

**LEXINGTON INSURANCE COMPANY**  
Administrative Office 99 High Street, Boston, Massachusetts 02110-2103  
(hereinafter called the company)

**COMMERCIAL PROPERTY POLICY  
DECLARATIONS**

POLICY NUMBER: 017728109

RENEWAL OF: 017728109

ITEM 1. Named Insured: **THE STATE OF TENNESSEE**

Address: **DIVISION OF RISK MANAGEMENT  
ANDREW JACKSON STATE OFFICE BUILDING  
502 DEADERICK STREET, 9<sup>TH</sup> FLOOR  
NASHVILLE, TN 37243**

ITEM 2. Policy Period:  
From: **07/01/2015** TO: **07/01/2016**  
at 12:01 A.M. Standard Time at the address of the named insured shown above.

ITEM 3. Limit of Insurance:  
**100% BEING \$750,000,000 PART OF \$750,000,000 PER OCCURRENCE AND IN THE  
PRIMARY**

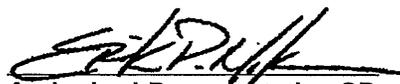
Total Premium **\$5,000,000** Minimum Earned Premium **\$1,250,000**

ITEM 4. Perils:  
**ALL RISKS OF DIRECT PHYSICAL LOSS OR DAMAGE INCLUDING FLOOD, EARTH  
MOVEMENT AND EQUIPMENT BREAKDOWN AND AS FURTHER DESCRIBED IN THE  
POLICY FORM.**

ITEM 5. Description of Property Covered: Coinsurance  
**REAL AND PERSONAL PROPERTY; BUSINESS INTERRUPTION/** **NIL**  
**EXTRA EXPENSE; CONSEQUENTIAL LOSS; ORDINANCE OR LAW;**  
**DEMOLITION INCREASED COST OF CONSTRUCTION; NEWLY ACQUIRED**  
**PROPERTY; MISCELLANEOUS UNNAMED LOCATION; SERVICE INTERRUPTION;**  
**VALUABLE PAPERS AND RECORD; PROPERTY IN COURSE OF CONSTRUCTION;**  
**ERRORS & OMISSIONS; FOX TROT CAROUSEL; CLAIMS ADJUSTMENT EXPENSE;**  
**FIRE BRIGADE AND EXTINGUISHING EXPENSES; MACHINERY AND EQUIPMENT;**  
**FURNITURE & FIXTURES; IMPROVEMENTS AND BETTERMENT'S; EDP HARDWARE,**  
**MEDIA AND DATA; AND AS FURTHER DESCRIBED IN THE POLICY FORM**

ITEM 6. Mortgagee Clause: Loss, if any shall be payable to:

ITEM 7. Forms Attached:  
See attached forms schedule

  
Authorized Representative OR

Countersignature (In states where applicable)

## **POLICYHOLDER NOTICE**

Thank you for purchasing insurance from a member company of American International Group, Inc. (AIG). The AIG member companies generally pay compensation to brokers and independent agents, and may have paid compensation in connection with your policy. You can review and obtain information about the nature and range of compensation paid by AIG member companies to brokers and independent agents in the United States by visiting our website at [www.aig.com/producercompensation](http://www.aig.com/producercompensation) or by calling 1-800-706-3102.

## Commercial Property – Claim Reporting and Claim Questions

### Options for Reporting a New Claim

- **Telephone :** **AIG CallOne<sup>sm</sup>:** 800-931-9546 24/7, 365 days/year
- **Email :** [newloss-usproperty&energy@aig.com](mailto:newloss-usproperty&energy@aig.com)
- **Fax :** 855-805-4125
- **Internet :** Complete a Quick Claim form at [LexingtonClaims.com](http://LexingtonClaims.com)
- **Mail :** P.O. Box 2310, Alpharetta, Georgia 30023-2970

Such written notice shall include the Named Insured as shown on the Declarations, the policy number, the date of loss and a brief description of the potential claim.

### Options for Questions Regarding Existing/Previously Reported Claims

For questions regarding existing claims, contact should be made directly with the assigned AIG Examiner via direct dial or email. ***However, in the instance where an AIG Examiner is unknown, please use the following methods to obtain the information:***

- **Claim Service Center: 877-873-9972**
- **AIG CallOne: 800-931-9546**

## FORMS SCHEDULE

NAMED INSURED: THE STATE OF TENNESSEE

POLICY NO: 017728109

EFFECTIVE DATE: 07/01/2015

FORM NUMBER	EDITION DATE	END. NUMBER	TITLE
PRPDEC	01/91		PROPERTY DEC
PRFIRS	01/91		FIRE SCHEDULE
PR9014	08/06		OCCURRENCE LIMIT OF LIABILITY
PR9015	08/06		POLLUTION CONTAMINATION EXCLUSIO
PR9019	01/94		STANDARD PROPERTY CONDITIONS
			BROKER MANUSCRIPT FORM
BROKER MANUSCRIPT		1	NEW MADRID & PACIFIC NORTHWEST EARTHQUAKE ZONES
BROKER MANUSCRIPT		2	COMMUNICABLE DISEASE CONTAMINATION
BROKER MANUSCRIPT		3	HISTORICAL VALUATION
BROKER MANUSCRIPT		4	CLAIMS SETTLEMENT PROCEDURE
BROKER MANUSCRIPT		5	PROPERTY IN THE COURSE OF CONSTRUCTION
BROKER MANUSCRIPT		6	NAMED INSURED
LEXDOC021	12/87	007	AMENDATORY ENDORSEMENT
LEXDOC021	12/87	008	NAMED INSURED ENDORSEMENT
LEXDOC021	12/87	009	AMENDATORY ENDORSEMENT
LEXDOC021	12/87	010	SUBLIMITS AND DEDUCTIBLE ENDORSEMENT
LEXDOC021	12/87	011	EQUIPMENT BREAKDOWN MOLD ENDORSEMENT

## FORMS SCHEDULE

NAMED INSURED: THE STATE OF TENNESSEE

POLICY NO: 017728109

EFFECTIVE DATE: 07/01/2015

PR8543	11/09	TERRORISM PREMIUM CHARGE ENDORSEMENT
NMA2918	08/01	WAR AND TERRORISM EXCLUSION
69813	02/98	COMBINED PROPERTY/BOILER & MACHINERY MILLENNIUM ENDORSEMENT
PR8300	12/07	CANCELLATION – ADDITIONAL PROVISIONS
LX8530	08/09	MOLD/FUNGUS EXCLUSION
PR9514	07/14	CYBER EXCLUSION WITH LIMITED EXCEPTIONS ENDORSEMENT
PR4259	10/13	ANTI-STACKING ENDORSEMENT
PR4225	07/13	ECONOMIC SANCTIONS ENDORSEMENT
PR9942	07/06	EQUIPMENT BREAKDOWN COVERAGE FORM

**FIRE**

**SCHEDULE OF COVERED LOCATIONS**

**Policy Number: 017728109**

**Issued to: THE STATE OF TENNESSEE**

<u>Description of Premises</u>	<u>Limit</u>	<u>Percent of Coins.</u>
<b>AS PER SCHEDULE ON FILE WITH COMPANY</b>	<b>\$750,000,000</b>	<b>NIL</b>

This endorsement, effective 12:01 AM 07/01/2015

Forms a part of policy no.: 017728109

Issued to: THE STATE OF TENNESSEE

By: LEXINGTON INSURANCE COMPANY

### OCCURRENCE LIMIT OF LIABILITY ENDORSEMENT

This endorsement modifies insurance provided by the policy:

It is agreed that the following special terms and conditions apply to this policy:

1. The limit of liability or Amount of Insurance shown on the face of this policy, or endorsed on this policy, is the total limit of the Company's liability applicable to each occurrence, as hereafter defined. Notwithstanding any other terms and conditions of this policy to the contrary, in no event shall the liability of the Company exceed this limit or amount irrespective of the number of locations involved.

The term "occurrence" shall mean any one loss, disaster, casualty, or series of losses, disasters, or casualties, arising out of one event. When the term applies to loss or losses from the perils of tornado, cyclone, hurricane, windstorm, hail, flood, earthquake, volcanic eruption, riot, riot attending a strike, civil commotion, vandalism and malicious mischief, or terrorism, one event shall be construed to be all losses arising during a continuous period of 72 hours. When filing proof of loss, the Insured may elect the moment at which the 72 hour period shall be deemed to have commenced, which may not be earlier than the time when the first loss to covered property occurs.

2. The premium for this policy is based upon the statement of values provided to the Insurer(s) by or on behalf of the Insured and kept on file by the Insurer(s). In the event of loss under the policy, the liability of the Insurer(s) shall be limited to the least of the following:
  - a) The actual adjusted amount of loss, less applicable deductible(s);
  - b) As respects each location insured by this Policy, 100% percent of the total combined stated values for all categories of covered property (e.g. building, contents) and other covered exposures (e.g., business income, extra expense, rental loss) shown for that location on the latest statement of values or other documentation on file with the insurer.
  - c) Any other Limit of Liability or Sublimit of Insurance or Amount of Insurance specifically stated in this policy to apply to any particular insured loss or coverage or location.

All other terms and conditions of the policy remain the same.

  
Authorized Representative

**ENDORSEMENT**

This endorsement, effective 12:01 AM, 07/01/2015  
Forms a part of Policy No.: 01772109  
Issued To: THE STATE OF TENNESSEE  
By: LEXINGTON INSURANCE COMPANY

**POLLUTION, CONTAMINATION, DEBRIS REMOVAL  
EXCLUSION ENDORSEMENT****1. Property Not Covered**

This policy does not cover land, land values or water.

**2. Pollution and Contamination Exclusion.**

This policy does not cover loss or damage caused by, resulting from, contributed to or made worse by actual, alleged or threatened release, discharge, escape or dispersal of CONTAMINANTS or POLLUTANTS, all whether direct or indirect, proximate or remote or in whole or in part caused by, contributed to or aggravated by any physical damage insured by this policy.

Nevertheless, if fire is not excluded from this policy and a fire arises directly or indirectly from seepage or contamination or pollution, any loss or damage insured under this policy arising directly from that fire is insured, subject to the provisions of this policy.

CONTAMINANTS or POLLUTANTS means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste, 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 property insured hereunder, including, but not limited to, bacteria, virus, or hazardous substances as listed in the Federal Water, Pollution Control Act, Clean Air Act, Resource Conservation and Recovery Act of 1976, and Toxic Substances Control Act or as designated by the U. S. Environmental Protection Agency. Waste includes materials to be recycled, reconditioned or reclaimed.

This exclusion shall not apply when loss or damage is directly caused by fire, lightning, aircraft impact, explosion, riot, civil commotion, smoke, vehicle impact, windstorm, hail, vandalism, malicious mischief. This exclusion shall also not apply when loss or damage is directly caused by leakage or accidental discharge from automatic fire protective systems.

**3. Asbestos, Dioxin or Polychlorinated Biphenols Exclusions**

This policy does not cover –

- a) Asbestos, dioxin or polychlorinated biphenols (hereinafter all referred to as "Materials") removal from any good, product or structure unless the asbestos is itself damaged by fire, lightning, aircraft impact, explosion, riot, civil commotion, smoke, vehicle impact, windstorm or hail, vandalism, malicious mischief, leakage or accidental discharge from automatic fire protective system.

- b) Demolition or increased cost of reconstruction, repair, debris removal or loss of use necessitated by the enforcement of any law or ordinance regulating such Materials;
- c) Any governmental direction or request declaring that such Materials present in or part of or utilized on any undamaged portion of the insured's property can no longer be used for the purpose for which it was intended or installed and must be removed or modified.

The exception to exclusion 3(a), above, does not apply to payment for the investigation or defense of any loss, damage or any undamaged portion of the insured's property can no longer be used for the purpose for which it was intended

#### **4. Debris Removal Exclusion**

The Company will pay the expense within the sum insured to remove debris of insured property damaged or destroyed by an insured peril during the policy term.

The Company will not pay the expense to:

- a) Extract contaminants or pollutants from the debris; or
- b) Extract contaminants or pollutants from land or water; or
- c) Remove, restore or replace contaminated or polluted land or water; or
- d) Remove or transport any property or debris to a site for storage or decontamination required because the property or debris is affected by pollutants or contaminants, whether or not such removal, transport, or decontamination is required by law or regulation.

It is a condition precedent to recovery under this extension that the Company shall have paid or agreed to pay for direct physical loss or damage to the property insured hereunder and that the Insured shall give written notice to the Company of intent to claim for cost of removal of debris or cost to clean up not later than 180 days after the date of such physical loss or damage.

#### **5. Authorities Exclusion**

Notwithstanding any of the provisions of this policy, the Company shall not be liable for loss, damage, costs, expenses, fines or penalties incurred or sustained by or imposed on the Insured at the order of any Government Agency, Court or other Authority arising from any cause whatsoever.

All other terms and conditions of the policy remain the same.



Authorized Representative

**ENDORSEMENT**

This endorsement, effective 12:01 AM, 7/1/2015  
Forms a part of Policy No.: 01772109  
Issued To: THE STATE OF TENNESSEE  
By: LEXINGTON INSURANCE COMPANY

**STANDARD PROPERTY CONDITIONS**

This endorsement modifies insurance provided by the policy:

The following provisions are hereby made part of this policy. These provisions shall take precedence if and to the extent there is a conflict with any other policy provision(s).

**MINIMUM EARNED PREMIUM CLAUSE**

In the event of cancellation of this policy by the Insured, a minimum premium of \$ 1,250,000 shall become earned, any provision of the policy to the contrary notwithstanding. Failure of the Insured to make timely payment of premium shall be considered a request by the Insured for the Company to cancel on the Insured's behalf. In the event of such cancellation for non-payment of premium, the minimum earned premium shall be due and payable; provided, however, such cancellation shall be rescinded if the Insured remits and the Company receives the full policy premium with 10 days after the date of issuance of the cancellation notice. Such remittance and acceptance by the Company shall not affect the minimum earned premium provision of this endorsement. In the event of any other cancellation by the Company, the earned premium shall be computed pro-rata, not subject to the minimum earned premium.

**POLICY DEDUCTIBLE**

Each claim for loss or damage separately occurring shall be adjusted separately and from each such adjusted claim, the amount of \$25,000 shall be deducted. Notwithstanding the foregoing, the deductible amount applying to certain peril(s) insured against by this policy shall be as follows:

**\$25,000 deductible applying to AS PER MANUSCRIPT FORM ATTACHED**

In the event of any other insurance covering the property insured hereunder, whether or not concurrent, the deductible(s) specified herein shall apply in full against that portion of any claim for loss or damage which the Company is called upon to pay under the provisions of the Apportionment Clause irrespective of any provisions to the contrary of such other insurance.

**CANCELLATION CLAUSE**

Except and to the extent of the Minimum Earned Premium Clause which is part of this policy, this clause supersedes other cancellation clauses made a part of this policy.

**CANCELLATION:** This policy may be cancelled by the Insured by surrender thereof to the Company or by mailing to the Company written notice stating when thereafter such cancellation shall be effective. This policy may be cancelled by the Company by mailing to the Insured, at the mailing address shown in this policy or last known address, written notice, stating when, not less than 90 days thereafter (10 days for non-payment of premium) such cancellation shall be effective. The effectiveness of cancellation is not dependent on the return of unearned premium with the notice.

Proof of mailing of notice as aforesaid shall be sufficient proof of notice. The effective date and hour of cancellation stated in the notice shall become the end of the policy period. Delivery of such written notice either by the Insured or the Company shall be equivalent to mailing. If the Insured cancels, earned premium shall be computed in accordance with the customary short rate table and procedure. If the Company cancels, earned premium shall be computed pro rata. Premium adjustment shall be made as soon as practicable after cancellation becomes effective.

#### **SERVICE OF SUIT CLAUSE**

In the event of our failure to pay any amount claimed to be due hereunder, we, at your request, will submit to the jurisdiction of a court of competent jurisdiction within the United States. Nothing in this condition constitutes or should be understood to constitute a waiver of our rights to commence an action in any court of competent jurisdiction in the United States to remove an action to a United States District Court or to seek a transfer of a case to another court as permitted by the laws of the United States or of any state in the United States. It is further agreed that service of process in such suit may be made upon Counsel, Legal Department, Lexington Insurance Company, 99 High Street, Boston, Massachusetts 02110 or his or her representative, and that in any suit instituted against us upon this Policy, we will abide by the final decision of such court or of any appellate court in the event of any appeal.

Further, pursuant to any statute of any state, territory, or district of the United States which makes provision therefor, we hereby designate the Superintendent, Commissioner or Director of Insurance, or other officer specified for that purpose in the statute, or his or her successors in office, as our true and lawful attorney upon whom may be served any lawful process in any action, suit, or proceeding instituted by you or on your behalf or any beneficiary hereunder arising out of this Policy of insurance, and hereby designates the above named Counsel as the person to whom the said officer is authorized to mail such process or a true copy thereof.

#### **WAR RISK EXCLUSION CLAUSE**

The Company shall not be liable for any loss, caused directly or indirectly, by (1) hostile or warlike action in time of peace or war, whether or not declared, including action in hindering, combating or defending against an actual, impending or expected attack (a) by government or sovereign power (de jure or de facto) or by any authority maintaining or using military, naval or air forces; or (b) by military, naval or air forces; or (c) by an agent of any such government, power, authority or force (2) any weapon of war employing atomic fission or radioactive force whether in time of peace or war, whether or not its discharge was accidental; (3) insurrection, rebellion, revolution, civil war, usurped power, or action taken by government authority in hindering, combating, or defending against such an occurrence, seizure or destruction; (4) any consequence of any of the foregoing.

#### **NUCLEAR EXCLUSION CLAUSE**

The Company shall not be liable for loss by nuclear reaction or nuclear radiation or radioactive contamination all whether controlled or not, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by the peril(s) insured against in this policy. If the peril of fire is insured under this policy, then, subject to the foregoing and all provisions of this policy, direct loss by fire resulting from nuclear reaction or nuclear radiation or radioactive contamination is insured against by this policy.

#### **SALVAGE AND RECOVERY CLAUSE**

All salvages, recoveries and payments recovered or received either prior or subsequent to a loss settlement under this policy shall be applied as if recovered or received prior to the said settlement

and all necessary adjustments shall be made by the parties hereto, including deduction of the Company's cost of recovery or salvage.

**REPORTING CLAUSE**

Notwithstanding that the Insured may be obligated to report full values for premium purposes, the Company's maximum limit of liability shall not exceed that amount stated as the policy limit of liability.

**PROOF OF LOSS AND PAYMENT**

The Insured shall complete and sign a sworn proof of loss within ninety (90) days after the occurrence of a loss (unless such period be extended by the written agreement of the Company) stating the time, place and cause of loss, the interest of the Insured and of all others in the property, the sound value thereof and the amount of loss or damage thereto, and all other insurance thereon. All adjusted claims shall be due and payable thirty (30) days after the presentation and acceptance of satisfactory proof(s) of loss at the office of the Company at 99 High Street, Boston, Massachusetts 02110.

**GOVERNMENT ACTIVITY CLAUSE**

The Company shall not be liable for loss or damage caused by or resulting from: (1) the seizure or destruction of property insured by this policy by any government body, including any customs or quarantine action, or (2) confiscation or destruction of any property by order of any government or public authority, except an order to destroy property to prevent the spread of fire or explosion.

All other terms and conditions of the policy remain the same.



Authorized Representative

## State of Tennessee

## Property Insurance Policy

<b>Policy Number:</b>	017728109
<b>Name of Insurer:</b>	Lexington Insurance Company
<b>Complete Home Office Mailing Address of the Insurer:</b>	99 High Street
<b>City/State/Zip:</b>	Boston, MA 02110

**SCHEDULE**

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**POLICY NUMBER:**            017728109

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**THE FIRST NAMED INSURED:**            The State of Tennessee, including all its departments, agencies, institutions, and divisions, including the University of Tennessee system and the Tennessee Board of Regents system and subsidiaries, and associated companies and/or corporations and the Insured's Interest in partnerships and joint ventured as now exist or may hereafter be constituted or acquired and any party in interest to which the Insured is responsible to insure.

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**THE RISK, INTEREST, LOCATION AND SUM INSURED HEREUNDER**

Per the wording attached hereto which is incorporated into and forms an integral part of this Policy.

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**THE POLICY PERIOD:**

(A) From: July 1, 2015

To: July 1, 2016

at 12:01 a.m. Local Standard time

(B) Any subsequent period as may be mutually agreed upon and for which Insurers shall accept a renewal premium.

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**THE PREMIUM:**        \$ 5,000,000

**Terrorism:**            \$ 150,000 (included in the above premium)

25% Minimum Earned Premium

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Dated in 2015 this 1st day of July

ATTACHING TO AND FORMING AN INTERGRAL PART OF POLICY NO. 017728109SCHEDULE OF INSURERS


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The Insurers		Participation	Reference
<u>All Sublimits are part of and not in addition to the overall policy limit.</u>			
Lexington Insurance Company	\$750,000,000	Per "occurrence" part of \$750,000,000 per "occurrence", excess of the Deductibles and Waiting Periods, if any, described in the Policy, except	100%
	\$50,000,000	Per "occurrence" and in the annual aggregate with respect to "Earth Movement" excess of the Deductibles and Waiting Periods, if any, described in the Policy and except for locations in New Madrid Earthquake/Earth Movement Zone Counties	100%
	\$25,000,000	Per "occurrence" and in the annual aggregate with respects to Earth Movement for locations in New Madrid Earthquake/Earth Movement Zone Counties.	
		The Per Occurrence and Annual Aggregate Limit for the Peril of Earth Movement shall not exceed \$50,000,000.	100%
	\$50,000,000	Per "occurrence" and in the annual aggregate with respect to "Flood" excess of the Deductibles and Waiting Periods, if any, described in the Policy and except for locations wholly or partially within Special Flood Hazard Areas (SFHA), areas of 100-Year Flooding, as defined by the Federal Emergency Management Agency (if these locations are not excluded elsewhere in this policy with respect to the peril of flood);	100%
	\$25,000,000	Per "occurrence" and in the annual aggregate with respects to "Flood" excess of the Deductibles and Waiting Periods, if any, described in the Policy, for locations wholly or partially within Special Flood Hazard Areas (SFHA), areas of 100-Year Flooding, as defined by the Federal Emergency Management Agency (if these locations are not excluded elsewhere in this policy with respect to the peril of flood).	100%
	The Per Occurrence and Annual Aggregate Limit for the Peril of Flood shall not exceed \$50,000,000.		

