G. Governmental Action  

Seizure or destruction of property by order of governmental authority. But this Exclusion does not apply to acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread if the fire would be covered under this policy.
- H. Nuclear Hazard
  - 1. Any weapon employing atomic fission or fusion; or
  - 2. Nuclear reaction or radiation, or radioactive contamination from any other cause.
- I. War and Military Action
  - 1. War, including undeclared or civil war;

2. Warlike action by a military force, including action in hindering or defending against an actual or expected attack by any government, sovereign or other authority using military personnel or other agents; or
3. Insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these.

### **III. LIMITS OF INSURANCE**

The most we will pay for loss to Covered Property in any one vehicle is the limit shown in the Property in Transit Coverage Schedule for any one vehicle. The most we will pay for loss in any one occurrence, regardless of the number of vehicles, is the limit shown in the Property in Transit Coverage Schedule for all property in any one occurrence. Two or more vehicles while connected or while being operated with a single power vehicle will be considered one vehicle in applying the applicable limits.

### **IV. DEDUCTIBLE**

We will not pay for loss in any one occurrence until the amount of the adjusted loss exceeds the deductible shown in the Property in Transit Coverage Schedule. We will then pay the amount of the adjusted loss in excess of the deductible, up to the applicable limit. The deductible will not reduce the Limit of Insurance.

### **V. ADDITIONAL CONDITIONS**

This coverage is subject to the following Conditions in addition to the policy Conditions:

#### **A. Coverage Territory**

We cover property wherever located within or between the United States and Canada.

#### **B. Valuation**

In the event of loss, the Covered Property will be valued at the amount shown on the invoice, if any; otherwise, the value of the property will be the least of the following amounts:

1. The actual cash value of the property at destination;
2. The cost of restoring the property to its condition immediately before the loss; or
3. The cost of replacing the property with substantially identical property.

The value of the property will include your prepaid freight charges and any other shipping costs or charges that are due since the start of transit.

#### **C. Records**

You will keep accurate records of all shipments covered by this coverage and retain them for three (3) years after the expiration date of this policy.

#### **D. Excess Insurance**

You agree not to obtain excess insurance over and above the limit as provided in this coverage, except as may be specifically agreed to by us.

E. Released Bills of Lading

You may accept bills of lading or shipping receipts issued by carriers that limit their liability to less than the actual value of the property.

All other terms and Conditions of the policy to which this Endorsement is attached still apply.

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

## **VERLAN FIRE INSURANCE COMPANY**

### **ORDINANCE OR LAW COVERAGE**

This Endorsement modifies and is subject to the insurance provided under the following:

#### **COMPREHENSIVE PROPERTY DAMAGE POLICY**

Section IV.B.11 is deleted and the following is added to Section VI., **ADDITIONAL COVERAGES**, as respects Ordinance or Law coverage:

#### **I. COVERAGES**

At the time of any covered physical loss or damage insured against, if there is in force any law or ordinance regulating the construction, repair, replacement or use of buildings or structures, then we will cover as a result of enforcement of such law or ordinance:

- A. Coverage A: The loss in value of the undamaged portion of the building as a consequence of enforcement of an ordinance or law that requires demolition of undamaged parts of the same building.

This coverage is included within and does not increase the limit shown in the Declarations of the policy to which this Endorsement is attached as applicable to the covered building.

- B. Coverage B: The additional loss sustained in demolishing the undamaged portions of the buildings or structures;
- C. Coverage C: The increased cost incurred in actually rebuilding or repairing both the damaged and demolished portions of such buildings or structures with materials and in a manner to satisfy the minimum requirements of such law or ordinance.

We will not pay for the increased cost of construction if the building is not rebuilt or repaired.

#### **II. LIMITS OF INSURANCE**

- A. Under Coverage A, if the property is being repaired or replaced, we will pay the lesser of:
  - 1. The amount you would actually spend to repair, rebuild or replace the building on the same or another site;
  - 2. The cost to repair or rebuild on the same site with similar configuration and materials; or
  - 3. The limit shown in the Declarations of the policy to which this Endorsement is attached for the applicable building.

- B. Under Coverage B, we will pay the lesser of either the actual expenditure incurred in demolishing the undamaged portion of the buildings or structures involved, or the combined limit shown in the Ordinance or Law Coverage Schedule.
- C. Under Coverage C, we will pay the lesser of the actual expenditure incurred, not including the cost of land, in rebuilding on another site, or the cost of rebuilding on the same site.