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**I** DECLARATIONS**A.** THE FIRST NAMED INSURED

The State of Tennessee, including all its departments, agencies, institutions, and divisions, including the University of Tennessee system and the Tennessee Board of Regents system and subsidiaries, and associated companies and/or corporations and the Insured's Interest in partnerships and joint ventured as now exist or may hereafter be constituted or acquired and any party in interest to which the Insured is responsible to insure.

<b>The First Named Insured's Street Address:</b>	Treasury Department Division of Risk Management Andrew Jackson State Office Building 502 Deaderick Street, 9 <sup>th</sup> Floor
<b>City, State, and Zip/Postal Code:</b>	Nashville, Tennessee 37243
<b>The Name of the First Named Insured's Contact:</b>	Jamie Fohl Director of Risk Management

**B.** BROKER

<b>Aon Location Name:</b>	Aon Risk Services, Inc. of Washington, D.C.
<b>Street Address:</b>	1120 20 <sup>th</sup> Street, N.W.

<b>City, State or Province, and Zip/Postal Code:</b>	Washington, D.C.
<b>Telephone Number:</b>	(202) 223-0673
<b>Facsimile Number:</b>	(202) 331-8409
<b>Name of Contact:</b>	Carleen Patterson, Vice President – Deputy National Practice Leader

**C. PREMIUM AND THE POLICY PERIOD**

In consideration of the premium negotiated and agreed, this Policy attaches and insures for a period of one (1) year, from July 1, 2015 to 2016 beginning and ending at 12:01 AM at the "location" of the property insure

Interim Premium Adjustments (Additions/Deletions)

With respect to Automatic Coverage or Newly Acquired Property, if the values at a newly acquired "location" or schedule of "locations" exceed \$25,000,000, the Insured shall report these values to the Insurer within One Hundred and Eighty (180) consecutive days after they become known to the First Named Insured's Contact identified in Declarations I.A.. No adjustment in premium shall be made unless the values so reported represent an increase of five percent (5%) or more over the total values declared at inception or, if applicable, used for the last premium adjustment. If the values do exceed such percentage, the Insurer agrees to charge a pro-rata (as to time and value) additional premium. Once reported, such additional "location(s)" shall be subject to the full limits of this Policy. If not reported to the Insurer within the time defined above, such "locations" shall be subject to the "miscellaneous unreported location" sub-limit in the Limits of Liability.

Similarly, if the values of a divested "location" or schedule of "locations" exceed \$25,000,000USD the Insured shall report these values to the Insurer within Once Hundred and Eighty (180) consecutive days after they become known to the First Named Insured's Contact identified in Declarations I.A. No adjustment in premium shall be made unless the values so reported represent a decrease of five percent (5%) or more over the total values declared at inception or, if applicable, used for the last premium adjustment. If the values exceed such percentage, the Insurer agrees to allow a pro-rata (as to time and value) return premium.

**D. LIMITS OF LIABILITY**

The Insurer's maximum Limit of Liability in a single "occurrence" regardless of the number of "locations" or coverages involved shall not exceed the Policy Limit of Liability of \$750,000,000

When a Limit of Liability for a "location" or other specified property is shown, such Limit shall be the maximum amount payable for any loss or damage arising from direct physical loss, damage or destruction of the type insured by this Policy at the "location" or involving such other specified property.

Sub-limits stated in the Sub-limits schedule, or elsewhere in this Policy, shall apply as a part of and not in addition to the Policy Limit of Liability. Limits and sub-limits do not include the amount of any applicable Deductibles.

Limits of Liability apply per "occurrence" unless otherwise stated. When a Sub-limit of Liability is shown as applying in the aggregate during any Policy year, the Insurer's maximum Limit of Liability shall not exceed such Limit during any Policy year regardless of the number of "locations" and coverages involved.

**Schedule of 100% Program Sub-limits (all in United States Dollars)**

Property Damage and "Time Element" coverages are subject to the following Sub-limits, unless otherwise stated:

\$25,000,000	Accounts Receivable
\$25,000,000	Automatic Coverage or Newly Acquired Property, Property Damage and "Time Element" combined
\$100,000,000	Business Interruption/Extra Expense
\$5,000,000	Communicable Disease Contamination
\$1,000,000	Contamination Cleanup, land and water, in the aggregate during any Policy year
\$10,000,000	Per Occurrence for Contingent Time Element As Respects Tier 1 and Tier 2 Suppliers or Customers combined (a supplier or customer with a direct contractual relationship with the insured of the insured)  The Per Occurrence Limit for Contingent Time Element/Extra Expense coverage shall not exceed \$10,000,000.

\$50,000,000	Consequential Loss
\$50,000,000 or 25% of the loss, whichever is less.	Debris Removal and Cost of Cleanup
\$25,000,000	Decontamination Costs
\$ 2,500,000	Defense Costs
\$50,000,000	Demolition and Increased Cost of Construction Property Damage and Law, Ordinance or Regulation "Time Element" combined
\$50,000,000  \$25,000,000	"Earth Movement" per occurrence and annual aggregate,  "Earth Movement" per occurrence and in the annual aggregate, in "New Madrid Earthquake/Earth Movement Zones"
\$25,000,000	Electronic Media and Electronic Data, Property Damage and "Time Element" combined
\$500,000	Exhibitions
\$5,000,000	Expediting Expense
\$10,000,000	Evacuation Expense
\$50,000,000  \$25,000,000	"Flood" per occurrence and in the annual aggregate except;  "Flood" per occurrence and in the annual aggregate for locations wholly or partially within Special Flood Hazard Areas (SFHA), areas of 100-Year Flooding, as defined by the Federal Emergency Management Agency (FEMA);
Not Covered	"Fine Arts"
\$250,000	Fire Brigade and Extinguishing Expenses
\$25,000,000 or 60 Days whichever is reached first	Interruption by Civil or Military Authority

\$1,000,000	Land Improvements
\$1,000,000	Leasehold Interest
\$10,000,000	Royalties
\$25,000,000 or 60 Days whichever is reached first	Loss of Ingress or Egress
\$1,000,000	Claims Adjustment Expenses
\$25,000,000	"Miscellaneous Unreported Locations," Property Damage and "Time Element" combined per "location"
\$1,000,000	Per Occurrence as respects Mold and Fungus Clean Up – Resultant Loss
\$10,000,000	Omissions and Errors
\$25,000,000	Service Interruption, Property Damage and "Time Element" combined (Including Overhead Transmission & Distribution Lines within 1,000 Feet of the Insured Premises; 48 Hour Waiting Period Qualifier Applies
\$250,000,000	Terrorism
\$1,000,000	Property in Transit
\$25,000,000	Property in the Course of Construction, Property Damage and "Time Element" combined (excludes Soft Costs)
\$25,000,000	Radioactive Contamination
\$1,000,000	Rental Value
\$5,000,000	Research and Development: Plants and Animals – Property Damage Only
Included	State Owned Mobile Equipment
\$1,000,000	Soft Costs
\$26,654,200	Outdoor Statuary at Bicentennial Mall
\$25,000,000	Valuable Papers and Records
\$100,000,000	Per Occurrence for the peril of Equipment Breakdown, subject to the following sub-limits which are part of and not in addition to this Equipment Breakdown sub-limit
\$Not Covered	Equipment Breakdown: Business Interruption
\$5,000,000	Equipment Breakdown: Extra Expense

\$Not Covered	Equipment Breakdown: Rental Value
\$Not Covered	Equipment Breakdown: Contingent Business Interruption Suppliers and/or Receivers of the Insured's Goods or Services
\$1,000,000	Equipment Breakdown: Demolition and Increased Cost of Construction
\$500,000	Equipment Breakdown: Data Restoration
\$5,000,000	Equipment Breakdown: Expediting Expense
\$1,000,000	Equipment Breakdown: Hazardous Substances
\$50,000	Equipment Breakdown: Soft Costs
\$5,000,000	Equipment Breakdown: Automatic Coverage on Newly Acquired Property, Property Damage and "Time Element" combined for a period of 180 Days, if not reported to the Company in that 180 day period then coverage ceases.
\$2,500,000	Equipment Breakdown: Service Interruption (BI/EE) 24 hour waiting period
\$100,000	Equipment Breakdown: Mold
\$2,500,000	Equipment Breakdown: Perishable Goods/Spoilage
Not Covered Days	Equipment Breakdown: Extended Period of Restoration

In the event of a claim, payment shall not exceed the "Time Element" loss incurred during the following Time Limits	
<b>Time Limit</b>	<b>The following shall apply</b>
365 Consecutive days limit	Extended Period of Recovery
180 Consecutive days limit	Automatic Coverage on Newly Acquired Property
60 Consecutive days limit	Interruption by Civil or Military Authority

60 Consecutive days limit	Loss of Ingress or Egress
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## E. DEDUCTIBLES

\$25,000 Per Occurrence and \$7,500,000 in the Aggregate Annually.

Losses exceeding \$25,000 per occurrence contributes to the erosion of the Annual Aggregate Retention.

After exhaustion of the Annual Aggregate, a Maintenance Deductible of \$25,000 Per Occurrence shall apply.

\$10,000,000 Per Occurrence applies as respects to the perils of Flood and Earthquake/Earth Movement.

(does not contribute to the erosion of the annual aggregate)

- As respects to Flood: A \$50,000 Agency Flood Deductible applies except a \$250,000 Agency deductible applies to Flood Zones A and V (does not contribute to the erosion of the annual aggregate)
- As respects to Earthquake: A \$25,000 Agency Earthquake Deductible applies except a \$50,000 Agency deductible applies to New Madrid Earthquake Zones (does not contribute to the erosion of the annual aggregate)

Equipment Breakdown (deductibles applicable to Equipment Breakdown only):

\$10,000 Per Occurrence for Direct Damage

24 Hours Per Occurrence for Indirect Damage

\$125,000 Per Occurrence for Gas Turbine Generator

10% of Loss, \$10,000 minimum Per Occurrence for Spoilage

The aggregate deductible does not apply to Equipment Breakdown

2 Days Per Occurrence for Soft Costs

1. If two or more Deductible amounts in this Policy apply to a single "occurrence" the Deductibles shall be applied separately but the cumulative deductions so calculated shall not exceed the largest Deductible applicable.
2. "Time Element" values shall not be included in the calculation of the "occurrence" Deductible at any "location" for which no "Time Element" claim is made. Property damage values shall not be included in the calculation of the "occurrence" Deductible at any "location" for which no property damage claim is made.

**F. WAITING PERIODS**

48 Continuous Hours	Service Interruption
48 Continuous Hours	Civil and Military Authority and Ingress/Egress

The Insurer shall not be liable for any "Time Element" loss to which a Waiting Period applies unless the interruption exceeds the Waiting Period in which case the loss shall be calculated from the commencement of the "occurrence" and the Deductible specified above shall apply.

**G. LOSS PAYABLE**

Loss, if any, shall be adjusted with and payable to the Insured (s) or their order, whose receipt shall constitute a release in full of all liability under this Policy with respect to such loss.

**H. SCHEDULE OF MORTGAGE HOLDERS**

Per Certificates of Insurance.

**I. ADJUSTMENT OF LOSSES**

In the event of loss and subsequent notification thereof, the firm named below, acting on behalf of the Insurers, shall be assigned the responsibility to investigate, properly document, and coordinate in a timely manner, the claims adjustment process, in cooperation with the Insured as respects Aggregate and Maintenance Deductible.

Name of Firm:	VeriClaim, Inc.
Street Address:	9724 Kingston Pike, Suite 1403
City, State or Province, and Zip/Postal Code:	Knoxville, Tennessee 37922
Contact:	Johnathan Kent General Adjuster
Telephone Number:	

	O: +1 678-602-0574
Email Address:	E: <a href="mailto:jkent@vericclaiminc.com">jkent@vericclaiminc.com</a>

**J. TERRITORY**

Coverage under this Policy applies to Occurrences within the United States, the District of Columbia and Canada.

**K. GOVERNING LAW AND JURISDICTION**

Any dispute concerning or related to this insurance shall be determined in accordance with the laws of the State of Tennessee without regard to its conflict of laws principles. Any disputes arising hereunder shall be subject to the jurisdiction of the State of Tennessee.

**L. NOTICE OF LOSS**

As soon as practicable after any direct physical loss, damage or destruction of the type insured by this Policy is known to the First Named Insured's Contact identified in Declarations I.A., the Insured shall report such direct physical loss, damage or destruction with full particulars to AON Risk Services, Inc. of Washington, D.C.

**M. CERTIFICATES OF INSURANCE**

Any certificate of insurance or evidence of property insurance documents issued in connection with this Policy shall be issued solely as a matter of convenience or information for the addressee or holder of said certificate or evidence of insurance, except where any Additional Insured(s), Mortgagee(s) or Loss Payee(s) is named or any waiver of subrogation granted pursuant to the Special Provisions of the certificate of insurance or evidence of property insurance. In the event any Additional Insured(s), Mortgagee(s) or Loss Payee(s) are named, the Insurer will need to be notified and the policy will need to be endorsed accordingly, subject to all other terms, conditions and exclusions stated in this Policy.

AON may issue such certificates of insurance and evidence of property insurance documents.

**N. THE FIRST NAMED INSURED'S CONTACT**

The First Named Insured may, at any time, change the name of the First Named Insured's Contact identified in Declarations I.A. by notifying the Insurer in writing.

**O. SCHEDULE OF ATTACHMENTS AND ENDORSEMENTS**

Endorsement #1	New Madrid & Pacific Northwest Earthquake/Earth Movement Zones
Endorsement #2	Communicable Disease Contamination
Endorsement #3	Historical Valuation
Endorsement #4	Claims Settlement Procedure
Endorsement #5	Property in the Course of Construction
Endorsement #6	Schedule of Named Insureds
Endorsement #007	Amendatory Endorsement
Endorsement #008	Named Insured Endorsement
Endorsement #009	Amendatory Endorsement
Endorsement #010	Sublimits and Deductibles Endorsement
Endorsement #011	Equipment Breakdown – Mold Endorsement
Endorsement	Terrorism Premium Charge Endorsement
Endorsement	War & Terrorism Exclusion
Endorsement	Combined Property & Millennium Endorsement
Endorsement	Cancellation Provision Endorsement
Endorsement	Mold/Fungus Exclusion
Endorsement	Cyber Exclusion with Limited Exceptions Endorsement
Endorsement	Anti-Stacking Endorsement
Endorsement	Economic Sanctions Endorsement
Coverage Form	Equipment Breakdown – Coverage Form

## II. INSURING AGREEMENT

IN CONSIDERATION OF THE PROVISIONS AND STIPULATIONS IN THIS POLICY OR ADDED HERETO, AND OF THE PREMIUM SPECIFIED in the Declarations, Attachments or in Endorsements made a part of this Policy, the Insurer, for the term specified in the Declarations from inception date shown in the Declarations to expiration date shown in the Declarations,

to an amount not exceeding the Limits of Liability specified in the Declarations, does insure the interest of the Insured named in the Declarations and its legal representatives, to the extent more fully described in this Policy, against 'all risks' of direct physical loss, damage or destruction, occurring during the Policy period, except as hereinafter excluded, of the property described and insured in this Policy. 'All risks' includes "Boiler and Machinery," "Flood" and "Earthquake" as more fully defined in DEFINITIONS. Direct physical loss, damage or destruction includes "general average contributions and salvage charges" and other charges and expenses as more fully described in this Policy. Wherever used in this Policy, 'peril insured' refers to this INSURING AGREEMENT and to EXCLUSIONS in this Policy and 'property insured' refers to PROPERTY INSURED and PROPERTY EXCLUDED in this Policy.

Assignment of this Policy shall not be valid except with the written consent of the Insurer. This Policy is made and accepted subject to the foregoing provisions and stipulations and those hereinafter stated, which are hereby made a part of this Policy, together with such other provisions, stipulations and agreements as may be added hereto, as provided in this Policy.

### III. PROPERTY INSURED

Except as hereinafter excluded, this Policy insures:

#### A. REAL AND PERSONAL PROPERTY

The insurable interest of the Insured in all real and personal property of every kind and description, at a "location" or within 1000 feet thereof, including the "insurable interest of the Insured in property of others in the care, custody or control of the Insured" and at the option of the Insured, business personal property of officers, directors and employees of the Insured while at a "location" or anywhere within the Policy territory when the officer, director or employee is acting on behalf of the Insured.

#### B. ADDITIONAL COVERAGES

##### 1. Debris Removal and Cost of Clean Up

Notwithstanding the provisions of any exclusion contained herein or any provision respecting pollution and/or contamination, in the event of direct physical loss, damage or destruction of property insured by a peril insured by this Policy, this Policy (subject otherwise to its terms, conditions, and limitations, including but not limited to any applicable Deductible) insures:

- a. Expenses necessarily and reasonably incurred in removal of debris of such property from the "location" of the insured direct physical loss, damage or destruction and/or from other premises when blown by wind or carried by water  
  
and/or
- b. Cost of clean up at the "location" made necessary as a result of direct physical loss, damage or destruction of property of the type insured by this Policy by a peril insured by this Policy,

Provided such expenses are reported to the insurer within 365 days of the date of the direct physical loss, damage or destruction.

This provision does not insure against the costs of decontamination or removal of water, soil or any substance not insured by this Policy on or under such "location."

It is a condition precedent to recovery under this provision that the Insurer shall have paid or agreed to pay for direct physical loss, damage or destruction of property insured unless such payment is precluded solely by the operation of any Deductible.

2. Pollutant Cleanup

Notwithstanding anything in this Policy to the contrary, this Policy insures costs or expenses incurred to clean up and/or remove polluted or contaminated land and/or water from an insured "location" provided the contamination or pollution results directly from direct loss, damage or destruction of property insured by a peril insured by this Policy, and provided such expenses are reported to the insurer within 180 days of the date of the direct physical loss, damage or destruction.

3. Valuable Papers and Records

This Policy insures valuable papers and records of all kinds and descriptions, including plans, drawings, blueprints, photographs, specifications, manuscripts, deeds, notes, evidences of debt or ownership or other documents, against direct physical loss, damage or destruction by a peril insured by this Policy. 'Valuable paper and records' does not include 'media' as defined and insured below.

4. Decontamination Costs

If property insured is contaminated as a result of direct physical loss, damage or destruction by a peril insured by this Policy and there is in force at the time of the loss any law or ordinance regulating contamination, including but not limited to the presence of pollutants or contaminants, this Policy insures, as a result of enforcement of such law or ordinance, the increased cost of decontamination and/or removal of such contaminated property insured in a manner to satisfy such law or ordinance. This provision applies only to that part of property insured contaminated as a result of insured direct physical loss, damage or destruction by a peril insured by this Policy.

5. Destruction of Property at the Order of Public Authority

This Policy insures destruction of property insured at the order of public authority at the time of and for the purpose of preventing direct physical loss, damage, destruction by a peril insured by this Policy.

6. Protection Devices

This Policy insures expenses incurred to recharge or refill fire protection devices provided such is necessitated by an accidental discharge or by an insured loss.

7. Removal

This Policy insures property insured by this Policy while it is being removed to or from and while at a place of safety because of imminent danger of direct physical loss, damage or destruction by a peril insured by this Policy.

8. Expediting Expenses

In the event of direct physical loss, damage or destruction of property insured by a peril insured by this Policy, this Policy insures the reasonable extra cost to make temporary repairs, expedite permanent repairs, and expedite permanent replacement of such property.

## 9. Consequential Loss

This Policy insures:

- a. Direct physical loss, damage or destruction of property insured resulting from direct physical loss, damage or destruction of other property insured at the same "location" by a peril insured by this Policy.
- b. The reduction in value of undamaged insured articles that are a part of pairs or sets, including components or parts of similar inventory-type property and including merchandise usually sold by lots, sizes, color ranges or other classifications, when such reduction in value results from loss, damage or destruction of other insured articles, components or parts of such property by a peril insured by this Policy;

In the event of such direct physical loss, damage or destruction, the measure of recovery for such articles shall be, at the Insured's option:

The reduction in value of undamaged insured components or parts of property resulting from direct physical loss or damage Insured by this Policy to other insured components or parts of such property; or, the full value of the pair or set.

- c. Direct physical loss, damage or destruction of property insured, resulting from a peril insured by this Policy, of property of a supplier of electricity, steam, water, natural gas, refrigeration, telecommunications or sewerage, including poles, towers, and transmission or distribution lines within 1 mile of insured premises.. This provision shall be known as known as 'Service Interruption Property Damage.'

## 10. Defense Expenses

With respect to the interest of the Insured in property of others in the Insured's care, custody or control, this Policy shall defend any suit against the Insured alleging liability for direct loss, damage or destruction, by a peril insured by this Policy, of the property, even if such suit is groundless, false or fraudulent; but the Insurer may without prejudice, make such investigation, negotiation and settlement of any claim or suit the Insurer deems expedient.

## 11. Fine Arts and Antiques

This Policy insures paintings, etchings, pictures, tapestries, art glass windows and other bona fide works of art (such as valuable rugs, statuary, marbles, bronzes, antique furniture, rare books, antique silver, porcelain and bric-a-brac) of rarity, historical value, monetary value or artistic merit against direct physical loss, damage or destruction by a peril insured by this Policy. Additional exclusion applying to fine arts and antiques: This Policy does not insure against direct physical loss, damage or destruction of fine arts or antiques from any repairing, restoration or retouching process.

## 12. "Improvements and Betterments"

This Policy insures "improvements and betterments" against direct physical loss, damage or destruction by a peril insured by this Policy. Insurers agree to accept and consider the Insured as the only and the unconditional owner of improvements and betterments irrespective of any provisions of any contract, lease or agreement to the contrary.

## 13. Electronic Data Processing Equipment, Media and Data

This Policy insures 'electronic data processing equipment.' Such 'equipment' includes but is not limited to mainframes, servers, workstations and portable computers, personal information managers, wide and local area

network hardware, electronic and electromechanical equipment, electronic controls for machinery, electronically programmed memory chips and electronically controlled communication equipment.

Subject to Electronic Media and Electronic Data in EXCLUSIONS, this Policy also insures 'electronic media' meaning any direct physical device that holds, stores, contains or transfers 'electronic data,' and includes but is not limited to disks, drives, films, tapes, records, drums or cells. This Policy also insures 'electronic data' meaning facts, concepts or information, including compilations thereof, in a form useable or intended for use or processing by electronic data processing equipment or for storage on electronic media. 'Electronic data' includes but is not limited to files, programs, applications, operating systems, and other coded instructions for the processing calculation and storage of facts, concepts and information by electronic data processing equipment.

#### 14. Automatic Coverage or Newly Acquired Property

This Policy insures real and personal property of the type insured by this Policy that becomes at the risk of the Insured after the inception date of this Policy at any "location" within the territorial limits of this Policy. This coverage applies until one of the following events occurs:

- a. Insurance on the "location" is bound by the Insurer.
- b. Agreement is reached that the "location" shall not be insured under this Policy.
- c. Expiration of the Time Limit shown in DECLARATIONS. The Time Limit begins on the date of knowledge of such "location" by the First Named Insured's Contact identified in Declarations I.A.

#### 15. Operation of Building Laws

This Policy insures the undamaged portion of property insured when, as a result of direct physical loss, damage or destruction by a peril insured by this Policy to such property insured, any law, ordinance or regulation which is in force at the time of such direct physical loss, damage or destruction requires the demolition of such undamaged portion of property insured.

However, nothing in the foregoing shall serve to override 'Asbestos Material' in EXCLUSIONS.

**IV. PROPERTY EXCLUDED**

This Policy does not insure:

**A. GROWING CROPS**

Growing crops. This exclusion shall not apply to "land improvements" or as included in research and development property damage coverage

**STANDING TIMBER**

Standing timber. This exclusion shall not apply to "land improvements" or as included in research and development property damage coverage

**C. LAND, WATER**

Except as provided in 'Contamination Cleanup' in PROPERTY INSURED, land or water. This exclusion shall not apply to water that is normally contained within any type of tank, piping system or process equipment, nor shall this exclusion apply to "land improvements."

**D. ANIMALS**

Animals except as covered in research and development property damage coverage.

**E. WATERCRAFT**

Watercraft while waterborne except as provided in 'Off-Shore Property' below.

**F. AIRCRAFT**

Aircraft.

**G. MOTOR VEHICLES**

Motor vehicles licensed for highway .

**H. MINES AND MINING PROPERTY**

Underground mines and mining property located underground.

**I. OVERHEAD ELECTRICAL**

Overhead electrical transmission or distribution lines owned by the Insured except when at an insured "location" or within 1 (one) mile thereof.

**J. DAMS OR DIKES**

Dams or dikes. This exclusion shall not apply to Impounded Water in TIME ELEMENT.

**K. OFF-SHORE PROPERTY**

Off-shore property, except structures and their contents extending from land or shore; however, waterborne vessels and their contents and/or floating docks permanently moored to a dock, river bank or shore shall not to be considered as off-shore property.

In the Gulf of Mexico off Texas and Louisiana, 'off-shore' is to be seaward of the inland edge of the Lease Block of the Plane Coordinate System, as defined on United States Department of Land Management Leasing Maps.

**L. SATELLITES AND SPACECRAFT**

Satellites and spacecraft while on the launch pad or after time of launch.

**M. PRECIOUS STONES, PRECIOUS METALS, BULLION, JEWELRY**

Precious stones, precious metals, bullion, jewelry.

**N. ACCOUNTS , BILLS, CURRENCY, MONEY, NOTES, SECURITIES, EVIDENCES OF DEBT****V. TIME ELEMENT****A. BUSINESS INTERRUPTION**

1. This Policy insures loss resulting from the necessary interruption or reduction of business operations conducted by the Insured and caused by direct physical loss, damage or destruction, by a peril insured by this Policy, of property insured.
  
2. If such a loss occurs during the term of this Policy, it shall be adjusted on the basis of the 'Actual Loss Sustained' by the Insured during the Period of Recovery resulting from the interruption or reduction of operations. 'Actual Loss Sustained' is defined as the reduction in 'Gross Earnings' less charges and expenses that do not necessarily continue during the interruption or reduction of the business operations.

For manufacturing operations, 'Gross Earnings' are defined as the sum of:

- a. The total "net sales value of production,"
- b. The total net sales of "merchandise," and
- c. Other earnings derived from the business.

LESS THE COST OF:

- d. "Raw stock" from which such production is derived,

- e. Supplies consumed in the conversion of such "raw stock" into "finished stock" or in supplying the services sold by the Insured,
- f. "Merchandise" sold including packaging materials, and
- g. Services purchased from outsiders for resale, which do not continue under contract.

No other costs shall be deducted in determining 'Gross Earnings' for manufacturers.

For non-manufacturing operations, 'Gross Earnings' are defined as the sum of:

- a. Total net sales, and
- b. Other earnings derived from the operations of the business.

LESS THE COST OF:

- c. "Merchandise sold,
  - d. Materials and supplies consumed, and
  - e. Services purchased from outsiders for resale which do not continue under contract.
  - f. No other costs shall be deducted in determining 'Gross Earnings' for non-manufacturing business.
3. In the event of direct physical loss, damage or destruction of property insured by a peril insured by this Policy which results in an interruption in research and development activities that in themselves would not have produced income during the Period of Recovery, this Policy insures the actual loss sustained of the continuing fixed charges and expenses, including payroll, attributable to such research and development activities, known as 'Research and Development "Time Element."
  4. Resumption of Operations: If it is reasonably possible for the Insured to reduce the loss resulting from the interruption or reduction of operations,
    - a. By a complete or partial resumption of operations or
    - b. By making use of available "finished stock" or "merchandise,"

Such reduction shall be taken into account in arriving at the amount of loss hereunder.

5. 'Business interruption' does not insure any loss resulting from loss, damage or destruction of "finished stock" nor for the time required to reproduce "finished stock."

## **B. EXTRA EXPENSE**

This Policy insures:

1. 'Extra expense' incurred by the Insured resulting from direct physical loss, damage or destruction of property insured by a peril insured by this Policy.

2. 'Extra expense' means the reasonable and necessary extra costs incurred by the Insured during the Period of Recovery to temporarily continue as nearly normal as practicable the conduct of the Insured's business and extra costs of temporarily using property of the Insured or others less any value remaining at the end of the Period of Recovery for property obtained in connection with an 'extra expense' loss.

### C. RENTAL VALUE

This Policy insures:

1. 'Rental value' loss sustained by the Insured resulting from necessary untenability caused by direct physical loss, damage or destruction, by a peril insured by this Policy, of property insured but not exceeding the reduction in rental value less charges and expenses which do not necessarily continue during the Period of Recovery.
2. For the purposes of this insurance, 'rental value' is defined as the sum of:
  - a. The total anticipated gross rental income from tenant occupancy of the property insured as furnished and equipped by the Insured; and
  - b. The amount of all charges which are the legal obligation of the tenant(s) and which would otherwise be obligations of the Insured; and
  - c. The fair rental value of any portion of said property that is occupied by the Insured.
3. When the Insured is the lessee, this Policy insures:

The rent the Insured is obligated to pay including ground rents, accrued charges, real estate taxes and interest if the Insured is liable for such, less charges and expenses that do not necessarily continue during the Period of Recovery. However, if the Insured is obligated by the terms of any lease to pay rent and taxes for any time beyond the Period of Recovery of this Policy, this Policy insures such additional payments.

If the Insured is both a lessor and a lessee of the same "location," this Policy insures the loss as defined in V.C.2. above.

### D. ROYALTIES

This Policy insures:

1. Loss to the Insured, as described in Business Interruption above, of revenue under royalty, licensing fees or commission agreements between the Insured and another party, which is not realizable due to direct physical loss, damage or destruction, by a peril insured by this Policy, of property of the other party. Such other party shall not be an Insured under this Policy. Coverage under this Clause shall apply to loss experienced by the Insured caused by direct physical loss, damage or destruction of property of the other party situated within the territorial limits of this Policy.
2. Resumption of Operations: The Insured shall influence, to the extent possible, the party with whom the agreement described in paragraph V.D.1. above has been made to use any other machinery, supplies or locations in order to resume business so as to reduce the amount of loss hereunder and the Insured shall cooperate with that party in every way to effect this, but not financially, unless such expenditures are authorized by the Insurer.

**E. LEASEHOLD INTEREST**

This Policy insures:

1. The pro rata proportion from the date of loss to expiration date of the lease (to be paid without discount) on the Insured's interest in:
  - a. The amount of bonus paid by the Insured for the acquisition of the lease not recoverable under the terms of the lease for the unexpired term of the lease;
  - b. Improvements and betterments to real property during the unexpired term of the lease which is not covered under any other provision of this Policy;
  - c. The amount of advance rental paid by the Insured and not recoverable under the terms of the lease for the unexpired term of the lease;

when property of a lessor is rendered wholly or partially untenable as a result of direct physical loss, damage or destruction by a peril insured by this Policy and the lease is canceled by the lessor in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the lost, damaged or destroyed property is located; and

2. Interest of the Insured as Lessee
  - a. The 'Interest of the Insured as Lessee' when property is rendered wholly or partially untenable by a peril insured by this Policy and the lease is canceled by the lessor in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the damaged or destroyed property is located.
  - b. The 'Interest of the Insured as Lessee' as referred to herein shall be paid for the first three months succeeding the date of the loss and the 'Net Lease Interest' shall be paid for the remaining months of the unexpired lease.

3. Definitions:

The following terms, wherever used in this Clause, mean:

- a. The 'Interest of the Insured as Lessee' is defined as:
  - i. The excess of the rental value of similar premises over the actual rental payable by the lessee (including any maintenance or operating charges paid by the lessee) during the unexpired term of the lease.
  - ii. The rental income which would have been earned by the Insured from sublease agreements, to the extent not covered under any other Clause in TIME ELEMENT in this Policy, over and above the rental expenses specified in the lease between the Insured and the lessor.
- b. 'Net Lease Interest' is defined as that sum, which placed at the prime rate of interest plus 3% compounded annually, shall be equivalent to the 'Interest of the Insured as Lessee.'

4. The Insurer shall not be liable for any increase of loss, which may be occasioned by the suspension, lapse or cancellation of any license or by the Insured exercising an option to cancel the lease.

## F. SOFT COSTS

This Policy insures 'Soft Costs' loss sustained by the Insured during the Period of Recovery caused by direct physical loss, damage or destruction of insured property in the course of construction, erection, installation, or assembly by a peril insured by this Policy.

'Soft Costs' means expenses over and above normal expenses consisting of:

1. Additional interest on money borrowed to finance construction or repair.
2. Additional real estate and property taxes.
3. Additional legal and accounting fees.
4. Additional advertising and promotional expenses which become necessary as a result of the loss.

In the event the construction contract for such property contains a penalty clause providing for payments to the Insured for a delay in the completion of the construction, any portion of such penalty inuring to the benefit of the Insured shall be taken into consideration in the settlement of any loss hereunder.

## G. PROVISIONS APPLICABLE TO "TIME ELEMENT"

1. The Period of Recovery
  - a. Applicable to "Time Element" as defined in 'Business Interruption,' 'Extra Expense,' 'Rental Value' and 'Soft Costs' above:
    - i. Shall not exceed such length of time required with the exercise of due diligence and dispatch to rebuild, repair, or replace lost, damaged or destroyed property and to make such property ready for operations under the same or equivalent direct physical and operating conditions that existed prior to the loss, including such time as may be required to restore or recreate lost or destroyed valuable papers and records or electronic media and electronic data.
    - ii. Shall include an additional length of time, known as an 'Extended Period of Recovery,' not to exceed the time specified in the DECLARATIONS, to restore the Insured's business to the condition that would have existed had no "Time Element" loss occurred.
 

'Extended Period of Recovery' shall not apply to:

      - Interruption by Civil or Military Authority as defined below.
      - Loss of Ingress or Egress as defined below.
      - Service Interruption as defined below.
  - b. Applicable to "Time Element" as defined in Business Interruption and Rental Value above, the Period of Recovery applying to alterations, additions, and property while in the course of testing, commissioning, construction, erection, installation, or assembly, shall be determined as provided in a. above but the length of time shall be applied to the planned level of production or the planned level of business operation.

- c. Applicable to actions taken by the Insured in relation to "Preservation of Property" efforts as insured elsewhere in this Policy, shall commence at the time of initiation of the "Preservation of Property" efforts.
- d. Applicable to "Time Element" resulting from the release and subsequent lack of water supply stored behind dams or in reservoirs at an insured "location" when such water supply is used for any manufacturing purpose, for power or for fire protection and when such release is caused by direct physical loss, damage or destruction, by a peril insured by this Policy, of such dams or reservoirs or equipment connected thereto, shall be extended for a period not to exceed 30 consecutive days after the damaged dam, reservoir or equipment has been repaired or replaced. This provision is known as 'Impounded Water.'
- e. Except as provided in V.G.I.c above, for all "Time Element," the Period of Recovery shall commence with the date of the loss, damage or destruction of property of the type insured by a peril insured by this Policy and shall not be limited by the date of expiration of this Policy.

## 2. Expenses to Reduce Loss

Except as respects Extra Expense as defined above, this Policy insures expenses necessarily incurred for the purpose of reducing any "Time Element" loss, not to exceed the amount by which such "Time Element" loss is reduced.

## 3. Contingent "Time Element" Coverage

Subject to all TIME ELEMENT provisions including Interruption by Civil or Military Authority, Loss of Ingress or Egress and Service Interruption as defined below, this Policy insures the "Time Element" loss resulting from direct physical loss, damage or destruction, by a peril insured by this Policy, of:

- a. Property of the type insured by this Policy of a direct supplier or a direct receiver of the Insured, which prevents the rendering or acceptance of goods and/or services to or from the Insured. Such supplier or receiver must be located within the Policy territory.
- b. Property of others of the type insured by this Policy in the vicinity of a "location" of the Insured that attracts customers to the Insured's "location."

Contingent "Time Element" coverage does not apply to any loss or damage insured under Service Interruption as defined below.

## 4. Interdependent "Time Element"

This Policy insures "Time Element" interdependency loss sustained within and among companies or corporations owned, controlled or which are subsidiaries of the Insured, or joint ventures or partnerships in which the Insured has an interest, caused by direct physical loss, damage or destruction, by a peril insured by this Policy, of property insured situated within the territorial limits of this Policy.

5. Interruption by Civil or Military Authority

This Policy insures the "Time Element" loss sustained during the period of time when, as a result of direct physical loss, damage or destruction by a peril insured by this Policy within five miles of an insured "location," normal business operations are interrupted or reduced because access to that "location" is prohibited by order of civil or military authority.

6. Loss of Ingress or Egress

This Policy insures the "Time Element" loss sustained during the period of time when, as a result of direct physical loss, damage or destruction by a peril insured by this Policy within five miles of an insured "location," normal business operations are interrupted or reduced because ingress to or egress from that "location" is prohibited.

7. Service Interruption

This Policy insures the "Time Element" loss sustained as a result of direct physical loss, damage or destruction, by a peril insured by this Policy, of property of a supplier of electricity, steam, water, natural gas (except when natural gas is used as a raw material in which case "Time Element" loss is insured under Contingent "Time Element" as defined above), refrigeration, sewerage or telecommunications, including poles, towers, and transmission or distribution lines within 1000 feet of premises.

8. Law, Ordinance or Regulation

In the event reconstruction, restoration, repair or use of property insured is regulated or prohibited by the enforcement of any law, ordinance, or regulation that is in force at the time of direct physical loss, damage or destruction by a peril insured by this Policy, this Policy shall pay for any increase in "Time Element" loss insured by this Policy arising out of the additional time required to bring both the damaged and undamaged property into full compliance with the applicable law, ordinance or regulation.

Notwithstanding the foregoing, this Policy does not insure any increase in "Time Element" loss insured by this Policy arising out of the additional time required by the enforcement of any law, ordinance or regulation regulating asbestos material that has not sustained direct physical loss, damage or destruction by a Listed Peril as defined in Asbestos Material in EXCLUSIONS, or by any governmental direction or request declaring that asbestos material present in or part of or utilized in any undamaged portion of the Insured's property can no longer be used for the purpose for which it was intended or installed and must be removed or modified.

9. Experience of the Business

In determining the amount of "Time Element" loss payable hereunder, consideration shall be given to the experience of the business before the date of direct physical loss, damage or destruction and to the probable experience thereafter had no loss occurred, except with respect to any alterations, additions and property while in the course of testing, commissioning, construction, erection, installation, or assembly, insured by this Policy, consideration shall be given to the probable experience of the business on the date business operations would have commenced had no loss occurred.

10. Additional Exclusions Applicable to "Time Element."

This Policy does not insure:

- a. The suspension, cancellation or lapse of any lease, contract, license or orders beyond the 'Period of Recovery' or, if applicable, the 'Extended Period of Recovery.'
- b. Fines or damages for breach of contract or for late or non-completion of orders.
- c. Penalties of any nature.
- d. Any other consequential or remote loss not otherwise insured by this Policy.

## **VI. EXCLUSIONS**

This Policy does not insure:

### **A. FRAUD**

Fraud by the insured.

### **B. EMBEZZLEMENT**

Embezzlement of the Insured's property by any of the Insured's employees.

### **C. MYSTERIOUS DISAPPEARANCE**

Mysterious Disappearance.

### **D. INVENTORY SHORTAGE**

Loss or shortage the only proof of the factual existence of which is inventory records.

If the factual existence of the loss is provable by evidence other than inventory records, this exclusion shall not prohibit using inventory records to prove the amount of the loss.

### **E. FAULTY WORKMANSHIP, MATERIAL, CONSTRUCTION OR DESIGN**

Direct physical loss, damage or destruction caused by faulty workmanship, faulty material, faulty construction or faulty design unless direct physical loss, damage or destruction not excluded by this Policy results, then only that resulting from direct physical loss, damage or destruction is insured.

This exclusion shall not apply to "Boiler and Machinery" as defined in the DEFINITIONS.

### **F. DETERIORATION, DEPLETION, RUST, CORROSION OR EROSION, WEAR AND TEAR, INHERENT VICE OR LATENT DEFECT**

Direct physical loss, damage or destruction caused by deterioration, depletion, rust, corrosion or erosion, wear and tear, inherent vice or latent defect unless such direct physical loss, damage or destruction results directly from a peril insured by this policy or unless direct physical loss, damage or destruction not excluded by this policy results, then only that resulting from direct physical loss, damage or destruction is insured.

This exclusion shall not apply to "Boiler and Machinery" as defined in the DEFINITIONS.

**G. POLLUTION, CONTAMINATION**

Loss or damage caused by, resulting from, contributed to or made worse by actual, alleged or threatened release, discharge, escape or dispersal of 'contaminants or pollutants,' all whether direct or indirect, proximate or remote or in whole or in part arising from any cause whatsoever.

Nevertheless if a Listed Peril arises directly or indirectly from pollution or contamination any loss, damage or destruction of property insured by this Policy arising directly from that peril shall (subject to the terms, conditions and limitations of the Policy) be covered.

Notwithstanding the foregoing, this exclusion shall not apply if pollution or contamination results from direct physical loss, damage or destruction of property insured by this Policy by a Listed Peril:

## Listed Perils

Fire; lightning; explosion; windstorm or hail; smoke; direct impact of vehicle, aircraft or vessel; riot or civil commotion; vandalism or malicious mischief; leakage or accidental discharge of fire protection equipment; collapse; falling objects; weight of snow, ice or sleet; theft; "Boiler and Machinery"; accidental discharge, leakage, backup, or overflow of liquids or molten material from confinement within piping, plumbing systems, tanks, equipment or other containment located at the insured "location"; "Earthquake"; "Flood."

It is a condition precedent to recovery that such loss or damage be reported to the Insurer within 180 days of the date of the direct physical loss, damage or destruction.

'Contaminants or pollutants' means any material that 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 of property insured by this Policy, including, but not limited to, bacteria, virus, or hazardous substances as listed in the Federal Water Pollution Control Act, Clean Air Act, Resource Conservation and Recovery Act of 1976, and Toxic Substances Control Act, or as designated by the U.S. Environmental Protection Agency.

Except as provided in "Decontamination Costs" in PROPERTY INSURED, this Policy does not insure costs arising out of the enforcement of any law, ordinance, regulation or order by civil or judicial authority requiring the removal, disposal, replacement, cleanup, restoration or containment of property insured or costs to monitor or test for the existence or effects of pollutants.

**H. SETTLING, SHRINKAGE, CRACKING OR EXPANSIONS**

Settling, shrinkage, cracking or expansion in foundations, walls, floors, roofs or ceilings unless such damage results directly from a peril insured by this Policy, or unless direct physical loss, damage or destruction by a peril insured by this Policy results, and then this Policy shall insure against that resulting from direct physical loss, damage or destruction.