In no event will our total payment for Coverages B and C above exceed the combined limit shown on the Ordinance or Law Coverage Schedule.

### **III. DEDUCTIBLE**

As respects B and C above, we will not pay for loss in any one occurrence until the amount of the adjusted loss exceeds the deductible shown in the Ordinance or Law Coverage Schedule. We will then pay the amount of the adjusted loss in excess of the deductible, up to the applicable limit. The deductible will not reduce the Limit of Insurance.

### **IV. ADDITIONAL EXCLUSIONS**

Coverage under this Endorsement does not apply if necessitated by the enforcement of any law or ordinance regulating "pollutants" or "fungus."

All other terms and Conditions of the policy to which this Endorsement is attached still apply.

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

## **VERLAN FIRE INSURANCE COMPANY**

### **ACCOUNTS RECEIVABLE COVERAGE**

This Endorsement modifies and is subject to the insurance provided under the following:

#### **COMPREHENSIVE PROPERTY DAMAGE POLICY**

Section V.F. is deleted and the following is added to Section VI., **ADDITIONAL COVERAGES**, as respects Accounts Receivable coverage:

#### **I. COVERAGE**

In the event of a direct physical loss to accounts receivable resulting from a covered cause of loss, we will pay the following:

- A. All sums due you from customers that you are unable to collect due to such loss or damage;
- B. Interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage;
- C. Collection expense in excess of normal collection cost and made necessary because of such loss or damage;
- D. Other expenses, when reasonably incurred by you in re-establishing records of accounts receivable following such loss or damage.

#### **II. ADDITIONAL EXCLUSIONS**

We will not pay for any of the following:

- A. Any fraudulent, dishonest or criminal act by you, a partner, director or trustee thereof, while the person is working or otherwise, and whether acting alone or in collusion with others;
- B. Bookkeeping, accounting, or billing errors and omissions;
- C. Electrical or magnetic injury, disturbance, or erasure of electrical recordings;
- D. Alteration, falsification, manipulation, concealment, destruction, or disposal of accounts receivable records to conceal the wrongful giving, taking, obtaining, or withholding of money or other property;
- E. Loss where the sole proof of which, as to factual existence, is dependent upon an audit of records or an inventory computation;
- F. The parting with Covered Property by you or anyone entrusted with the property if induced to do so by any fraudulent scheme, trick, device or false pretense;
- G. Unauthorized instructions to transfer property to any person or to any place.

### **III. COVERAGE EXTENSION**

Coverage applies while the Covered Property is being removed to and while at a place of safety because of imminent danger of loss and while being returned from such place, provided you give written notice to us of such removal within ten (10) days thereafter.

### **IV. VALUATION**

- A. If the actual amount of receivables at the time of loss can be determined, we will reimburse you for the actual loss as defined in the Coverage section;
- B. If the actual amount of receivables at the time of loss cannot be determined, the average monthly amount of accounts receivable will be calculated, based on the twelve (12) months immediately preceding the month in which the loss occurs. An adjustment will be made for any normal fluctuations in the amount of accounts receivable for the month in which the loss occurred or for any demonstrated variance from the average for that month. From the resulting amount the following are deducted:
  - 1. The amounts of the accounts for which there is no loss;
  - 2. The amounts of the accounts that you are able to re-establish or collect;
  - 3. An allowance for probable bad debts that you are normally unable to collect; and
  - 4. All unearned interest and service charges.

### **V. LIMIT OF INSURANCE**

As respects Sections IV. A. and B. above, the most we will pay for loss in any one occurrence is the Each Occurrence limit shown in the Accounts Receivable Coverage Schedule.

### **VI. DEDUCTIBLE**

We will not pay for loss in any one occurrence until the amount of the adjusted loss exceeds the deductible shown in the Accounts Receivable Coverage Schedule. We will then pay the amount of the adjusted loss in excess of the deductible, up to the applicable limit. The deductible will not reduce the Limit of Insurance.

All other terms and Conditions of the policy to which this Endorsement is attached still apply.

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

**VERLAN FIRE INSURANCE COMPANY**  
**VALUABLE PAPERS AND RECORDS COVERAGE**

This Endorsement modifies and is subject to the insurance provided under the following:

**COMPREHENSIVE PROPERTY DAMAGE POLICY**

Section V.G. is deleted and the following is added to Section VI., **ADDITIONAL COVERAGES**, as respects Valuable Papers and Records coverage:

**I. COVERAGE**

In the event of a direct physical loss to valuable papers and records resulting from a Covered Cause of Loss, we will pay the cost to replace or restore the lost information on valuable papers and records for which duplicates do not exist.