**I. HOSTILE OR WARLIKE ACTION/ACT OF TERRORISM**

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 by any government or sovereign power (de jure or de facto) or by any authority maintaining or using military, naval, or air force, or by any agent of any such government, power, authority, or forces; any weapon of war employing atomic fission or radioactive force whether in time of peace or war, insurrection, rebellion, revolution, civil war, usurped power, or action taken by any governmental authority in hindering, combating or defending against any such occurrence, seizure or destruction under quarantine or

customs regulations; confiscation or destruction by order of any government or public authority, except as provided in 'Destruction of Property at the Order of Public Authority' in PROPERTY INSURED.

2. 'Act of Terrorism'

An 'act of terrorism' means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s) or government(s), committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any sector of the public, in fear.

If the Insurer alleges that by reason of this exclusion, any loss, damage, cost or expense is not covered by this Policy the burden of proving the contrary shall be on the Insured.

In the event any portion of this provision is found to be invalid or unenforceable, the remainder shall remain in full force and effect.

**J. NUCLEAR REACTION, RADIATION OR RADIOACTIVE CONTAMINATION**

Nuclear reaction or nuclear radiation or radioactive contamination from any cause; however, if fire or sprinkler leakage ensues, the Insurer shall be liable for direct physical loss, damage destruction by the ensuing fire or sprinkler leakage.

Notwithstanding the previous sentence, this Policy insures against direct physical loss, damage or destruction caused by radioactive contamination, including resultant radiation damage, from material used or stored or from processes conducted by the Insured provided that at the time of such direct physical loss, damage or destruction there is neither a nuclear reactor capable of sustaining nuclear fission in a self-supporting chain reaction or any new or used nuclear fuel on the premises of the Insured.

**K. MOLD, MILDEW OR FUNGUS**

1. Except as set forth in paragraph VI.K.2. below, this Policy does not insure any loss, damage, claim, cost, expense or other sum directly or indirectly arising out of or relating to:

mold, mildew or fungus

This exclusion applies regardless whether there is (a) any direct physical loss, damage or destruction of property insured; (b) any insured peril or cause, whether or not contributing concurrently or in any sequence; (c) any loss of use, occupancy, or functionality; or (d) any action required, including but not limited to repair, replacement, removal, cleanup, abatement, disposal, relocation, or steps taken to address medical or legal concerns.

See Endorsement #012 Mold /Fungus Exclusion LX9512 08/02

**L. DELAY OR LOSS OF MARKET**

Delay or Loss of Market (except as otherwise insured by this Policy)

**M. INDIRECT OR REMOTE LOSS**

Indirect or Remote Loss

**N. LOSS FROM MANUFACTURING OR PROCESSING OPERATIONS**

Loss attributable to manufacturing or processing operations that result in damage to stock or materials while such stock or materials are being processed, manufactured, tested or otherwise being worked upon, unless direct physical loss, damage or destruction by a peril insured by this Policy results, and then this Policy shall insure against that resulting from direct physical loss, damage or destruction

**O. ANIMAL, INSECT OR VERMIN DAMAGE**

Animal, insect or vermin damage, unless direct physical loss, damage or destruction by a peril insured by this Policy results, and then this Policy shall insure against that resulting from direct physical loss, damage or destruction.

**P. ELECTRONIC MEDIA AND ELECTRONIC DATA**

Direct physical loss, damage or destruction of electronic media and electronic data.

However, anything in the foregoing sentence or elsewhere in this Policy to the contrary notwithstanding, this Policy insures direct physical loss, damage or destruction to electronic media and electronic data directly caused by a Listed Peril occurring during the Policy period.

## Listed Perils

Fire; lightning; explosion; windstorm or hail; smoke; direct impact of vehicle, aircraft or vessel; riot or civil commotion; leakage or accidental discharge of fire protection equipment; collapse; falling objects; weight of snow, ice or sleet; theft; "Boiler and Machinery"; accidental discharge, leakage, backup, or overflow of liquids or molten material from confinement within piping, plumbing systems, tanks, equipment or other containment located at the insured "location"; "Earthquake"; "Flood." Direct physical loss, damage or destruction of electronic media and electronic data shall not include distortion, erasure, corruption, alteration, diminishment in value, or resulting loss of use or usefulness of electronic media and electronic data, by any cause whatsoever other than the Listed Perils, including but not limited to 'computer virus,' regardless of any other cause or event that contributes concurrently or in any sequence to the loss, damage, destruction, distortion, erasure, corruption, alteration, diminishment in value, or loss of use or usefulness of electronic data or electronic media.

'Computer virus' means instructions, code, applications or any software program that has the ability or is suspected to have the ability to damage, destroy, erase, corrupt, alter, or prevent access to electronic media and/or electronic data.

**Q. ASBESTOS MATERIAL**

Asbestos material or the cost of removal or disposal of asbestos material or any sum related thereto.

However, anything in the foregoing sentence or elsewhere in this Policy to the contrary notwithstanding, this Policy insures asbestos physically incorporated in an insured building or structure, but only that part of the asbestos that has been physically damaged during the Policy period by one of the Listed Perils occurring during the Policy period.

## Listed Perils

The building or structure must be insured under this Policy for loss, damage or destruction by the Listed Peril. Fire; lightning; explosion; windstorm or hail; smoke; direct impact of vehicle, aircraft or vessel; riot or civil commotion; vandalism or malicious mischief; leakage or accidental discharge of fire protection equipment; collapse; falling objects; weight of snow, ice or sleet; theft; "Boiler and Machinery"; sudden and accidental discharge, leakage, backup, or

overflow of liquids or molten material from confinement within piping, plumbing systems, tanks, equipment or other containment located at the insured "location"; "Earthquake"; "Flood."

This coverage is subject to all limitations in this Policy and, in addition, to each of the following specific limitations:

1. The Listed Peril must be the immediate, sole cause of the damage to the asbestos.
2. The Insured must report to the Insurer the existence and estimated cost of the damage as soon as practicable but no later than twelve (12) months after the Listed Peril first damaged the asbestos. This Policy does not insure any direct physical loss, damage or destruction to the asbestos first reported to the Insurer after that twelve (12) month period.
3. Coverage under this Policy in respect of asbestos shall not include any sum relating to:
  - a. any faults in the design, manufacture or installation of the asbestos;
  - b. asbestos not cause by direct physical damage by the Listed Peril including any governmental or regulatory authority direction or request of whatsoever nature relating to undamaged asbestos.

#### **R. ELECTRONIC DATA RECOGNITION EXCLUSION**

Loss, damage, cost, claim or expense, whether preventative, remedial or otherwise, directly or indirectly arising out of or relating to:

1. the calculation, comparison, differentiation, sequencing or processing of data involving the date change to the year 2000, or any other date change, including leap year calculations, by any computer system, hardware, program or software and/or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the Insured or not; or
2. any change, alteration or modification involving the date change to the year 2000, or any other date change including leap year calculations, to any such computer system, hardware program or software or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the Insured or not.

This Clause applies regardless of any other cause or event that contributes concurrently or in any sequence to the loss, damage, cost, claim or expense.

## **VI.** VALUATION

The value of property shall be determined as follows:

### **A.** REPLACEMENT COST

With respect to all property insured (unless specifically addressed elsewhere in the Policy), the payment for loss shall be on a 'replacement cost' basis. 'Replacement Cost' includes all fees, costs, charges and expenses, (including, those of architects, surveyors, lawyers, engineers and consulting engineers) incurred by or on behalf of the Insured to reassemble, rebuild, reclaim, reconstruct, repair, replace, or restore property insured with due diligence and dispatch with new (or, at the sole option of the Insured, other) items, property or materials of like kind and quality, either at the site of the loss or, at the sole option of the Insured, another site. Replacement Cost includes the additional costs at the time building materials and supplies are purchased and the labor at the time the insured pays the contractor for the repair, restoration or replacement of damaged property. In the event the Insured decides to rebuild on another site, the liability of the Insurer shall not exceed the cost and expenses which would have been incurred to reassemble, rebuild, reclaim, reconstruct, repair, replace or restore the property lost, damaged or destroyed at the site of the loss.

If the Insured elects not to rebuild, this Policy shall pay for the cost of demolition and clearing the site of loss of both the damaged and the undamaged property; and the "actual cash value" of both the damaged and the undamaged property.

Without penalty the Insured may expend the amount of any replacement cost recovery within the normal scope of the Insured's business subject only to the full amount of the recovery actually being expended in acquiring or constructing buildings or structures and/or in acquiring building equipment, plant equipment, machinery, machine parts, office furniture or office equipment within a reasonable time after the date of loss.

To the extent the Insured provides its own general contracting, engineering, design or construction services for repair or reconstruction, the costs incurred by or on behalf of the Insured shall include:

1. Overhead charges as defined by the Insured's regular accounting practice in place at the time of loss, and
2. Payroll charges, appropriate fringe benefit costs and expenses of those employees expending time on the project, the cost of which is not included in item a. and;
3. The share of home office costs including payroll and expenses of the divisions to which such employees are assigned, and;
4. The share of corporate general and administrative costs allocated to the divisions involved as prescribed in the Insured's regular accounting practice in place at the time of the loss for determining its costs for providing engineering, procurement and construction management services.

### **B.** DEMOLITION AND INCREASED COST OF CONSTRUCTION

If, as a result of direct physical loss, damage or destruction by a peril insured by this Policy reconstruction, restoration, repair or use of property insured is regulated or prohibited by the enforcement of any law, ordinance, or regulation which is in force at the time of the direct physical loss, damage or destruction, this Policy shall pay for:

1. The cost of demolition and clearing the site of loss of both the damaged and the undamaged property; and
2. Such additional costs of (re)construction, restoration, or repair as may be incurred to bring both the damaged and the undamaged property into full compliance with any applicable law, ordinance or regulation;

However, if the Insured elects not to rebuild, this Policy shall pay for the cost of demolition and clearing the site of loss of both the damaged and the undamaged property; and the "actual cash value" of both the damaged and the undamaged property.

Notwithstanding the foregoing, this Policy does not insure such costs when necessitated by the enforcement of any law or ordinance regulating asbestos material that has not sustained direct physical loss, damage or destruction by a peril insured by this Policy or by any governmental direction or request declaring that asbestos material present in or part of or utilized in any undamaged portion of the Insured's property can no longer be used for the purpose for which it was intended or installed and must be removed or modified.

**C. FINISHED STOCK**

On "finished stock", at the Insured's regular cash selling price, less any discounts and unincurred charges to which "finished stock" would have been subject had no loss occurred;

**D. STOCK IN PROCESS**

On "stock in process," at the value of "raw stock" and labor expended, plus the proper proportion of overhead charges.

**E. RAW STOCK**

On "raw stock," supplies and other "merchandise" not manufactured by the Insured, at the replacement cost.

**F. FINE ARTS, ANTIQUES**

On 'fine arts or antiques,' the total liability shall not exceed the least of:

1. The cost to repair or restore the article to the condition that existed immediately prior to the loss; or
2. The cost to replace the article; or
3. The value designated for the article on the Schedule of Fine Arts or Antiques, if any, on file with the Insurer.

In the event an insured article is damaged or destroyed and cannot be repaired or restored to the condition that existed immediately prior to the loss or replaced, the Insurer shall be liable for the full amount of the value of the article and the Insured agrees to surrender the article(s) to the Insurer. The Insured may, at its sole option, accept payment by the Insurer for the reduction in value of any fine art or antique caused by damage by a peril insured by this Policy, and retain ownership of the property.

**G. VALUABLE PAPERS AND RECORDS**

On 'valuable papers and records,' the cost to repair, replace, restore or recreate, including the cost of research, engineering and other costs of repairing, replacing, restoring or recreating 'valuable papers and records' that suffer loss, damage or destruction; if unable to repair, replace, restore or recreate within a reasonable time after the date of the loss, damage or destruction, the value to the Insured of the damaged or destroyed 'valuable papers and records.'

**H. FILM, RECORDS, MANUSCRIPTS AND DRAWINGS**

On exposed films, records, manuscripts and drawings that are not 'valuable papers and records,' the value blank plus the cost of copying information from back-up or from originals of a previous generation.

**I. ELECTRONIC MEDIA AND ELECTRONIC DATA**

On 'electronic media' or 'electronic data,' the cost to repair or replace, including the cost of research, engineering and other costs of repairing, replacing, restoring or recreating 'electronic media' or 'electronic data'; if not repaired, replaced, restored or recreated within a reasonable time after the date of the loss, damage or destruction, the blank value.

This Policy does not insure any amount pertaining to the value of such 'electronic data' to the Insured or any other party, if such 'electronic data' cannot be recreated or assembled. If not repaired, replaced or restored 'electronic media' shall be valued at the cost of the blank media.

**J. PROPERTY OF OTHERS**

On property of others in the care, custody or control of the Insured, the greater of the liability of the Insured as stipulated in a contract, lease or agreement, or the replacement cost.

**K. TECHNOLOGICALLY OBSOLETE**

On property that is deemed to be technologically obsolete, or is unavailable because it is no longer in production, the cost of new property that shall perform the same functions as the original property, including any betterment inherent in the design of such property.

**L. PROPERTY SOLD BY THE INSURED**

On property sold by the Insured under a conditional sale or trust agreement or an installment or deferred payment plan:

1. if a total loss occurs, at the amount shown in the Insured's accounting records as due from the dealer or buyer;
2. if a partial loss occurs and the Insured repossesses the property, at the difference, if any, between the amount shown in the Insured's accounting records as due from the dealer or buyer and the realized value of the property.

The amount of the Insurer's liability under this provision shall be reduced by any payments made by the dealer or buyer.

Except as may be otherwise provided above, if the Insured decides not to repair, rebuild, or replace property lost, damaged or destroyed this Policy shall pay for the "actual cash value" of the property.

**VI. EXTENSIONS OF INSURANCE COVERAGE**

This Policy insures:

**A. PROPERTY IN TRANSIT**

1. Direct physical loss, damage or destruction, by a peril insured by this Policy, of shipments within and between the territorial limits of this Policy, including the coastal waters thereof, by any means of conveyance, from the

time the property is moved for purpose of loading and continuously thereafter while awaiting and during loading and unloading and in temporary storage, including temporary storage on any conveyance intended for use for any outbound or used for any inbound shipment, including during deviation and delay, until safely delivered and accepted at place of final destination.

2. Direct physical loss, damage or destruction, by a peril insured by this Policy, of property:
  - a. Sold and shipped by the Insured under terms of F.O.B. point of origin or other terms usually regarded as terminating the shipper's responsibility short of points of delivery;
  - b. Arising out of any unauthorized person(s) representing themselves to be the proper party(ies) to receive goods for shipment or to accept goods for delivery;
  - c. Occasioned by the acceptance by the Insured, by its agents, or by its customers of fraudulent bills of lading, shipping and delivery orders, or similar documents;
  - d. At the insured's option, property that is incoming to the Insured.
3. This Policy does not insure export shipments after loading on board an overseas vessel, watercraft, or aircraft, or after ocean marine insurance attaches, whichever occurs first; or import shipments prior to discharge from an overseas vessel, watercraft, or aircraft, or until ocean marine insurance terminates, whichever occurs later.

## **B. ACCOUNTS RECEIVABLE**

1. All sums due the Insured from customers, provided the Insured is unable to effect collection thereof as the result of direct physical loss, damage or destruction of records of accounts receivable by a peril insured by this Policy;
2. Interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage;
3. Collection expense in excess of normal collection cost and made necessary because of such loss or damage;
4. Other expenses, when reasonably incurred by the Insured in reestablishing records of accounts receivable following such loss or damage.

For the purpose of this Accounts Receivable insurance, credit card company charge media shall be considered to represent sums due the Insured.

When there is proof that a loss of records of accounts receivable has occurred but the Insured cannot more accurately establish the total amount of accounts receivable outstanding as of the date of such loss, such amount shall be computed as follows:

1. The monthly average of accounts receivable during the last available twelve months shall be adjusted in accordance with the percentage of increase or decrease in the twelve months average of monthly gross revenues which may have occurred in the interim.
2. The monthly amount of accounts receivable thus established shall be further adjusted in accordance with any demonstrable variance from the average for the particular month in which the loss occurred, due consideration also being given to the normal fluctuations in the amount of accounts receivable within the fiscal month involved.

There shall be deducted from the total amount of accounts receivable, however established, the amount of such accounts evidenced by records not lost or damaged, or otherwise established or collected by the Insured, and an amount to allow for probable bad debts which would normally have been uncollectible by the Insured.

**C. SERVICE CHARGES**

Service charges and expenses including Fire Department, Police, Rescue Squad, and any government or authority charges incurred by the Insured because of an "occurrence" of a peril insured by this Policy.

**D. PRESERVATION OF PROPERTY**

In case of actual or imminent direct physical loss, damage or destruction by a peril insured by this Policy, the expenses incurred by the Insured in taking reasonable and necessary actions for the temporary protection and preservation of property insured by this Policy shall be added to the total direct physical loss, damage or destruction, if any, otherwise recoverable under the Policy and be subject to the applicable Deductible and without increase in the Policy Limits of Liability.

**E. PROPERTY IN COURSE OF CONSTRUCTION**

New buildings and structures, and machinery and equipment installed therein, in the course of construction and installation, at both new and existing "locations." This Policy also insures property of contractors and subcontractors at an insured "location" or within 1,000 feet thereof.

**F. INCREASED TAX LIABILITY**

Loss sustained by the Insured in the event that the tax treatment of loss recoveries under any provision of this Policy differs from the tax treatment that would have been experienced by the Insured had no direct physical loss, damage or destruction by a peril insured by this Policy occurred.

**G. LOSS ADJUSTMENT EXPENSES AND/OR PROFESSIONAL FEES**

Expenses incurred by the Insured or by the Insured's representatives including Accountants, Appraisers, Architects, Auditors, Consultants, Engineers, or other such professionals in order to arrive at the loss payable under this Policy in the event of a claim. This provision does not insure expenses incurred for the services of any lawyer or public adjuster.

**IX. GENERAL CONDITIONS**

**A. OTHER INSURANCE**

1. Underlying Insurance

Underlying insurance is insurance on all or any part of the Deductible and against all or any of the perils covered by this Policy including declarations of the value to a carrier for hire. The existence of such underlying insurance shall not prejudice or affect any recovery otherwise payable under this Policy.

If the limits of such underlying insurance exceed the Deductible amount, which would apply in the event of loss under this Policy, then that portion which exceeds such a Deductible amount shall be considered 'other insurance.'

2. Excess Insurance

Excess insurance is insurance over the Limit of Liability set forth in this Policy. The existence of such excess insurance shall not prejudice the coverage provided under this Policy nor shall it reduce any liability hereunder.

3. Other Insurance

If there is any other insurance that would apply in the absence of this Policy, this Policy shall apply only after such insurance whether collectible or not. In no event shall this Policy apply as contributing insurance.

The Insured is permitted to have other insurance over any Limits or Sub-limits of Liability specified in this Policy without prejudice to this Policy. The existence of any such insurance shall not reduce any Limit or Sub-limit of Liability in this Policy. Any other insurance that would have provided primary insurance in the absence of this Policy shall not be considered excess.

The Insured is permitted to have other insurance for all, or any part, of any Deductible in this Policy. The existence of such other insurance shall not prejudice recovery under this Policy. If the limits of liability of such other insurance are greater than this Policy's applicable Deductible, this Policy shall apply only after such other insurance has been exhausted.

4. Contributing Insurance

Contributing insurance is insurance written upon identical, terms, conditions, and provisions as those contained in this Policy. This insurance shall contribute in accordance with the conditions of this Policy only with other contributing insurance as defined.

**B. SUBROGATION**

1. In the event of any payment under this Policy, the Insurer, where legally permitted, shall be subrogated to the extent of such payment to all the Insured's rights of recovery in respect thereof. The Insured is required to cooperate, at the request and expense of the Insurer, in any subrogation proceedings. The Insurer may require from the Insured an assignment or other transfer of all rights of recovery against any party for loss to the extent of the Insurer's payment.

The Insurer shall not acquire any right of recovery that the Insured has expressly waived prior to a loss, nor shall such waiver affect the Insured's rights under this Policy.

Any recovery from subrogation proceedings, less costs incurred by the Insurer in the proceedings, shall be payable to the Insured in the proportion that the amount of any applicable Deductible and/or any provable uninsured loss, bears to the entire provable amount.

2. The right of subrogation against the Insured, affiliated, subsidiary and associated companies or corporations, or any other corporations or companies associated with the Insured through ownership or management, is waived. At the option of the Insured, subrogation against a tenant of the Insured may be waived.

**C. SALVAGES AND RECOVERIES**

Any recoveries from sale of salvage, after expenses incurred in salvage or recovery are deducted, except recovery through subrogation proceedings, shall accrue entirely to the benefit of the Insurer until the sums paid by the Insurer have been recovered.

**D. BRANDS AND LABELS/CONTROL OF DAMAGED PROPERTY**

1. Brands and Labels: In case of direct physical loss, damage or destruction, by a peril insured by this Policy, of property bearing a brand or trademark, or the name of the Insured, which in any way carries or implies the guarantee or the responsibility of the manufacturer or the Insured, the salvage value of such damaged property shall be determined after removal in the customary manner of all such brands or trademarks or other identifying characteristics. The cost of such removal shall be included as a part of the claim.
2. Control of Damaged Property: The Insured shall have full right to the possession of all property involved in any claims under this Policy and shall retain control of all lost, damaged or destroyed property. The Insured, exercising a reasonable discretion, shall be the sole judge as to whether the property involved in any loss under this Policy is fit for sale or use. No property so deemed by the Insured to be unfit for sale or use shall be sold or otherwise disposed of except by the Insured or with the Insured's consent, but the Insured shall allow this Insurer any salvage obtained by the Insured on any sale or other disposition of such property.