**II. PROPERTY NOT COVERED**

This coverage does not apply to valuable papers and records that exist as electronic data, media, programs and software as described in the policy to which this Endorsement is attached.

**III. ADDITIONAL EXCLUSIONS**

We will not pay for any of the following:

- A. Any fraudulent, dishonest or criminal act by you, anyone with an interest in the Covered Property, or the employees or authorized representatives of either, or anyone entrusted with the property;
- B. Loss directly resulting from processing or copying and/or errors or omissions in processing or copying unless fire or explosion ensues and then only for direct loss caused by such ensuing fire or explosion;
- C. Electrical or magnetic injury, disturbance, or erasure of electrical recordings;
- D. Unauthorized instructions to transfer property to any person or to any place.

**IV. COVERAGE EXTENSIONS**

- A. Coverage applies while Covered Property is in transit and while temporarily at locations other than Insured Locations, except while at premises used for storage. The most we will pay under this coverage extension is 10% of the Valuable Papers and Records Limit shown in the Valuable Papers and Records Coverage Schedule or \$5,000, whichever is less.

- B. Coverage applies while the Covered Property is being removed to and while at a place of safety because of imminent danger of loss and while being returned from such place, provided you give written notice to us of such removal within ten (10) days thereafter.

## **V. VALUATION**

We will pay the actual cost to replace or restore the lost information on valuable papers and records for which duplicates do not exist, including the cost of gathering or assembling information necessary for reproduction, subject to the limit shown on the Valuable Papers and Records Coverage Schedule.

## **VI. LIMIT OF INSURANCE**

The most we will pay for any one occurrence is the Valuable Papers and Records Limit shown in the Valuable Papers and Records Coverage Schedule. As respects Valuable Papers and Records coverage only, the deductible(s) applicable to each covered location is deleted and replaced by the Valuable Papers and Records Deductible shown in the Valuable Papers and Records Coverage Schedule. The deductible will not reduce the Limit of Insurance.

All other terms and Conditions of the policy to which this Endorsement is attached still apply.

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

**VERLAN FIRE INSURANCE COMPANY**  
**“EQUIPMENT BREAKDOWN” COVERAGE**

This Endorsement modifies and is subject to the insurance provided under the following:

COMPREHENSIVE PROPERTY DAMAGE POLICY  
and the endorsements attached thereto:

**“Business Income” and “Extra Expense” Coverage including “Rental Value”  
“Extra Expense” Coverage**

All of the following apply:

A. The following Exclusions are deleted from the Comprehensive Property Damage Policy.

1. Section IV., A. 5.;
2. Section IV., A. 6.;
3. Section IV., A. 7.

By deleting these Exclusions, “Equipment Breakdown” coverage is afforded.

B. The following are added to Section V., **EXTENSIONS OF COVERAGE:**

**EXPEDITING EXPENSES**

We will pay for the expediting expense loss resulting from an “Equipment Breakdown” with respect to your damaged Covered Property. We will pay the reasonable cost to:

1. Make temporary repairs;
2. Expedite permanent repairs; and
3. Expedite permanent replacement.

Reasonable cost shall mean the extra cost of temporary repairs and the additional costs associated with making immediate repairs to the insured’s damaged property, including the cost of overtime pay and the extra costs of express transportation or other rapid means of transporting necessary equipment or parts.

The most we will pay for loss or damage under this coverage is \$25,000 unless a higher limit appears on the “Equipment Breakdown” Deductible and Limits Exceptions Schedule. In that case, whichever limit is greater will apply.

## REFRIGERANT CONTAMINATION

We will pay for contamination by a refrigerant resulting from "Equipment Breakdown" with respect to your damaged Covered Property to refrigerating, cooling or humidity control equipment at the described premises. This may be adjusted for salvage expenses or recoveries.

The most we will pay for loss or damage under this coverage is \$25,000 unless a higher limit appears on the "Equipment Breakdown" Deductible and Limits Exceptions Schedule. In that case, whichever limit is greater will apply.

## SPOILAGE

We will pay for loss of perishable goods due to spoilage resulting from lack of power, light, heat, steam or refrigeration caused by "Equipment Breakdown" to types of property covered by this policy that are:

1. Located on or within 1,000 feet of your described premises,
2. Owned by the building owner at your described premises, or owned by a public utility; and
3. Used to supply telephone, electricity, air conditioning, heating, gas, water or steam to your described premises.