**E. CANCELLATION**

This insurance may be canceled by the First Named Insured shown in the Declarations at any time by written notice or by surrender of this Policy.

Except as prohibited or regulated by law, this insurance may also be canceled by or on behalf of the Insurer at the Policy anniversary only by delivering to the Insured or by mailing to the Insured, by registered, certified or other first class mail, at the Insured's address as shown in this insurance, written notice stating when, not less than ninety (90) days thereafter, the cancellation shall be effective. Notwithstanding the foregoing in the event of non-payment of premium at any time during the term of this Policy, the Insurer may give ten (10) days written notice of cancellation to the Insured. At any time prior to the effective date of cancellation, any Additional Insured, Loss Payee or Mortgagee may pay the premium due and the notice of cancellation shall be null and void. The mailing of such notice shall be sufficient proof of notice and this insurance shall terminate at the date and hour specified in the notice.

If this insurance is canceled by the Insurer, the Insurer shall retain the pro-rata proportion of the premium earned from the date of inception to the date of cancellation. If this insurance is canceled by the Insured, the insurer shall retain the pro-rata proportion of the premium earned from the date of inception to the date of cancellation subject to a minimum of 25% of the gross premium.

Payment or tender of any unearned premium by the Insurer shall not be a condition precedent to the effectiveness of cancellation but such payment shall be made as soon as practicable.

If the period of limitation relating to the giving of notice is prohibited or made void by any law, the period of limitation shall be deemed to be amended so as to be equal to the minimum period of limitation permitted by such law.

In the event of cancellation of this Policy by the Insurer, the cancellation shall not take effect with respect to property in transit until the property has arrived at the place of its final destination.

#### **F. NOTICE OF LOSS**

As soon as practicable after any direct physical loss, damage or destruction by a peril insured by this Policy is known to the First Named Insured's Contact identified in Declarations I.A., the Insured shall report such loss, damage or destruction with full particulars to the Insurer at the address set forth in this Policy.

#### **G. PROOF OF LOSS**

The Insured shall render a signed and sworn proof of loss to the Insurer or its appointed representative stating: the place and time of the loss, damage or destruction; the interest of the Insured and all others; the value of the property involved in the loss; and the amount of loss, damage, or expense.

#### **H. PAYMENT OF LOSS**

1. All adjusted claims shall be due and payable no later than 30 days after presentation and acceptance of proof of loss by the Insurer or its appointed representative.
2. Pending final adjustment of an insured loss, the Insured may collect partial payments by filing a proof of loss for each partial payment.
3. The full amount of the 'actual cash value' shall be due and payable no later than 30 days after presentation and acceptance of a proof of loss for the 'actual cash value.' Collecting the 'actual cash value' portion of any claim shall not affect the rights of the insured under this Policy to collect amounts in excess of the 'actual cash value' upon presentation and acceptance of proof of loss.

#### **I. APPRAISAL**

If the Insured and the Insurer fail to agree on the amount of a claim, each, upon the written demand of the other made within 60 days after receipt of proof of loss by the Insurer, shall select a competent and disinterested appraiser. The appraisers shall then select a competent and disinterested umpire. If they should fail for 15 days to agree upon such umpire, then upon the request of the Insured or of the Insurer, such umpire shall be selected by a judge of a court of record in the appropriate jurisdiction in which such appraisal is pending. Then, at a reasonable time and place, the appraisers shall appraise the loss, stating separately the value and the amount of loss. If the appraisers fail to agree, they shall submit their differences to the umpire. An award in writing by any two shall determine the amount of loss.

The Insured and the Insurer shall each pay its chosen appraiser and bear equally the other expenses of the appraisal and umpire.

**J. SUIT AGAINST THE INSURER**

No suit or action on this Policy for the recovery of any claim shall be sustainable in any court of law or equity unless the Insured has fully complied with all the requirements of this Policy. The Insurer agrees that any action or proceeding against it for recovery of any loss under this Policy shall not be barred if commenced within the longer of three years or the time prescribed in the statutes of the applicable jurisdiction.

**K. ADDITIONAL INSUREDS, LOSS PAYEES AND MORTGAGEES**

All third parties having an interest in property insured by this Policy, as required by lease, contract, or agreement, shall automatically be Additional Insureds hereunder.

All other third parties including, but not limited to, Loss Payees and Mortgagees who have an interest in the property insured by this Policy shall be automatically named as Loss Payees or Mortgagees, and loss, if any, under this Policy shall be adjusted with the Insured and payable to the Insured and the Additional Insureds, Loss Payees or Mortgagees according to their respective insurable interests.

1. The Insurer shall pay for loss, damage or destruction of specified property insured under this Policy to each specified Lender Loss Payee (hereinafter referred to as Lender) to the extent of its insurable interest and to each specified Mortgagee to the extent of its insurable interest, under all present or future mortgages upon such property, in order of precedence of the mortgages.
2. The Insurable interest of the Lender or Mortgagee (as the case may be) in property insured under this Policy shall not be invalidated by:
  - a. any act or neglect of the debtor, mortgagor, or owner (as the case may be) of the property.
  - b. foreclosure, notice of sale, or similar proceedings with respect to the property.
  - c. change in the title or ownership of the property.
  - d. change to a more hazardous occupancy.

The Lender or Mortgagee shall notify the Insurer of any known change in ownership, occupancy, or hazard and, within 10 days of written request by the Insurer, may pay the increased premium associated with the change.

3. If this Policy is cancelled at the request of the Insured or its agent, the coverage for the insurable interest of the Lender or Mortgagee shall terminate 10 days after the Insurer sends to the Lender or Mortgagee written notice of cancellation, unless:
  - a. sooner terminated by authorization, consent, approval, acceptance, or ratification of the Insured's action by the Lender or Mortgagee, or its agent.
  - b. this Policy is replaced by the Insured, with a Policy providing coverage for the insurable interest of the Lender or Mortgagee, in which event coverage under this Policy with respect to such interest shall terminate as of the effective date of the replacement Policy, notwithstanding any other provision of this Policy.

4. The Insurer may cancel this Policy and/or the interest of the Lender or Mortgagee under this Policy, by giving the Lender or Mortgagee written notice 90 days prior to the effective date of cancellation, if cancellation is for any reason other than non-payment. If the debtor, mortgagor, or owner has failed to pay any premium due under this Policy, the Insurer may cancel this Policy for non-payment, but shall give the Lender or Mortgagee written notice 20 days prior to the effective date of cancellation. The Lender or Mortgagee may pay the premium due. If the Lender or Mortgagee fails to pay the premium due by the specified cancellation date, all coverage under this Policy shall cease.
5. If the Insurer pays the Lender or Mortgagee for any loss, and denies payment to the debtor, mortgagor or owner, the Insurer shall, to the extent of the payment made to the Lender or Mortgagee be subrogated to the rights of the Lender or Mortgagee under all securities held as collateral to the debt or mortgage. No subrogation shall impair the right of the Lender or Mortgagee to sue or recover the full amount of its claim. At its option, the Insurer may pay to the Lender or Mortgagee the whole principal due on the debt or mortgage plus any accrued interest. In this event, all rights and securities shall be assigned and transferred from the Lender or Mortgagee to the Insurer, and the remaining debt or mortgage shall be paid to the Insurer.
6. If the Insured fails to render proof of loss, the Lender or Mortgagee, upon notice of the Insured's failure to do so, may render proof of loss and shall be subject to the provisions of this Policy relating to appraisal, settlement of claims, and suit against the Insurer.

#### **L. AUDIT**

The Insurer may inspect the books and records of the Insured pertaining to the subject matter of this insurance at any reasonable time during normal business hours during the term of this Policy and for twelve (12) months after the expiration or termination date of the Policy.

#### **M. REQUIRED BY LAW**

Any provisions required by law to be included in policies issued by the Insurer shall be deemed to have been included in this Policy.

If the provisions of this Policy conflict with the laws of any jurisdictions in which this Policy applies, and if certain provisions are required by law to be stated in this Policy, this Policy shall be read so as to eliminate such conflict or deemed to include such provisions for insured "locations" within such jurisdictions.

#### **N. TITLES OF PARAGRAPHS**

The titles of the paragraphs of this Policy, this form and of endorsements and supplemental contracts, if any, now or hereafter attached are inserted solely for convenience of reference and shall not limit or affect the provisions to which they relate.

**O. ASSISTANCE AND COOPERATION OF THE INSURED**

The Insured shall cooperate with the Insurer and, upon the Insurer's request and expense, shall submit to examination under oath, attend hearings and trials and assist in effecting settlements, in securing and giving evidence, in obtaining the attendance of witnesses, and in conducting suits.

**P. COINSURANCE**

No coinsurance shall apply with respect to this insurance.

**Q. CONTROL OF PROPERTY**

This insurance shall not be prejudiced by any act or neglect of the owner of any building if the Insured is not the owner thereof, or by any act or neglect of any occupant (other than the Insured) of any building, when such act or neglect of the owner or occupant is not within the control of the Insured, or by failure of the Insured to comply with any warranty or conditions contained in this Policy of any form or endorsement attached to this Policy with regard to any portion of the premises over which the Insured has no control.

**R. OMISSIONS OR ERRORS**

Any inadvertent omission or error made by the Insured shall not void or impair the insurance hereunder provided the Insured reports such omission or error as soon as reasonably possible after discovery by the First Named Insured's Contact identified in Declarations I.A..

**S. EXTORTION**

Recovery under this Policy shall not be affected by the refusal of the Insured to comply with any extortion demand.

**T. RIGHT TO INSPECT**

The Insurer, at all reasonable times, is permitted, but does not have any duty, to inspect property insured.

The Insurer's

1. Right to make inspections;
2. Making of inspections; or
3. Analysis, advice or inspection report

shall not constitute an undertaking, on behalf of or for the benefit of the Insured or others to determine or warrant that the property insured is safe or healthful. The Insurer shall have no liability to the Insured or any other person because of any inspection or failure to inspect.

## **X. DEFINITIONS**

These definitions shall apply to the terms wherever they appear in this Policy and any addendum and/or endorsement to this Policy.

### **A. ACTUAL CASH VALUE**

The replacement cost (as defined in VALUATION), less a reasonable allowance for direct physical deterioration.

### **B. BOILER AND MACHINERY**

1. Loss or damage caused by or resulting from explosion in, or of steam boilers, steam turbines, gas turbines, steam engines and steam pipes interconnecting any of the foregoing equipment owned, operated or controlled by the Insured, however;

This definition shall not apply to loss or damage resulting from an explosion:

- a. Of gases or fuel within the furnace of a boiler or within the flues or passages therefrom;
- b. Involving the smelt bed within a furnace of a boiler of the chemical recovery type;
- c. Outside of any equipment.

2. Loss or damage caused by or resulting from rupture, bursting, cracking, bulging, burning or change of temperature of steam boilers, steam turbines, gas turbines, steam engines and pressure vessels, or piping or apparatus attached to any of the foregoing equipment owned, operated or controlled by the Insured, however:

this definition shall not apply to direct physical loss or damage resulting from accidental discharge, escape, leakage, backup or overflow to the open of any material from confinement within piping, plumbing systems, tanks or equipment, except from that equipment identified in paragraph 1) above.

4. Loss or damage from mechanical or electrical breakdown (except by direct lightning damage) of any equipment, unless such results directly in direct physical loss, damage or destruction insured by this Policy, in which event, this definition shall not apply to such resulting damage.

### **C. EARTH MOVEMENT**

A quaking, trembling, vibratory or undulating movement of a portion of the earth's crust, produced by underground volcanic forces or other pressures that produce a breaking, shifting or other movement of the earth's crust. Tsunami will be considered Earth Movement. Wherever used in this Policy, the term "Earth Movement" shall be restricted exclusively to the actual, specific cracking, rupturing, shifting, toppling or collapse of property and shall not include loss, damage or destruction, if any, directly resulting from fire, explosion or sprinkler leakage.

If more than one "Earth Movement" occurs within any period of 72 hours during the term of this Policy, such "Earth Movement" shall be deemed to be a single "occurrence" within the meaning of this Policy. The Insured may determine the beginning of such 72-hour period.

Should any "Earth Movement" commence prior to the expiration of this Policy and extend beyond the expiration date of this Policy, this Policy shall pay for all such losses occurring during such period as if such period fell entirely within the term of this Policy. But the Insurer shall not be liable for any loss commencing before the effective date and time or commencing after the expiration date and time of this Policy.

**D. FINISHED STOCK**

Stock manufactured by the Insured, which in the ordinary course of the Insured's business is ready for packing, shipment or sale.

**E. FLOOD**

A general and temporary condition of partial or complete inundation of normally dry land area from (1) the overflow of inland or coastal waters; (2) the unusual and rapid accumulation or run off of surface waters from any source; or (3) the spray from any of them, whether driven by wind or not, and shall not include loss, damage or destruction, if any, directly resulting from fire, explosion or sprinkler leakage.

If any "Flood" occurs within a period of the continued rising or overflow of any natural or man-made bodies of water and the subsidence of same within their banks or results from any waves, tides, tidal waves or series of tidal waves caused by any one disturbance, all loss, damage or destruction by such "Flood" occurring within a continuous period of 72 hours shall be deemed to be a single "occurrence" within the meaning of this Policy.

Should any "Flood" commence prior to the expiration of this Policy and extend beyond the expiration date of this Policy, this Policy shall pay for all such losses occurring during such period as if such period fell entirely within the term of this Policy. But the Insurer shall not be liable for any loss commencing before the effective date and time or commencing after the expiration date and time of this Policy.

**F. GENERAL AVERAGE CONTRIBUTION AND SALVAGE CHARGES**

Contribution by all of the parties in a sea adventure to make good loss sustained by one of their number on account of sacrifices voluntarily made of part of a ship or cargo to save residue; extraordinary expenses necessarily incurred by one or more of the parties for general benefit of all interests embarked in a general enterprise; expenses and costs incurred in the work of saving and preserving a ship or cargo which was in danger of loss or damage such as would be covered by this Policy.

**G. HIGH HAZARD ZONES FOR EARTHQUAKE**

STATE	COUNTIES
ALASKA	Entire State except Nome, North Slope, Northwest Artic, Wade Hampton
CALIFORNIA	Entire State
HAWAII	Entire State

PUERTO RICO	Entire Commonwealth
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#### H. IMPROVEMENTS AND BETTERMENTS

Fixtures, alterations, installations or additions comprising part of a building occupied but not owned by the Insured and acquired or made at the expense of the Insured, which the Insured cannot legally remove.

#### I. INSURABLE INTEREST OF THE INSURED IN PROPERTY OF OTHERS

1. liability imposed by law upon the Insured for loss, damage or destruction, by a peril insured by this Policy, of property of another of the type insured by this Policy ; or
2. liability assumed by the Insured by specific agreement prior to loss for direct physical loss, damage or destruction by a peril insured by this Policy.

#### J. LAND IMPROVEMENTS

Any alteration to the natural condition of the land at a "location" by grading, landscaping and additions to such land including landscape gardening, pavements, roadways, or similar works, but excluding golf courses and beaches, and including the cost of reclaiming, restoring or repairing "land improvements." "Land improvements" shall also include trees, plants and shrubs that are part of the natural condition of the land at a "location" and that form part of the effective placements of buildings or structures, pavements, roadways or similar works, and other alterations to the natural condition of the land.

#### K. LOCATION

1. a site listed on a report provided the Insurer at inception; or
2. if:
  - a. a "Miscellaneous Unreported Location" or
  - b. covered under Automatic Coverage for Newly Acquired Property

a building, yard, dock, wharf, pier or bulkhead (or any group of the foregoing) bounded on all sides by public streets, clear land space or open waterways, each not less than fifty feet wide. Any bridge or tunnel crossing such street, space or waterway shall render such separation inoperative for the purpose of this definition.

#### L. MERCHANDISE

Goods kept for sale by the Insured, which are not "raw stock," "stock in process" or "finished stock."

#### M. MISCELLANEOUS UNREPORTED LOCATION

Real and/or personal property of the type insured by this Policy at any "location" within the territorial limits of this Policy, which property is at the risk of the Insured at inception of the Policy but has not been listed on a report provided to the Insurer at inception or which becomes at the risk of the Insured after the inception date of this Policy but is not reported to the Insurer within the maximum number of days as shown in the Time Limit for Automatic Coverage for Newly Acquired Property in DECLARATIONS.

**N. NAMED STORM**

The 'direct action of wind' on property of the type insured by this Policy when associated with any storm that is named by the National Weather Service or any other recognized meteorological authority. 'Direct action of wind' shall include the action of rain, sand or dust on the interior of any building or structure or on the contents of any building or structure as a result of such action of wind. But 'direct action of wind' shall not include loss, damage or destruction, if any, by fire, explosion or sprinkler leakage. Storm surge is included in the definition of wind.

All loss or damage occurring during a period of 72 consecutive hours as a result of the such 'direct action of wind' shall be deemed to be a single "occurrence" within the meaning of this Policy.

Should any "Named Storm" commence prior to the expiration of this Policy and extend beyond the expiration date of this Policy, this Policy shall pay for all such losses occurring during such period as if such period fell entirely within the term of this Policy. But the Insurer shall not be liable for any loss commencing before the effective date and time or commencing after the expiration date and time of this Policy.

**O. NET SALES VALUE OF PRODUCTION**

The sum of the net sales of the Insured's product during 'the year' (gross sales less discounts, returns, allowances, bad debts and prepaid freight to the extent included in sales figures), less inventory of "finished stock" at the beginning of 'the year' priced at sales value, plus the inventory of "finished stock" on hand at the end of 'the year' priced at sales value. 'The year' means the 365-day period ending on the date of the loss.

**P. NORMAL**

The condition that would have existed had no loss occurred.

**Q. OCCURRENCE**

See Form PR9014 (08/06) – Occurrence Limit of Liability

**R. RAW STOCK**

Material in the state in which the Insured receives it for conversion by the Insured into "stock in process" or "finished stock."

**S. STOCK IN PROCESS**

"Raw stock" which has undergone any aging, seasoning, mechanical or other process of manufacture but which has not become "finished stock."

**T. TIME ELEMENT**

Business Interruption, Extra Expense, Rental Value, Royalties and Leasehold Interest, to the extent they are insured by this Policy.

**TIER 1 COUNTIES ENDORSEMENT**

*It is agreed that the all reference to "Tier 1", "Tier 1 Windstorm" or other similar "Tier 1" references, shall be defined as all locations situated within Tier 1 Counties, Parishes or Independent Cities as classified below.*

<b>ALABAMA:</b>	<i>Baldwin, Mobile;</i>
<b>FLORIDA:</b>	<i>Entire State of Florida;</i>
<b>HAWAII:</b>	<i>Entire State of Hawaii;</i>
<b>GEORGIA:</b>	<i>Bryan, Camden, Chatham, Glynn, Liberty, McIntosh;</i>
<b>LOUISIANA:</b>	<i>Calcasieu, Cameron, Iberia, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion;</i>
<b>MISSISSIPPI:</b>	<i>Hancock, Harrison, Jackson;</i>
<b>NORTH CAROLINA:</b>	<i>Beaufort, Bertie, Brunswick, Camden, Carteret, Chowan, Columbus, Craven, Currituck, Dare, Hyde, Jones, New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrell, Washington;</i>
<b>SOUTH CAROLINA:</b>	<i>Beaufort, Berkley, Charleston, Colleton, Georgetown, Horry, Jasper;</i>
<b>TEXAS:</b>	<i>Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Harris (entire County), Jackson, Jefferson, Kenedy, Kleberg, Liberty, Matagorda, Newton, Nueces, Orange, Refugio, San Patricio, Victoria, Willacy;</i>

**VIRGINIA:**

*Accomack, Chesapeake City, Gloucester, Hampton City, Isle of Wight, James City, Lancaster, Mathews, Middlesex, Newport News, Norfolk City, Northampton, Northumberland, Poquoson City, Portsmouth City, Suffolk City, Surry, Virginia Beach City, Westmoreland, Williamsburg City, York;*

Attached to and forming part of Policy No. 017728109 of the Lexington Insurance Company

A handwritten signature in black ink, appearing to read "E. P. Duff", written over a horizontal line.

[Authorized Signature]

**ENDORSEMENT NO. 1: NEW MADRID & PACIFIC NORTHWEST EARTHQUAKE/EARTHMOVENT ZONES**

**INSURED:** University of Tennessee and the Tennessee Board of Regents Systems and the Tennessee Board of Regents Systems

**EFFECTIVE DATE:** July 1, 2015

**POLICY NUMBER:** 017728109

In consideration of the premium charged, the following counties define the New Madrid & Pacific Northwest Earthquake/Earth Movement zone in the University of Tennessee and the Tennessee Board of Regents Systems and the Tennessee Board of Regents Systems

**HIGH HAZARD EARTHQUAKE ZONES**

**NEW MADRID AND PACIFIC NORTHWEST**

**New Madrid Earthquake Zone Counties** means the following counties within the following states:

**Arkansas:** Clay, Craighead, Crittenden, Cross, Greene, Jackson, Lawrence, Randolph, Sharp, Mississippi, Poinsett;

**Illinois:** Alexander, Massac, Pulaski, Union, Williamson, Johnson, Pope, Saline, Jackson, Franklin, Perry, Hardin, Randolph, Monroe, St Clair, Washington, Clinton, Bond Madison, Jefferson;

**Indiana:** Posey, Vanderburgh, Gibson, Warrick, Pike;

**Kentucky:** Ballard, Carlisle, Fulton, Graves, Hickman, Livingston, McCracken, Marshall, Calloway;

**Mississippi:** Desoto, Tunica, Marshall, Tate, Coahoma, Bolivar;

**Missouri:** Bollinger, Butler, Cape Girardeau, Dunklin, Mississippi, New Madrid, Pemiscot, Scott, Stoddard, St. Louis, St Francois, St Charles, Jefferson, Franklin, Warren, Washington, Iron, Wayne, Reynolds, Madison, St Genevieve and Perry;

**Tennessee:** Crockett, Dyer, Haywood, Lake, Lauderdale, Obion, Shelby, Tipton, Gibson, Madison, Fayette, Hardeman.

**Pacific Northwest Earthquake Zone Counties means:**

The following counties within Washington state: Clallam, Jefferson, King, Kitsap, Mason, Pierce, San Juan, Skagit, Snohomish, Thurston and Whatcom; and

The geographic area of British Columbia, Canada (including Vancouver Island and other Canadian islands) that is south of 50° North latitude and west of 120° West longitude.

**ENDORSEMENT #2: Communicable Disease Contamination**

**INSURED: University of Tennessee and the Tennessee Board of Regents Systems and the Tennessee Board of Regents Systems**

**EFFECTIVE DATE: July 1, 2015**

**POLICY NUMBER: 017728109**

**Communicable Disease Contamination**

It is hereby agreed and understood, the following is added:

In the event of direct physical loss of or damage caused by a covered cause of loss to Covered Property occurring at a premises described in the Declarations Schedule, if that described premises is affected by communicable disease contamination, and that premises is fully or partially uninhabitable due to the enforcement (by an authorized governmental agency ) of any law or ordinance regulating the spread of communicable disease and which prohibits access to that premises, we will pay for the actual business income loss you sustain and necessary extra expense you incur, during the period of restoration, resulting from the necessary suspension of your business activities. We will also pay for the costs to test for, monitor, cleanup, remove, contain, treat, detoxify, neutralize or in any way respond to or access the effects of contamination.

We will pay for this coverage only if the loss or damage is reported to us in writing within one hundred eighty (180) days following the commencement of the loss or damage. We will pay not more than the applicable sub-limit of insurance.

All Other Terms and Conditions Unchanged

**ENDORSEMENT NO. 3: Historical Valuation**

**INSURED: University of Tennessee and the Tennessee Board of Regents Systems and the Tennessee Board of Regents Systems**

**EFFECTIVE DATE: July 1, 2015**

**POLICY NUMBER: 017728109**

**Historical Valuation**

It is agreed and understood that Section VII Valuations the following is added:

With regard to properties designated as being historic properties on the statement of values on file with the company, the following valuation clause applies:

1. If the buildings or structures are lost or damaged, this policy will pay the cost to replace, repair or restore them using the same materials, workmanship and architectural features and details that existed before the loss, provided they are available. However, if any materials or workmanship needed to replace, repair or restore a building or structure are not available, this policy will pay the cost to use materials and/or workmanship that will permit the replacement, repair or restoration of the building or structure to a condition that most closely resembles the condition before the loss.
2. If there is an ordinance or law in effect at the time of loss that regulates zoning, land use or construction of the building or structure, such as a Historic Preservation Act or other landmark regulation, and if that ordinance or law affects the repair or rebuilding of the loss or damaged building or structure and if the insured:
  - i. repairs or rebuilds the building or structure as soon as reasonably possible, this policy will pay the replacement value of the damaged and undamaged portions of the building, the cost to demolish and clear the site of the undamaged portion of the building, and the increased cost to repair or rebuild the building to the same general size in accordance with the minimum standards of such ordinance or law;
  - ii. does not repair, rebuild or replace the building or structure, this policy will pay the actual cash value of the damaged and undamaged portions of the building; and the cost to demolish and clear the site of the undamaged portion of the building.
3. Coverage afforded by item 2. does not apply for the costs associated with the enforcement of any ordinance or law that requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize or in any way respond to or assess the effects of pollutants or contaminants. In addition, nothing in this endorsement shall increase the limit of liability of this policy to which it is attached.

**ENDORSEMENT NO. 3: Historical Valuation (Continued)**

**INSURED: University of Tennessee and the Tennessee Board of Regents Systems and the Tennessee Board of Regents Systems**

**EFFECTIVE DATE: July 1, 2015**

**POLICY NUMBER: 017728109**

**Historical Valuation**

With respect to properties that qualify for "Historical Landmark Status," the Insured shall have the sole discretion as to the means by which said property shall be repaired, rebuilt or replaced, but not to exceed the actual costs which would have been incurred in order to comply with "Historical Landmark Status" requirements.

**All Other Terms and Conditions not in conflict herewith are Unchanged.**

**Endorsement #4: Claims Settlement Procedure**

**INSURED: University of Tennessee and the Tennessee Board of Regents Systems and the Tennessee Board of Regents Systems**

**EFFECTIVE DATE: July 1, 2015**

**POLICY NUMBER: 017728109**

**Claims Settlement Procedure**

It is agreed and understood, that all claims settlement procedures will follow State Policy and Procedures of the State Building Commission of Tennessee Item 5.01 through 5.08 of Item 5.

**All Other Terms and Conditions not in conflict herewith are Unchanged**

**ENDORSEMENT #5: Property in the Course of Construction**

**INSURED: University of Tennessee and the Tennessee Board of Regents Systems and the Tennessee Board of Regents Systems**

**EFFECTIVE DATE: July 1, 2015**

**POLICY NUMBER: 017728109**

**Property in the Course of Construction**

It is agreed and understood Property in the Course of Construction is excess over any other collectible insurance. If there is other insurance that would apply in the absence of this policy, this policy shall only apply after such insurance. In no event shall this Policy apply as contributing insurance.

**All Other Terms and Conditions not in conflict herewith are Unchanged**

**ENDORSEMENT #6: Named Insured**

**INSURED: University of Tennessee and the Tennessee Board of Regents Systems and the Tennessee Board of Regents Systems**

**EFFECTIVE DATE: July 1, 2015**

**POLICY NUMBER: 017728109**

**Named Insured**

It is agreed and understood the following are added to the Named Insured:

F&A:

University of Tennessee and the Tennessee Board of Regents Systems and the Tennessee Board of Regents Systems

Capitol Projects; Dept. of Finance & Admin.

22<sup>nd</sup> Floor, William Snodgrass Tn Tower

Nashville, TN 37243-0300

TBR:

University of Tennessee and the Tennessee Board of Regents Systems and the Tennessee Board of Regents Systems

Tennessee Board of Regents

Office of Facilities Development

1415 Murfreesboro Rd, Suite 346

Nashville, TN 37217

Military:

University of Tennessee and the Tennessee Board of Regents Systems and the Tennessee Board of Regents Systems

Department of Military

3041 Sidco Dr.

Nashville, TN 37204

**All Other Terms and Conditions not in conflict herewith are Unchanged**

**ENDORSEMENT #007**

This endorsement, effective 12:01 A.M. 07/01/2015

Forms part of policy no.: 017728109

Issued to: THE STATE OF TENNESSEE

By: LEXINGTON INSURANCE COMPANY

**AMENDATORY ENDORSEMENT**

The following shall be added to Section V – Time Element Coverage:

**EVACUATION EXPENSES:** We will pay reasonable and necessary evacuation expenses incurred by you as a result of compliance with a mandatory evacuation order which requires the evacuation of a covered location(s) and first occurs during the policy period. This Additional Coverage is provided for up to 30 days after the mandatory evacuation order with respect to each covered location, but not for any period of time beyond 96 hours after the date and time the appropriate civil authority allows a return to each covered location (hereinafter, this period of time is referred to as the evacuation period). Regardless of the number of covered locations or mandatory evacuation orders, the sublimit of liability shown in Section D Limits of Liability is the most that we shall pay for all evacuation expenses arising out of one occurrence.

The following additional definitions apply to this Additional Coverage.

a. Designated person's means:

(1) Students, patients, residents and lawful occupants at a covered location; and/or

(2) Those employees who are essential to implement the mandatory evacuation order at a covered location.

b. Evacuation expenses means the reasonable and necessary expenses incurred during the evacuation period to transport and house designated persons. Evacuation expenses include evacuation of designated persons, maintenance of designated persons in another location, and the return of designated persons to the covered location or, if the covered location is not habitable, to a suitable alternative location.

c. Mandatory evacuation order means the first public broadcast of a compulsory evacuation that:

(1) is issued by a responsible civil authority as a result of a Covered Cause of Loss and (2) is specific as to the effective date, time and area affected.

The following language is added to Section V Time Element Coverage:

**TUITION REIMBURSEMENT:** In determining the amount of gross earnings covered hereunder for the purpose of ascertaining the amount of loss sustained, due consideration shall be given to:

A. Tuition fees which are prevented from being earned or received;

B. Other income derived from:

1. routine and special services

**ENDORSEMENT #007  
(Continued)**

2. other operating and non-operating revenues, including but not limited to" i. Research grants, ii. Income under research contracts all dependent on continued operations.

SECTION III-Property Insured Subsection B10 Defense Expenses, Additional Coverages is deleted and replaced as follows:

**DEFENSES COSTS:** Subject to all of its provisions, this Policy also covers the costs and fees to defend any claim or suit against the Insured and/or its Directors, Officers and/or Employees, alleging physical loss or damage as insured against to property of others in the care, custody or control of the Insured to the extent of the Insured's liability. Therefore, even if such claim or suit is groundless, false or fraudulent; But the Company may without prejudice make such investigation, negotiation or settlement of any such claim or suit as it deems expedient.

The Company's total liability with respect to this coverage for any one Occurrence will not exceed the Sublimit of Liability of \$2,500,000.

All other terms and conditions remain unchanged.



\_\_\_\_\_  
Authorized Representative OR  
Countersignature (In states where applicable)

**ENDORSEMENT #008**

This endorsement, effective 12:01 AM 07/01/2015

Forms a part of policy no.: 017728109

Issued to: STATE OF TENNESSEE

By: LEXINGTON INSURANCE COMPANY

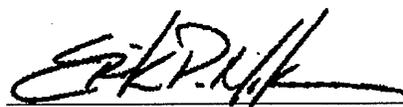
**NAMED INSURED ENDORSEMENT**

Named Insured:

In consideration of the policy premium, it is agreed that the Named Insured appearing under the policy declarations is amended to read:

The State of Tennessee, including all its departments, agencies, institutions and divisions, including the University of Tennessee system and the Tennessee Board of Regents system, and other subsidiaries, and associated companies and/or corporations and the insured's interest in partnerships and joint ventures as now exist or may hereafter be constituted or acquired and any party in interest to which the insured is responsible to insure.

All other terms, conditions, definitions, exclusions limitations and provisions remain the same.



Authorized Representative OR  
Countersignature (In states where applicable)

**ENDORSEMENT #009**

This endorsement, effective 12:01 A.M. 07/01/2015

Forms part of policy no.: 017728109

Issued to: THE STATE OF TENNESSEE

By: LEXINGTON INSURANCE COMPANY

**AMENDATORY ENDORSEMENT**

Earthquake is excluded for locations in California, Hawaii, Alaska, Puerto Rico and Pacific Northwest Earthquake/Earth Movement Zones.

Named Windstorm & Windstorm is excluded for locations in Florida and all other Tier 1 Locations

Vacant/Closed Locations: the coverage is provided for Closed/Vacant Locations with the following required provision:

Same degree of active fire protection (sprinklers, fire alarms, smoke alarms) and watchman/guard service is maintained as existed before the time of the discontinuance of normal operations.

Item 2.B. of the Occurrence Limit of Liability Endorsement, PR9014 (08/06), is deleted.

All other terms and conditions of the policy remain unchanged.



Authorized Representative OR  
Countersignature (In states where applicable)

**ENDORSEMENT # 010**

This endorsement, effective 12:01 A.M. 07/01/2015

Forms part of policy no.: 017728109

Issued to: THE STATE OF TENNESSEE

By: LEXINGTON INSURANCE COMPANY

**SUBLIMITS AND DEDUCTIBLE ENDORSEMENT**

In consideration of the premium charged, it is hereby agreed that the following sublimits and deductible are added to and made a part of this policy:

NOT COVERED per Occurrence and Annual Aggregate for the peril of Earth Movement/Earth Movement Zones in California, Alaska, Hawaii and/or Puerto Rico

NOT COVERED per Occurrence and Annual Aggregate for the peril of Earth Movement in Pacific Northwest Earthquake/Earth Movement Zones

\$750,000,000 per Occurrence for the peril of Named Storm (a storm that has been declared by the National Weather Service to be a Hurricane, Typhoon, Tropical Cyclone, Tropical Storm or Tropical Depression) except in Florida, regardless of the number of coverages, Locations or perils involved including but not limited to, all Flood (however caused), wind, wind gusts, storm surges, tornados, cyclones, Hail or rain. In the event covered loss or damage by Flood arises out of a Named Storm, the maximum amount the Company will pay per Occurrence for all such loss or damage by Flood shall be the Sub-Limit of Liability for Flood. However, if Flood is not covered, the maximum amount the Company will pay per Occurrence for all such loss or damage by Named Storm shall exclude loss or damage by Flood

Included per Occurrence for Brands and Labels

\$1,000,000 per Occurrence for Loss of Attraction

Included per Occurrence for Deferred Payments

\$1,000,000 per Occurrence and Annual Aggregate for Limited Pollution Coverage

NOT COVERED per Occurrence for Ordinary Payroll

Included per Occurrence for Pairs or Sets

Included per Occurrence for Property Removed from Insured Locations

Included per Occurrence for Protection and Preservation of Property

Included per Occurrence for Spoilage

**ENDORSEMENT # 010**  
**(Continued)**

If two or more deductible amounts provided in this Policy apply to a single Occurrence, the total to be deducted shall not exceed the largest deductible applicable unless otherwise stated in the Policy. However, if:

- ▣ Any Time Element deductible and another deductible apply to a single Occurrence, then the Company shall apply both deductibles to the Occurrence; or
- ▣ Covered loss or damage by Flood arises out of a Named Storm, then the Company shall apply the Flood deductible or the Named Storm deductible, whichever is greater.

All other terms and conditions of the policy remain unchanged.



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Authorized Representative OR  
Countersignature (In states where applicable)

**ENDORSEMENT #011**

This endorsement, effective 12:01 A.M. 07/01/2015

Forms part of policy no.: 017728109

Issued to: THE STATE OF TENNESSEE

By: LEXINGTON INSURANCE COMPANY

**Equipment Breakdown Mold Endorsement**

This endorsement changes the policy. Please read it carefully.

The EQUIPMENT BREAKDOWN COVERAGE FORM is modified as follows:

I. ADDITIONAL COVERAGES

A. MOLD

1. The following is added to section A. COVERAGE, item 2. Coverages Provided:

MOLD

(1) We will pay for the additional cost to repair or replace "covered property" because of contamination by mold, fungus, mildew or yeast, including any spores or toxins created or produced by or emanating from such mold, fungus, mildew or yeast, resulting from an "accident". This includes the additional costs to clean up or dispose of such property. This does not include "spoilage" of personal property that is "perishable goods" to the extent that such "spoilage" is covered under Perishable Goods coverage.

(2) As used in this coverage, additional costs mean those beyond what would have been payable under this Equipment Breakdown Coverage had no mold, fungus, mildew, yeast, spores or toxins been involved.

(3) We will also pay for your loss and expense as defined under Business Income coverage and Extra Expense coverage that is the result of (1) above, if such coverage is otherwise applicable under this policy. This coverage is included within and subject to your Mold limit.

(4) We will also pay the cost of testing performed after repair or replacement of the damaged "covered property" is completed only to the extent that there is reason to believe there is the presence of mold, fungus, mildew, yeast, spores or toxins.

i. Mold

Mold, fungus, mildew or yeast, including any spores or toxins created or produced by or emanating from such mold, fungus, mildew or yeast. This includes, but is not limited to, costs arising from clean up, remediation, containment, removal or abatement of such mold, fungus, mildew, yeast, spores or toxins, except as specifically covered under Mold coverage. However, this exclusion does not apply to "spoilage" of personal property that is "perishable goods" to the extent that such "spoilage" is covered under Perishable Goods coverage.

All other terms and conditions of the policy remain unchanged.



Authorized Representative OR  
Countersignature (In states where applicable)

## ENDORSEMENT

This endorsement, effective 12:01 AM, 7/1/2015  
 Forms a part of Policy No.: 01772109  
 Issued To: THE STATE OF TENNESSEE  
 By: LEXINGTON INSURANCE COMPANY

### TERRORISM PREMIUM CHARGE ENDORSEMENT WITH EXCLUSION FOR BIOLOGICAL AND/OR CHEMICAL TERRORISM

This endorsement modifies insurance provided by the policy:

The **terrorism** charge is \$150,000 and is included in the Policy Premium shown on the Declarations Page of this policy. Since not otherwise excluded, **terrorism** which causes direct physical loss or damage to property is covered.

However, the **company** does not insure for loss or damage caused directly or indirectly by **biological and/or chemical terrorism** whether controlled or uncontrolled, proximate or remote, sudden or over any length of time, or which is contributed to or aggravated by any other event, cause, or peril. Such loss or damage is excluded regardless of any other event, cause, or peril contributing concurrently or in any sequence to the loss or damage.

The following definitions apply to this policy:

1. **Company** means the insurer as shown in the attachment clause of this endorsement.
2. **Biological and/or chemical terrorism** means the dispersal, discharge, or release of pathogenic, toxic, poisonous, or damaging biological or chemical agents or substances in an act(s) of **terrorism**.
3. **Terrorism** means the use or threatened use of force or violence against a person or property, or commission of an act dangerous to human life or property, or commission of an act that interferes with or disrupts an electronic or communication system, undertaken by any person or group, whether or not acting on behalf of or in any connection with any organization, government, power, authority or military force, when the effect is to intimidate, coerce or harm:
  - a. A government;
  - b. The civilian population of a country, state or community; or
  - c. Disrupt the economy of a country, state or community.

So long as the Terrorism Risk Insurance Act of 2002, and any revisions or amendments thereto is in effect (the "Act"), **terrorism** includes a certified act of terrorism defined by Section 102. Definitions of the Act.

All other terms and conditions of the policy remain the same.



Authorized Representative

**ENDORSEMENT**

This endorsement, effective 12:01 AM 07/01/2015

Forms a part of policy no.: 017728109

Issued to: THE STATE OF TENNESSEE

By: LEXINGTON INSURANCE COMPANY

**WAR AND TERRORISM EXCLUSION ENDORSEMENT**

(Applies to locations outside the United States of America, its territories and possessions)

This endorsement modifies insurance provided by the policy:

Notwithstanding any provision to the contrary within this insurance or any endorsement thereto it is agreed that this insurance excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any of the following regardless of any other cause or event contributing concurrently or in any other sequence to the loss;

- (1) war, invasion, acts of foreign enemies, hostilities or warlike operations (whether war be declared or not), civil war, rebellion, revolution, insurrection, civil commotion assuming the proportions of or amounting to an uprising, military or usurped power; or
- (2) any act of terrorism.

For the purpose of this endorsement an act of terrorism means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s) or government(s), committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear.

This endorsement also excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to (1) and/or (2) above.

If the Underwriters allege that by reason of this exclusion, any loss, damage, cost or expense is not covered by this insurance the burden of proving the contrary shall be upon the Assured.

In the event any portion of this endorsement is found to be invalid or unenforceable, the remainder shall remain in full force and effect.

All other terms and conditions of the policy remain the same.



Authorized Representative

**ENDORSEMENT**

This endorsement, effective 12:01 AM 07/01/2015

Forms a part of policy no.: 017728109

Issued to: THE STATE OF TENNESSEE

By: LEXINGTON INSURANCE COMPANY

**COMBINED PROPERTY/BOILER & MACHINERY MILLENNIUM ENDORSEMENT**

This policy is hereby amended as follows:

- A. The Insurer will not pay for Damage or Consequential Loss directly or indirectly caused by, consisting of, or arising from, the failure of any computer, data processing equipment, media microchip, operating systems, microprocessors (computer chip), integrated circuit or similar device, or any computer software, whether the property of the Insured or not, and whether occurring before, during or after the year 2000 that results from the inability to:
1. correctly recognize any date as its true calendar date;
  2. capture, save, or retain, and/or correctly manipulate, interpret or process any data or information or command or instruction as a result of treating any date other than its true calendar date; and/or
  3. capture, save, retain or correctly process any data as a result of the operation of any command which has been programmed into any computer software, being a command which causes the loss of data or the inability to capture, save, retain or correctly process such data on or after any date.
- B. It is further understood that the Insurer will not pay for the repair or modification of any part of an electronic data processing system or its related equipment, to correct deficiencies or features of logic or operation.
- C. It is further understood that the Insurer will not pay for Damage or Consequential Loss arising from the failure, inadequacy, or malfunction of any advice, consultation, design, evaluation, inspection, installation, maintenance, repair or supervision done by the Insured or for the Insured or by or for others to determine, rectify or test, any potential or actual failure, malfunction or inadequacy described in A. above.

Such Damage or Consequential Loss described in A, B, or C above, is excluded regardless of any other cause that contributed concurrently or in any other sequence.

This endorsement shall not exclude subsequent Damage or Consequential Loss, not otherwise excluded, which itself results from a Defined Peril. Defined Peril shall mean fire, lightning, explosion, aircraft or vehicle impact, falling objects, windstorm, hail, tornado, hurricane, cyclone, riot, strike, civil commotion, vandalism, malicious mischief, earthquake, volcano, tsunami, freeze or weight of snow, sudden and accidental breakdown of an object, including mechanical and electrical breakdown.

All other terms and conditions remain unchanged.