However, as respects "Equipment Breakdown" coverage, we will not pay for any loss, damage, cost or expense directly caused by, contributed to by, resulting from or arising out of coverage provided by the Comprehensive Property Damage Policy and endorsements thereto, including but not limited to the following:

Fire, lightning, combustion explosion, windstorm or hail, weight of snow, ice or sleet, falling objects, smoke, aircraft or vehicles, riot or civil commotion, vandalism, sinkhole collapse, volcanic action, leakage from fire extinguishing equipment, water damage, earth movement or flood.

The most we will pay for loss or damage under this coverage is \$25,000 unless a higher limit appears on the "Equipment Breakdown" Deductible and Limits Exceptions Schedule. In that case, whichever limit is greater will apply. This payment may be adjusted for salvage expenses and recoveries.

## UTILITY INTERRUPTION

We will pay for loss of "Business Income" and "Extra Expense," including "Rental Income," from a total or partial interruption of business to operate your business during the interruption resulting from an "Equipment Breakdown" to power or other utility service supplied to the described premises as follows:

1. Located on or within 1,000 feet of your described premises;
2. Owned by the building owner at your described premises, or owned by a public utility; and
3. Used to supply telephone, electricity, air conditioning, heating, gas, water or steam to your described premises.

But if failure of power or other utility service results in an "Equipment Breakdown" to Covered Property, we will pay for the loss or damage caused by the "Equipment Breakdown."

However, as respects "Equipment Breakdown" coverage, we will not pay for any loss, damage, cost or expense directly caused by, contributed to by, resulting from or arising out of coverage provided by the Comprehensive Property Damage Policy and endorsements thereto, including but not limited to the following:

Fire, lightning, combustion explosion, windstorm or hail, weight of snow, ice or sleet, falling objects, smoke, aircraft or vehicles, riot or civil commotion, vandalism, sinkhole collapse, volcanic action, leakage from fire extinguishing equipment, water damage, earth movement or flood.

The most we will pay for loss or damage under this coverage is \$25,000 unless a higher limit appears on the "Equipment Breakdown" Deductible and Limits Exceptions Schedule. In that case, whichever limit is greater will apply.

C. The following is added to Section VI., **ADDITIONAL COVERAGES:**

We will pay for the "pollutant" cleanup and removal for loss resulting from "Equipment Breakdown." The most we will pay for the "pollutant" cleanup and removal is \$25,000 unless a higher limit is provided by an endorsement to the Comprehensive Property Damage Policy to which this Endorsement is attached. In that case, whichever limit is greater will apply.

D. The following replaces Section IX., B., **DEDUCTIBLE:**

1. Application of Deductibles

We will not pay for loss or damage resulting from any "One Breakdown" until the amount of covered loss or damage exceeds the deductible shown in the "Equipment Breakdown" Deductible and Limits Exceptions Schedule for each applicable coverage. We will then pay the amount of covered loss or damage in excess of the deductible, up to the applicable Limit of Insurance.

2. Determination of Deductibles

a. Dollar Deductible

If a dollar deductible is shown in the "Equipment Breakdown" Deductible and Limits Exceptions Schedule, we will first subtract the deductible amount from any loss we would otherwise pay.

b. Time Deductible

If a time deductible is shown in the "Equipment Breakdown" Deductible and Limits Exceptions Schedule, we will not be liable for any loss under that coverage that occurs during that specified time period immediately following an "Equipment Breakdown." If a time deductible is shown in days, each day shall mean twenty-four (24) consecutive hours.

c. Multiple of Daily Value Deductible

If a multiple of daily value is shown in the "Equipment Breakdown" Deductible and Limits Exceptions Schedule, this deductible will be calculated as follows:

- (1) For the entire premises where the loss occurred, determine the total amount of "Business Income" that would have been earned during the "Restoration Period" had no "Equipment Breakdown" taken place.
- (2) Divide the result in Paragraph (1) above by the number of days the business would have been open during the "Restoration Period." The result is the daily value.
- (3) Multiply the daily value in Paragraph (2) above by the number of days shown in the "Equipment Breakdown" Deductible and Limits Exceptions Schedule. We will first subtract this deductible amount from any loss we would otherwise pay. We will then pay the amount of loss or damage in excess of the deductible, up to the applicable Limit of Insurance.

d. Percentage of Loss Deductible

If a deductible is expressed as a percentage of loss in the "Equipment Breakdown" Deductible and Limits Exceptions Schedule, we will not be liable for the indicated percentage of gross amount of loss or damage (prior to the applicable deductible) insured under the applicable coverage.