Authorized Representative OR  
Countersignature (In states where applicable)

**ENDORSEMENT**

This endorsement, effective 12:01 AM 07/01/2015

Forms a part of policy no.: 017728109

Issued to: THE STATE OF TENNESSEE

By: LEXINGTON INSURANCE COMPANY

**CANCELLATION - ADDITIONAL PROVISIONS**

The Policy is amended as respects cancellation. The following additional provisions shall apply with respect to the cancellation provisions of this Policy:

If this Policy covers any location or locations in "Tier 1 wind zone(s)" as defined in this Policy, and the Policy is cancelled at the request of the Insured, the following provision will apply:

If the Policy was in effect at any time during the period from June 1st to November 30th, the amount of premium we will return upon the Insured's cancellation of the Policy will be a percentage of the total premium, determined as follows:

**1 Year Policy**

Number of Days Policy In Force	Percentage of Premium to Be Returned
1 to 180	20%
181 to 210	15%
211 to 240	10%
241 to 270	7.5%
271 to 300	5.0%
301 to 330	2.5%
331 to 365	0.0%

If a coverage or location is added to or deleted from the Policy, each type of coverage or such location(s) shall be underwritten separately and the rate will be determined based upon the characteristics of the risk.

If a location within a "Tier 1 wind zone" is added to or deleted from the Policy, and coverage for that location existed at any time during the period from June 1st to November 30th, the premium to be returned for that location upon the Insured's cancellation of the Policy will be determined in accordance with the above table.

If a location is not within a "Tier 1 wind zone" and is added to or deleted from the Policy, normal pro rata or short rate factors shall apply as provided by the Policy.

All other terms and conditions of the policy remain the same.



Authorized Representative

**ENDORSEMENT**

This endorsement, effective 12:01 AM 07/01/2015

Forms a part of policy no.: 017728109

Issued to: THE STATE OF TENNESSEE

By: LEXINGTON INSURANCE COMPANY

**MOLD / FUNGUS EXCLUSION**

This endorsement modifies insurance provided by this Policy:

In consideration of the premium charged, it is hereby understood and agreed that this policy is amended as follows.

The Company shall not be liable for any loss or damage caused by, arising out of, contributed to, or resulting from fungus, mold(s), mildew or yeast; or any spores or toxins created or produced by or emanating from such fungus, mold(s), mildew or yeast;

- (a) fungus includes, but is not limited to, any of the plants or organisms belonging to the major group fungi, lacking chlorophyll, and including mold(s), rusts, mildews, smuts and mushrooms;
- (b) mold(s) includes, but is not limited to, any superficial growth produced on damp or decaying organic matter or on living organisms, and fungi that produce mold(s);
- (c) spores means any dormant or reproductive body produced by or arising or emanating out of any fungus, mold(s), mildew, plants, organisms or microorganisms,

regardless of any other cause or event that contributes concurrently or in any sequence to such loss.

All other terms, conditions, definitions, exclusions, limitations and provisions of the policy remain the same.



Authorized Representative

**ENDORSEMENT**

This endorsement, effective 12:01 AM 07/01/2015

Forms a part of policy no.: 017728109

Issued to: THE STATE OF TENNESSEE

By: LEXINGTON INSURANCE COMPANY

**CYBER EXCLUSION WITH LIMITED EXCEPTIONS ENDORSEMENT**

It is noted and agreed that this policy is hereby amended as follows:

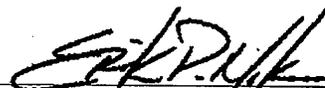
The Insurer will not pay for Damage or Consequential loss directly or indirectly caused by, consisting of, or arising from:

1. Any functioning or malfunctioning of the internet or similar facility, or of any intranet or private network or similar facility,
2. Any corruption, destruction, distortion, erasure or other loss or damage to data, software, or any kind of programming or instruction set,
3. Loss of use or functionality whether partial or entire of data, coding, program, software, any computer or computer system or other device dependent upon any microchip or embedded logic, and any ensuing liability or failure of the Insured to conduct business.

This Endorsement shall not exclude subsequent damage or Consequential loss, not otherwise excluded, which itself results from a Defined Peril. Defined Peril shall mean: Fire, Lightning, Earthquake, Explosion, Falling Aircraft, Flood, Smoke, Vehicle Impact, Windstorm or Hail.

Such Damage or Consequential loss described in 1, 2, or 3 above is excluded regardless of any other cause that contributed concurrently or in any other sequence.

All other terms and conditions of the policy remain the same.

  
Authorized Representative

**ENDORSEMENT**

This endorsement, effective 12:01 AM 07/01/2015

Forms a part of policy no.: 017728109

Issued to: THE STATE OF TENNESSEE

By: LEXINGTON INSURANCE COMPANY

**ANTI-STACKING ENDORSEMENT**

This endorsement modifies insurance provided by the policy:

The following condition is added to the policy:

If this insurance and any other insurance issued to the Insured by the Company or any entity that the Company controls, is controlled by or is under common control with applies to the same loss, claim, suit, occurrence or accident, whichever is applicable, then:

1. The maximum limit of liability, or
2. The maximum sublimit of liability with respect to a specific coverage or specific Covered Cause of Loss or peril;

under all insurance available will not exceed the highest applicable limit of liability or highest applicable sublimit of liability available under any one policy.

However, this condition does not apply to any other insurance issued to the Insured by the Company or any entity that the Company controls, is controlled by or is under common control with which is specifically written to be primary to, in excess of, or quota share with the policy to which this endorsement is attached.

All other terms and conditions of the policy remain the same.



Authorized Representative OR  
Countersignature (In states where applicable)

**ENDORSEMENT**

This endorsement, effective 12:01 AM 07/01/2015

Forms a part of policy no.: 017728109

Issued to: THE STATE OF TENNESSEE

By: LEXINGTON INSURANCE COMPANY

**ECONOMIC SANCTIONS ENDORSEMENT**

The Insurer shall not be deemed to provide cover and the Insurer shall not be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit would expose the Insurer, its parent company or its ultimate controlling entity to any sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of the European Union or the United States of America.

All other terms and conditions of the policy remain the same.



Authorized Representative

**ENDORSEMENT**

**This, effective endorsement 12:01 AM 07/01/2015**

**Forms a part of policy no.: 017728109**

**Issued to: THE STATE OF TENNESSEE**

**By: LEXINGTON INSURANCE COMPANY**

**Equipment Breakdown Coverage Form**

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

Throughout this policy, the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Company providing this Insurance. Other words and phrases that appear in quotation marks have special meaning. Refer to Section G - DEFINITIONS. Examples are shown for illustrative purposes only and do not represent predicted or expected outcomes.

**A. COVERAGE**

This Equipment Breakdown Coverage provides insurance for a Covered Cause of Loss as defined in A.1. below. In the event of a Covered Cause of Loss, we will pay for loss as described in A.2. below.

**1. Covered Cause of Loss - "Accident"**

The Covered Cause of Loss for this Equipment Breakdown Coverage is an "accident." Without an "accident," there is no Equipment Breakdown Coverage.

a. **"Accident"** means a fortuitous event that causes direct physical damage to "covered equipment." The event must be one of the following:

- (1) Mechanical breakdown, including rupture or bursting caused by centrifugal force;
- (2) Artificially generated electrical current, including electrical arcing, that damages electrical devices, appliances or wires;
- (3) Explosion, other than combustion explosion, of steam boilers, steam piping, steam engines or steam turbines;
- (4) An event inside steam boilers, steam pipes, steam engines or steam turbines that damages such equipment;
- (5) An event inside hot water boilers or other water heating equipment that damages such equipment; or
- (6) Bursting, cracking or splitting.

"Accident" does not include any condition or event listed in Definition G.1.b.

b. **"Covered Equipment"** means the following:

- (1) Unless specified otherwise in the Declarations:
  - (a) Equipment that generates, transmits or utilizes energy, including electronic communications and data processing equipment; or
  - (b) Equipment which, during normal usage, operates under vacuum or pressure, other than the weight of its contents.
- (2) Except as specifically provided for under Off Premises Property Damage, Service Interruption, Contingent Business Income and paragraph (2) of Perishable Goods, such equipment must be at a location described in the Declarations and must be owned or leased by you or operated under your control.

"Covered equipment" does not include any property listed in Definition G.8.b.

## 2. Coverages Provided

This section lists the coverages that may apply in the event of an "accident." Each coverage is subject to a specific limit as shown in the Declarations. See paragraph C.2. for details.

These coverages apply only to the direct result of an "accident." For each coverage, we will pay only for that portion of the loss, damage or expense that is solely attributable to the "accident."

### a. Property Damage

We will pay for physical damage to "covered property" that is at a location indicated in the Declarations at the time of the "accident."

### b. Off Premises Property Damage

If you have transportable "covered equipment" that, at the time of the "accident," is within the Coverage Territory, but is not:

- (1) At a location indicated in the Declarations; or
- (2) At any other location owned or leased by you,

we will pay for physical damage to such "covered equipment."

### c. Business Income

- (1) We will pay your actual loss of "business income" during the "period of restoration" that results directly from the necessary total or partial interruption of your business.
- (2) We will also pay any necessary expenses you incur during the "period of restoration" to reduce the amount of loss under this coverage. We will pay for such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage.
- (3) We will consider the actual experience of your business before the "accident" and the probable experience you would have had without the "accident" in determining the amount of our payment.

### d. Extra Expense

We will pay the reasonable and necessary "extra expense" to operate your business during the "period of restoration."

### e. Service Interruption

We will pay for your loss and expense as defined under Business

Income coverage and Extra Expense coverage that is the result of an "interruption of service."

### f. Contingent Business Income

We will pay for your loss and expense as defined under Business Income and Extra Expense coverages that results from an "interruption of supply."

### g. Perishable Goods

- (1) We will pay for physical damage to "perishable goods" due to "spoilage."
- (2) We will also pay for physical damage to "perishable goods" due to "spoilage" that is the result of an "interruption of service."
- (3) We will also pay for physical damage to "perishable goods" due to contamination from the release of refrigerant, including but not limited to ammonia.
- (4) We will also pay any necessary expenses you incur during the "period of restoration" to reduce the amount of loss under this coverage. We will pay for such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage.

### h. Data Restoration

- (1) We will pay for your reasonable and necessary cost to research, replace or restore lost "data."
- (2) We will also pay for your loss and expense as defined under Business Income coverage and Extra Expense coverage that is the result of h.(1) above, if such coverage is otherwise applicable under this policy. This coverage is included within and subject to your Data Restoration limit.

### i. Demolition

- (1) This coverage applies if an "accident" damages a building that is "covered property" and the loss is increased by an ordinance or law that:
  - (a) Requires the demolition of a building that is otherwise reparable;
  - (b) Is in force at the time of the "accident"; and
  - (c) Is not addressed under Hazardous Substances coverage.

- (2) We will pay for the following additional costs to comply with such ordinance or law:
- Your actual and necessary cost to demolish and clear the site of the undamaged parts of the building; and
  - Your actual and necessary cost to reconstruct the undamaged parts of the building.
- (3) As used in this coverage, additional costs mean those beyond what would have been payable under this Equipment Breakdown Coverage had no such ordinance or law been in force at the time of the "accident."
- (4) We will also pay for your loss and expense as defined under Business Income coverage and Extra Expense coverage that is the result of i.(1) above, if such coverage is otherwise applicable under this policy. This coverage is included within and subject to your Demolition limit.

**j. Ordinance or Law**

- (1) This coverage applies if an "accident" damages a building that is "covered property" and the loss is increased by an ordinance or law that:
- Regulates the construction or repair of buildings, including "building utilities";
  - Is in force at the time of the "accident"; and
  - Is not addressed under Demolition coverage or Hazardous Substances coverage.
- (2) We will pay for the following additional costs to comply with such ordinance or law:
- Your actual and necessary cost to repair the damaged portions of the building;
  - Your actual and necessary cost to reconstruct the damaged portions of the building; and
  - Your actual and necessary cost to bring undamaged portions of the building into compliance with the ordinance or law.
- (3) As used in this coverage, additional costs mean those

beyond what would have been payable under this Equipment Breakdown Coverage had no such ordinance or law been in force at the time of the "accident."

- (4) We will also pay for your loss and expense as defined under Business Income coverage and Extra Expense coverage that is the result of j.(1) above, if such coverage is otherwise applicable under this policy. This coverage is included within and subject to your Ordinance or Law limit.

**k. Expediting Expenses**

With respect to your damaged "covered property," we will pay the reasonable extra cost to:

- Make temporary repairs; and
- Expedite permanent repairs or permanent replacement.

**l. Hazardous Substances**

- (1) We will pay for the additional cost to repair or replace "covered property" because of contamination by a "hazardous substance." This includes the additional expenses to clean up or dispose of such property. This does not include contamination of "perishable goods" by refrigerant, including but not limited to ammonia, which is addressed in Perishable Goods, A.2.g.(3).
- (2) As used in this coverage, additional costs mean those beyond what would have been payable under this Equipment Breakdown Coverage had no "hazardous substance" been involved.
- (3) We will also pay for your loss and expense as defined under Business Income coverage and Extra Expense coverage that is the result of l.(1) above, if such coverage is otherwise applicable under this policy. This coverage is included within and subject to your Hazardous Substances limit.

**m. Newly Acquired Locations**

- You will notify us promptly of any newly acquired location that you have purchased or leased during the Policy Period.
- All coverages applicable to any scheduled location under this Equipment Breakdown Coverage

are extended to a newly acquired location that you have purchased or leased during the Policy Period.

- (3) This coverage begins at the time you acquire the property. As respects newly constructed properties, we will only consider them to be acquired by you when you have fully accepted the completed project.
- (4) This coverage ends when any of the following first occurs:
  - (a) This Policy expires;
  - (b) The number of days specified in the Declarations for this coverage expires after you acquire the location;
  - (c) The location is incorporated into the regular coverage of this policy; or
  - (d) The location is incorporated into the regular coverage of another Equipment Breakdown policy you have.
- (5) If limits or deductibles vary by location, the highest limits and deductibles will apply to newly acquired locations. However, the most we will pay for loss, damage or expense arising from any "one accident" is the amount shown as the Newly Acquired Locations limit in the Declarations.
- (6) We will charge you additional premium for newly acquired locations from the date you acquire the property.

**n. Course of Construction**

This coverage is automatically included and does not need to be indicated in the Declarations.

- (1) You will notify us promptly of any expansion or rehabilitation of any location described in the Declarations.
- (2) All coverages applicable to any location described in the Declarations are extended to an expansion or rehabilitation of that location.
- (3) This coverage begins at the time you begin the expansion or rehabilitation project.
- (4) We will charge you additional premium for newly acquired equipment from the date the equipment is installed.

**B. . EXCLUSIONS**

We will not pay for any excluded loss, damage or expense, even though any other cause or event contributes concurrently or in any sequence to the loss, damage or expense.

1. We will not pay for loss, damage or expense caused directly or indirectly by any of the following, whether or not caused by or resulting from an "accident."

**a. Fire and Explosion**

- (1) Fire, including smoke from a fire.
- (2) Combustion explosion. This includes, but is not limited to, a combustion explosion of any steam boiler or other fired vessel.
- (3) Any other explosion, except as specifically provided in A.1.a.(3).

**b. Ordinance or Law**

The enforcement of, or change in, any ordinance, law, regulation, rule or ruling regulating or restricting repair, replacement, alteration, use, operation, construction or installation, except as specifically provided in A.2.i., j. and l. (Demolition, Ordinance or Law and Hazardous Substances coverages).

**c. Earth Movement**

Earth movement, whether natural or human-made, including but not limited to earthquake, shock, tremor, subsidence, landslide, rock fall, earth sinking, sinkhole collapse or tsunami.

**d. Nuclear Hazard**

Nuclear reaction, detonation or radiation, or radioactive contamination, however caused.

**e. 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, political violence or action taken by governmental authority in hindering or defending against any of these.

- f. Water**
- (1) Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;
  - (2) Mudslide or mudflow; or
  - (3) Water that backs up or overflows from a sewer, drain or sump.
- However, if electrical "covered equipment" requires drying out because of the above, we will pay for the amount you actually expend to dry out such equipment, subject to the applicable Property Damage limit and Direct Coverage deductible. We will not pay more than the Actual Cash Value of the affected electrical "covered equipment." We will not pay to replace such equipment or for any other loss, damage or expense.
- g. Failure to Protect Property**
- Your failure to use all reasonable means to protect "covered property" from damage following an "accident."
- h. Fines**
- Fine, penalty or punitive damage.
- i. Mold**
- Mold, fungus, mildew or yeast, including any spores or toxins created or produced by or emanating from such mold, fungus, mildew or yeast. This includes, but is not limited to, costs arising from clean-up, remediation, containment, removal or abatement of such mold, fungus, mildew, yeast, spores or toxins. However, this exclusion does not apply to "spoilage" of personal property that is "perishable goods" to the extent that such "spoilage" is covered under Perishable Goods coverage.
- j. Deliberate Acts**
- The deliberate act of any person to cause damage or harm, including but not limited to vandalism, malicious mischief or sabotage.
- 2.** We will not pay for an "accident" caused by or resulting from any of the following causes of loss:
- a. Lightning.
  - b. Windstorm or Hail. However, this exclusion does not apply when:
    - (1) "Covered equipment" located within a building or structure suffers an "accident" that results from wind-blown rain, snow, sand or dust; and
    - (2) The building or structure did not first sustain wind or hail damage to its roof or walls through which the rain, snow, sand or dust entered.
- c.** Collision or any physical contact caused by a "vehicle." This includes damage by objects falling from aircraft. However, this exclusion does not apply to any unlicensed "vehicles" which you own or which are operated in the course of your business.
- d.** Riot or Civil Commotion.
- e.** Leakage or discharge of any substance from an automatic sprinkler system, including collapse of a tank that is part of the system.
- f.** Volcanic Action.
- g.** An electrical insulation breakdown test.
- h.** A hydrostatic, pneumatic or gas pressure test.
- i.** Water or other means intended to extinguish a fire, even when such an attempt is unsuccessful.
- j.** Elevator collision.
- 3.** We will not pay for an "accident" caused by or resulting from any of the following perils, if such peril is a covered cause of loss under another coverage part or policy of insurance you have, whether collectible or not, and without regard to whether or not the other coverage part or policy of insurance provides the same coverage or scope of coverage as this policy.
- a. Falling Objects.
  - b. Weight of Snow, Ice or Sleet.
  - c. Water Damage, meaning discharge or leakage of water or steam as the direct result of the breaking apart or cracking of any part of a system or appliance containing water or steam.
  - d. Collapse.
  - e. Breakage of Glass.
  - f. Freezing caused by cold weather.
  - g. Discharge of molten material from equipment, including the heat from such discharged material.
- 4.** Exclusions 2. and 3. do not apply if all of the following are true:
- a. The excluded peril occurs away from any location described in the Declarations and causes an electrical surge or other electrical disturbance;
  - b. Such surge or disturbance is transmitted through utility service

- transmission lines to a described location;
- c. At the described location, the surge or disturbance results in an "accident" to "covered equipment" that is owned or operated under the control of you or your landlord; and
  - d. The loss, damage or expense caused by such surge or disturbance is not a covered cause of loss under another coverage part or policy of insurance you have, whether collectible or not, and without regard to whether or not the other coverage part or policy of insurance provides the same coverage or scope of coverage as this policy.
5. With respect to Business Income, Extra Expense and Service Interruption coverages, we will also not pay for:
    - a. Loss associated with business that would not or could not have been carried on if the "accident" had not occurred;
    - b. Loss caused by your failure to use due diligence and dispatch and all reasonable means to resume business;
    - c. That part of any loss that extends beyond or occurs after the "period of restoration." This includes, but is not limited to:
      - (1) "Business income" that would have been earned after the "period of restoration," even if such loss is the direct result of the suspension, lapse or cancellation of a contract during the "period of restoration"; and
      - (2) "Extra expense" to operate your business after the "period of restoration," even if such loss is contracted for and paid during the "period of restoration."
    - d. Any increase in loss resulting from an agreement between you and your customer or supplier. This includes, but is not limited to, contingent bonuses or penalties, late fees, demand charges, demurrage charges and liquidated damages.
  6. With respect to Off Premises Property Damage coverage, Service Interruption coverage, Contingent Business Income coverage and paragraph (2) of Perishable Goods coverage, we will also not pay for an "accident" caused by or resulting from any of the perils listed in Exclusion 3. above, whether or not such peril is a covered cause of loss under another coverage part or policy of insurance you have.
  7. With respect to Data Restoration coverage, we will also not pay to reproduce:
    - a. Software programs or operating systems that are not commercially available; or
    - b. "Data" that is obsolete, unnecessary or useless to you.
  8. With respect to Demolition and Ordinance or Law coverages, we will also not pay for:
    - a. Increased demolition or reconstruction costs until they are actually incurred; or
    - b. Loss due to any ordinance or law that:
      - (1) You were required to comply with before the loss, even if the building was undamaged; and
      - (2) You failed to comply with; whether or not you were aware of such non-compliance.

### C. LIMITS OF INSURANCE

Any payment made under this Equipment Breakdown Coverage will not be increased if more than one insured is shown in the Declarations or if you are comprised of more than one legal entity.

#### 1. Equipment Breakdown Limit

The most we will pay for loss, damage or expense arising from any "one accident" is the amount shown as the Equipment Breakdown Limit in the Declarations.

#### 2. Coverage Limits

- a. The limit of your insurance under each of the coverages listed in A.2. from loss, damage or expense arising from any "one accident" is the amount indicated for that coverage in the Declarations. These limits are a part of, and not in addition to, the Equipment Breakdown Limit. If an amount of time is shown, coverage will continue for no more than that amount of time immediately following the "accident." If a coverage is shown as "Included," that coverage is provided up to the remaining amount of the Equipment Breakdown Limit. If no limit is shown in the Declarations for a coverage, or if a coverage is shown as Excluded in the Declarations, that coverage will be considered to have a limit of \$0.
- b. If two or more coverage limits apply to the same loss or portion of a loss, we will pay only the smallest of the applicable limits for that loss or portion of the loss. This means that if:

- (1) You have a loss under one of the coverages listed in A.2.; and
- (2) All or part of the loss is not covered because the applicable coverage is Excluded or has a limit that is less than the amount of your loss,

we will not pay the remaining amount of such loss under any other coverage.