Deductibles applicable to "Equipment Breakdown" coverage are separate from deductibles applicable to all other Causes of Loss covered by the Comprehensive Property Damage Policy and shall be designated on the "Equipment Breakdown" Deductible and Limits Exceptions Schedule applicable to this Endorsement.

E. The following Additional Condition is added to Section X., **CONDITIONS SUSPENDING OR RESTRICTING INSURANCE:**

**SUSPENSION**

Whenever property subject to "Equipment Breakdown" is found to be in, or exposed to, a dangerous condition, any of our representatives may immediately suspend the insurance against loss to that Covered Property for the causes of loss covered by this Endorsement. Coverage can be suspended and possibly reinstated by delivering or mailing a written notice of suspension or coverage reinstatement to:

1. Your last known address; or
2. The address where the property is located.

If we suspend your insurance, you will receive a pro rata refund of premium. But the suspension will be effective even if we have not yet made or offered a refund.

F. The following Definitions are added to Section XIX. as respects "Equipment Breakdown" coverage:

1. "Equipment Breakdown" as used herein means physical loss or damage, both originating within:
  - a. Boilers, fired or unfired pressure vessels, vacuum vessels, and pressure piping, all normally subject to vacuum or internal pressure other than static pressure of contents, excluding:
    - (1) Waste disposal piping;
    - (2) Any piping forming part of a fire protective system;
    - (3) Furnaces; and
    - (4) Any water piping other than:
      - (a) Boiler feed water piping between the feed pump and the boiler;
      - (b) Boiler condensate return piping; or
      - (c) Water piping forming part of a refrigerating or air conditioning system used for cooling, humidifying or space heating purposes.
  - b. All mechanical, electrical, electronic or fiber optic equipment; and caused by, resulting from or consisting of:
    - (1) Mechanical breakdown;
    - (2) Electrical or electronic breakdown; or
    - (3) Rupture, bursting, bulging, implosion, or steam explosion.

However "Equipment Breakdown" does not mean physical loss or damage caused by or resulting from any of the following:

- a. Wear and tear;
- b. Rust or other corrosion, decay, deterioration, hidden or latent defect, mold or any other quality in property that causes it to damage or destroy itself;
- c. Smog;
- d. Settling, cracking, shrinking or expansion;
- e. Nesting or infestation, or discharge or release of waste products or secretions, by birds, rodents or other animals;
- f. Any accident, loss, damage, cost, claim, or expense, whether preventative, remedial, or otherwise, directly or indirectly arising out of or relating to the recognition, interpretation, calculation, comparison, differentiation, sequencing, or processing of data by any computer system including any hardware, programs or software;
- g. The following causes of loss to personal property:
  - (1) Dampness or dryness of atmosphere;
  - (2) Marring or scratching.
- h. Loss, damage, cost or expense directly caused by, contributed to by, resulting from or arising out of the following causes of loss:

Fire, lightning, combustion explosion, windstorm or hail, weight of snow, ice or sleet, falling objects, smoke, aircraft or vehicles, riot or civil commotion, vandalism, sinkhole collapse, volcanic action, leakage from fire extinguishing equipment, water damage, earth movement or flood.

However, if loss or damage not otherwise excluded results, then we will pay for such resulting damage.

2. "One Breakdown" means if an initial "Equipment Breakdown" causes other "Equipment Breakdowns," all will be considered "One Breakdown." All "Equipment Breakdowns" at any one premises that manifest themselves at the same time and are the direct result of the same cause will be considered "One Breakdown."

G. The following is added to Section I.B.6. in the "Business Income" and "Extra Expense" including "Rental Value" Coverage form (VFIC-02 (06/04)):

However, as respects "Equipment Breakdown" coverage, we will not pay for any loss, damage, cost or expense directly caused by, contributed to by, resulting from or arising out of coverage provided by the Comprehensive Property Damage Policy and endorsements thereto, including but not limited to the following:

Fire, lightning, combustion explosion, windstorm or hail, weight of snow, ice or sleet, falling objects, smoke, aircraft or vehicles, riot or civil commotion, vandalism, sinkhole collapse, volcanic action, leakage from fire extinguishing equipment, water damage, earth movement or flood.

All other terms and Conditions of the policy to which this Endorsement is attached still apply.