#### EXAMPLE 1

Property Damage Limit: \$7,000,000

Business Income Limit: \$1,000,000

Newly Acquired Locations Limit: \$500,000

There is an "accident" at a newly acquired location that results in a Property Damage loss of \$200,000 and a Business Income loss of \$800,000.

We will pay \$500,000, because the entire loss is subject to the Newly Acquired Locations Limit of \$500,000.

#### EXAMPLE 2

Property Damage Limit: \$7,000,000

Business Income Limit: \$500,000

Hazardous Substances Limit: \$25,000

There is an "accident" that results in a loss of \$100,000. If no "hazardous substance" had been involved, the property damage loss would have been \$10,000 and the business income loss would have been \$20,000. The presence of the "hazardous substance" increased the loss by \$70,000 (increasing the clean up and repair costs by \$30,000 and increasing the business income loss by \$40,000).

We will pay \$55,000 (\$10,000 property damage plus \$20,000 business income plus \$25,000 hazardous substances).

#### D. DEDUCTIBLES

##### 1. Deductibles for Each Coverage

- a. Unless the Declarations indicate that your deductible is combined for all coverages, multiple deductibles may apply to any "one accident."
- b. We will not pay for loss, damage or expense under any coverage until the amount of the covered loss or damage exceeds the deductible amount indicated for that coverage in the Declarations. We will then pay the amount of loss, damage or expense in excess of the applicable deductible amount, subject to the applicable limit indicated in the Declarations.
- c. If deductibles vary by type of "covered equipment" and more than one type of "covered equipment" is

involved in any "one accident," only the highest deductible for each coverage will apply.

- d. The following applies when a deductible is expressed as a function of the horsepower rating of a refrigerating or air conditioning system. If more than one compressor is used with a single system, the horsepower rating of the largest motor or compressor will determine the horsepower rating of the system.

##### 2. Direct and Indirect Coverages

- a. Direct Coverages Deductibles and Indirect Coverages Deductibles may be indicated in the Declarations.
- b. Unless more specifically indicated in the Declarations:
  - (1) Indirect Coverages Deductibles apply to Business Income and Extra Expense loss, regardless of where such coverage is provided in this Equipment Breakdown Coverage; and
  - (2) Direct Coverages Deductibles apply to all remaining loss, damage or expense covered by this Equipment Breakdown Coverage.

#### EXAMPLE

An "accident" results in covered losses as follows:

\$100,000 Total Loss (all applicable coverages)

\$ 35,000 Business Income Loss (including \$2,000 of business income loss payable under Data Restoration coverage)

\$ 5,000 Extra Expense Loss

In this case, the Indirect coverages loss totals \$40,000 before application of the Indirect Coverage Deductible.

The Direct coverages loss totals the remaining \$60,000 before application of the Direct Coverage Deductible.

##### 3. Application of Deductibles

###### a. Dollar Deductibles

We will not pay for loss, damage or expense resulting from any "one accident" until the amount of loss, damage or expense exceeds the applicable deductible or deductibles shown in the Declarations. We will then pay the amount of loss, damage or expense in excess of the applicable deductible or deductibles, subject to the applicable limits shown in the Declarations.

**b. Time Deductibles**

If a time deductible is shown in the Declarations, we will not be liable for any loss occurring during the specified number of hours or days immediately following the "accident." If a time deductible is expressed in days, each day shall mean twenty-four consecutive hours.

**c. Multiple of Average Daily Value (ADV) Deductibles**

If a deductible is expressed as a number times ADV, that amount will be calculated as follows:

The ADV (Average Daily Value) will be the "business income" that would have been earned during the period of interruption had no "accident" occurred, divided by the number of working days in that period. The ADV applies to the "business income" value of the entire location, whether or not the loss affects the entire location. If more than one location is included in the valuation of the loss, the ADV will be the combined value of all affected locations. For purposes of this calculation, the period of interruption may not extend beyond the "period of restoration."

The number indicated in the Declarations will be multiplied by the ADV as determined above. The result will be used as the applicable deductible.

**EXAMPLE**

Business is interrupted, partially or completely, for 10 working days. If there had been no "accident," the total "business income" at the affected location for those 10 working days would have been \$5,000. The Indirect Coverages Deductible is 3 Times ADV.

$$\$5,000 / 10 = \$500 \text{ ADV}$$

$$3 \times \$500 = \$1,500 \text{ Indirect Coverages Deductible}$$

**d. Percentage of Loss Deductibles**

If a deductible is expressed as a percentage of loss, we will not be liable for the indicated percentage of the gross amount of loss, damage or expense (prior to any applicable deductible or coinsurance) insured under the applicable coverage. If the dollar amount of such percentage is less than the indicated Minimum Deductible, the Minimum Deductible will be the applicable deductible.

**E. LOSS CONDITIONS**

The following conditions apply:

**1. Abandonment**

There can be no abandonment of any property to us.

**2. Brands and Labels**

If branded or labeled merchandise that is "covered property" is damaged by an "accident," but retains a salvage value, you may, at your expense:

- a. Stamp the word SALVAGE on the merchandise or its containers if the stamp will not physically damage the merchandise; or
- b. Remove the brands or labels, if doing so will not physically damage the merchandise. You must re-label the merchandise or its containers to comply with the law.

We will pay for any reduction in value of the salvage merchandise resulting from either of these two actions, subject to all applicable limits.

If a Brands and Labels Limit is shown on the Declarations, we will not pay more than the indicated amount for coverage under this Condition.

**3. Coinsurance - Business Income Coverage**

a. Unless otherwise shown in the Declarations, Business Income coverage is subject to coinsurance. This means that we will not pay the full amount of any "business income" loss if the "business income actual annual value" is greater than the "business income estimated annual value" at the affected location at the time of the "accident." Instead, we will determine the most we will pay using the following steps:

- (1) Divide the "business income estimated annual value" by the "business income actual annual value" at the time of the "accident";
- (2) Multiply the total amount of the covered loss of "business income" by the amount determined in paragraph (1) above;
- (3) Subtract the applicable deductible from the amount determined in paragraph (2) above;

The resulting amount, or the Business Income Limit, whichever is less, is the most we will pay. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

- b. Coinsurance applies separately to each insured location.

- c. If you report a single "business income estimated annual value" for more than one location, without providing information on how that amount should be distributed among the locations, we will distribute the amount evenly among all applicable locations.

**EXAMPLE 1 (Underinsurance)**

When:

The "business income actual annual value" at the location of loss at the time of the "accident" is \$200,000.

The "business income estimated annual value" shown in the Declarations for the location of loss is \$100,000.

The actual loss of "business income" resulting from the "accident" is \$40,000.

The Business Income limit is \$100,000.

The Business Income deductible is \$5,000.

Step 1:  $\$100,000 / \$200,000 = .5$

Step 2:  $\$40,000 \times .5 = \$20,000$

Step 3:  $\$20,000 - \$5,000 = \$15,000$

The total "business income" loss recovery, after deductible, would be \$15,000. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

We will also charge you an additional premium in recognition of the actual "business income annual value."

**EXAMPLE 2 (Adequate insurance)**

When:

The "business income actual annual value" at the location of loss at the time of the "accident" is \$200,000.

The "business income estimated annual value" shown in the Declarations for the location of loss is \$200,000.

The actual loss of "business income" resulting from the "accident" is \$40,000.

The Business Income limit is \$100,000.

The Business Income deductible is \$5,000.

Step 1:  $\$200,000 / \$200,000 = 1$

Step 2:  $\$40,000 \times 1 = \$40,000$

Step 3:  $\$40,000 - \$5,000 = \$35,000$

The total "business income" loss recovery, after deductible, would be \$35,000.

**4. Coinsurance - Coverages other than Business Income**

Coverages other than Business Income may be subject to coinsurance if so indicated in the Declarations. If a

Coinsurance percentage is shown in the Declarations, the following condition applies.

- a. We will not pay the full amount of any loss if the value of the property subject to the coverage at the time of the "accident" times the Coinsurance percentage shown for it in the Declarations is greater than the applicable limit.

Instead, we will determine the most we will pay using the following steps:

(1) Multiply the value of the property subject to the coverage at the time of the "accident" by the Coinsurance percentage;

(2) Divide the applicable limit by the amount determined in step (1);

(3) Multiply the total amount of loss, before the application of any deductible, by the amount determined in step (2); and

(4) Subtract the deductible from the amount determined in step (3).

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

- b. Coinsurance applies separately to each insured location.

**EXAMPLE 1 (Underinsurance)**

When:

The actual value of "perishable goods" at the location of loss at the time of the "accident" is \$200,000.

The Perishable Goods limit is \$100,000 @ 80% coinsurance.

The loss under Perishable Goods coverage resulting from the "accident" is \$60,000.

The Perishable Goods deductible is \$5,000.

Step 1:  $\$200,000 \times 80\% = \$160,000$

Step 2:  $\$100,000 / \$160,000 = .625$

Step 3:  $\$60,000 \times .625 = \$37,500$

Step 4:  $\$37,500 - \$5,000 = \$32,500$

The total Perishable Goods loss recovery, after deductible, would be \$32,500. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

**EXAMPLE 2 (Adequate insurance)**

When:

The actual value of "perishable goods" at the location of loss at the time of the "accident" is \$100,000.

The Perishable Goods limit is \$100,000 @ 80% coinsurance.

The loss under Perishable Goods coverage resulting from the "accident" is \$60,000.

The Perishable Goods deductible is \$5,000.

Step 1:  $\$100,000 \times 80\% = \$80,000$

Step 2:  $\$100,000/\$80,000 = 1.25$

Coinsurance does not apply.

Step 3:  $\$60,000 - \$5,000 = \$55,000$

The total Perishable Goods loss recovery, after deductible, would be \$55,000.

## 5. Defense

We have the right, but are not obligated, to defend you against suits arising from claims of owners of property in your care, custody or control. When we do this, it will be at our expense.

## 6. Duties in the Event of Loss or Damage

You must see that the following are done in the event of loss or damage:

- a. Give us a prompt notice of the loss or damage, including a description of the property involved.
- b. You must reduce your loss, damage or expense, if possible, by:
  - (1) Protecting property from further damage. We will not pay for your failure to protect property, as stated in Exclusion B.1.g.;
  - (2) Resuming business, partially or completely at the location of loss or at another location;
  - (3) Making up lost business within a reasonable amount of time. This includes working extra time or overtime at the location of loss or at another location. The reasonable amount of time does not necessarily end when the operations are resumed;
  - (4) Using merchandise or other property available to you;
  - (5) Using the property or services of others; and
  - (6) Salvaging the damaged property.
- c. Allow us a reasonable time and opportunity to examine the property and premises before repair or replacement is undertaken or physical evidence of the "accident" is removed. But you must take whatever measures are necessary for protection from further damage.
- d. Make no statement that will assume

any obligation or admit any liability, for any loss, damage or expense for which we may be liable, without our consent.

- e. Promptly send us any legal papers or notices received concerning the loss, damage or expense.
- f. As often as may be reasonably required, permit us to inspect your property, premises and records. Also permit us to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.
- g. If requested, permit us to examine you and any of your agents, employees and representatives under oath. We may examine any insured under oath while not in the presence of any other insured. Such examination:
  - (1) May be at any time reasonably required;
  - (2) May be about any matter relating to this insurance, your loss, damage or expense, or your claim, including, but not limited to, your books and records; and
  - (3) May be recorded by us by any methods we choose.
- h. Send us a signed, sworn proof of loss containing the information we request. You must do this within 60 days after our request.
- i. Cooperate with us in the investigation and settlement of the claim.

## 7. Errors and Omissions

- a. We will pay your loss covered by this Equipment Breakdown coverage if such loss is otherwise not payable solely because of any of the following:
  - (1) Any error or unintentional omission in the description or location of property as insured under this policy;
  - (2) Any failure through error to include any premises owned or occupied by you at the inception of this policy; or
  - (3) Any error or unintentional omission by you that results in cancellation of any premises insured under this policy.
- b. No coverage is provided as a result of any error or unintentional omission by you in the reporting of values or the coverage you requested.

- c. It is a condition of this coverage that such errors or unintentional omissions shall be reported and corrected when discovered. The policy premium will be adjusted accordingly to reflect the date the premises should have been added had no error or omission occurred.
- d. If an Errors and Omissions Limit is shown on the Declarations, we will not pay more than the indicated amount for coverage under this Condition.

#### 8. Proving Your Loss

It is your responsibility, at your own expense, to provide documentation to us:

- a. Demonstrating that the loss, damage or expense is the result of an "accident" covered under this Equipment Breakdown Coverage; and
- b. Calculating the dollar amount of the loss, damage and expense that you claim is covered.

Your responsibility in 8.a. above is without regard to whether or not the possible "accident" occurred at your premises or involved your equipment.

#### 9. Salvage and Recoveries

When, in connection with any loss under this Equipment Breakdown Coverage, any salvage or recovery is received after the payment for such loss, the amount of the loss shall be figured on the basis on which it would have been settled had the amount of salvage or recovery been known at the time the loss was originally determined. Any amounts thus found to be due either party from the other shall be paid promptly.

#### 10. Valuation

We will determine the value of "covered property" as follows:

- a. Except as specified otherwise, our payment for damaged "covered property" will be the smallest of:
  - (1) The cost to repair the damaged property;
  - (2) The cost to replace the damaged property on the same site; or
  - (3) The amount you actually spend that is necessary to repair or replace the damaged property.
- b. The amount of our payment will be based on the most cost-effective means to replace the function, capacity and remaining useful life of the damaged property. This may include the use of generic, used or reconditioned parts, equipment or

property.

- c. Except as described in d. below, you must pay the extra cost of replacing damaged property with property of a better kind or quality or of a different size or capacity.

#### d. Environmental, Safety and Efficiency Improvements

If "covered equipment" requires replacement due to an "accident," we will pay your additional cost to replace with equipment that we agree is better for the environment, safer for people or more energy efficient than the equipment being replaced, subject to the following conditions:

- (1) We will not pay more than 125% of what the cost would have been to replace with like kind and quality;
- (2) We will not pay to increase the size or capacity of the equipment;
- (3) This provision only applies to Property Damage coverage;
- (4) This provision does not increase any of the applicable limits;
- (5) This provision does not apply to any property valued on an Actual Cash Value basis; and
- (6) This provision does not apply to the replacement of component parts.

- e. The following property will be valued on an Actual Cash Value basis:

- (1) Any property that does not currently serve a useful or necessary function for you;
- (2) Any "covered property" that you do not repair or replace within 24 months after the date of the "accident"; and
- (3) Any "covered property" for which Actual Cash Value coverage is specified in the Declarations.

Actual Cash Value includes deductions for depreciation.

- f. If any one of the following conditions is met, property held for sale by you will be valued at the sales price as if no loss or damage had occurred, less any discounts and expenses that otherwise would have applied:

- (1) The property was manufactured by you;
- (2) The sales price of the property is less than the replacement cost

- of the property; or
- (3) You are unable to replace the property before its anticipated sale.
- g. Except as specifically provided for under Data Restoration coverage, "data" and "media" will be valued on the following basis:
- (1) For mass-produced and commercially available software, at the replacement cost.
  - (2) For all other "data" and "media," at the cost of blank "media" for reproducing the records. We will not pay for "data" representing financial records based on the face value of such records.
- h. Air conditioning or refrigeration equipment that utilizes a refrigerant containing CFC (chlorofluorocarbon) substances will be valued at the cost to do the least expensive of the following:
- (1) Repair or replace the damaged property and replace any lost CFC refrigerant;
  - (2) Repair the damaged property, retrofit the system to accept a non-CFC refrigerant and charge the system with a non-CFC refrigerant; or
  - (3) Replace the system with one using a non-CFC refrigerant.

In determining the least expensive option, we will include any associated Business Income or Extra Expense loss. If option (2) or (3) is more expensive than (1), but you wish to retrofit or replace anyway, we will consider this better for the environment and therefore eligible for valuation under paragraph d., Environmental, Safety and Efficiency Improvements. In such case, E.10.d.(1) is amended to read: "We will not pay more than 125% of what the cost would have been to repair or replace with like kind and quality."

## F. ADDITIONAL CONDITIONS

The following conditions apply in addition to the Loss Conditions:

### 1. Additional Insured

If a person or organization is designated in this Equipment Breakdown Coverage as an additional insured, we will consider them to be an insured under this Equipment Breakdown Coverage only to the extent of their interest in the "covered property."

### 2. Bankruptcy

The bankruptcy or insolvency of you or your estate will not relieve you or us of any obligation under this Equipment Breakdown Coverage.

## 3. Cancellation

- a. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.
- b. We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:
  - (1) 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
  - (2) 30 days before the effective date of cancellation if we cancel for any other reason.
- c. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.
- d. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
- e. If this policy is canceled, 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.
- f. If notice is mailed, proof of mailing will be sufficient proof of notice.

## 4. Changes

This policy contains all the agreements between you and us concerning the insurance afforded. The first Named Insured shown in the Declarations is authorized to make changes in the terms of this policy with our consent. This policy's terms can be amended or waived only by endorsement issued by us and made a part of this policy.

## 5. Concealment, Misrepresentation or Fraud

We will not pay for any loss and coverage will be void if you or any additional insured at any time:

- a. Intentionally cause or allow loss, damage or expense in order to collect on insurance; or
- b. Intentionally conceal or misrepresent a material fact concerning:
  - (1) This Equipment Breakdown Coverage;

- (2) The "covered property";
- (3) Your interest in the "covered property"; or
- (4) A claim under this Equipment Breakdown Coverage.

#### 6. Examination of Your Books and Records

We may examine and audit your books and records as they relate to this policy at any time during the policy period and up to three years afterward.

#### 7. Inspections and Surveys

- a. We have the right to:
  - (1) Make inspections and surveys at any time;
  - (2) Give you reports on the conditions we find; and
  - (3) Recommend changes.
- b. We are not obligated to make any inspections, surveys, reports or recommendations and any such actions 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.
- c. Paragraphs a. and b. of this condition apply not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.

#### 8. Jurisdictional Inspections

It is your responsibility to comply with any state or municipal boiler and pressure vessel regulations. If any "covered equipment" that is "covered property" requires inspection to comply with such regulations, at your option we agree to perform such inspection.

#### 9. Legal Action Against Us

No one may bring a legal action against us under this Equipment Breakdown Coverage unless:

- a. There has been full compliance with all the terms of this Equipment Breakdown Coverage; and
- b. The action is brought within two years after the date of the "accident" or
- c. We agree in writing that you have an obligation to pay for damage to

"covered property" of others or until the amount of that obligation has been determined by final judgment or arbitration award. No one has the right under this policy to bring us into an action to determine your liability.

#### 10. Liberalization

If we adopt any standard form revision for general use that would broaden the coverage under this Equipment Breakdown Coverage without additional premium, the broadened coverage will apply to this Equipment Breakdown Coverage commencing on the date that such revision becomes effective in the jurisdiction where the "accident" occurs.

#### 11. Loss Payable

- a. We will pay you and the loss payee shown in the Declarations for loss covered by this Equipment Breakdown Coverage, as interests may appear. The insurance covers the interest of the loss payee unless the loss results from conversion, secretion or embezzlement on your part or on the part of the loss payee.
- b. We may cancel the policy as allowed by the Cancellation Condition. Cancellation ends this agreement as to the loss payee's interest. If we cancel, we will mail you and the loss payee the same advance notice.
- c. If we make any payment to the loss payee, we will obtain their rights against any other party.

#### 12. Maintaining Your Property and Equipment

It is your responsibility to appropriately maintain your property and equipment. We will not pay your costs to maintain, operate, protect or enhance your property or equipment, even if such costs are to comply with our recommendations or prevent loss, damage or expense that would be covered under this policy.

#### 13. Mortgage Holders

- a. The term mortgage holder includes trustee.
- b. We will pay for direct damage to "covered property" due to an "accident" to "covered equipment" to you and each mortgage holder shown in the Declarations in their order of precedence, as interests in the "covered property" may appear.
- c. The mortgage holder has the right to receive loss payment even if the mortgage holder has started foreclosure or similar action on the "covered property."

d. If we deny your claim because of your acts or because you have failed to comply with the terms of this Equipment Breakdown Coverage, the mortgage holder will still have the right to receive loss payment, provided the mortgage holder does all of the following:

- (1) Pays any premium due under this Equipment Breakdown Coverage at our request if you have failed to do so;
- (2) Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so;
- (3) Has notified us of any change in ownership or material change in risk known to the mortgage holder; and
- (4) Has complied with all other terms and conditions of this Policy.

All of the terms of this Equipment Breakdown Coverage will then apply directly to the mortgage holder.

e. If we pay the mortgage holder for any loss and deny payment to you because of your acts or because you have failed to comply with the terms of this Equipment Breakdown Coverage:

- (1) The mortgage holder's right under the mortgage will be transferred to us to the extent of the amount we pay; and
- (2) The mortgage holder's right to recover the full amount of the mortgage holder's claim will not be impaired.

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

f. If we cancel this policy, we will give written notice to the mortgage holder at least:

- (1) 10 days before the effective date of cancellation if we cancel for your nonpayment of premium; or
- (2) 30 days before the effective date of cancellation if we cancel for any other reason.

g. If we elect not to renew this policy, we will give written notice to the mortgage holder at least 10 days before the expiration date of this

policy.

h. If we suspend coverage, it will also be suspended as respects the mortgage holder. We will give written notice of the suspension to the mortgage holder.

#### 14. Other Insurance

If there is other insurance that applies to the same loss, damage or expense, this Equipment Breakdown Coverage shall apply only as excess insurance after all other applicable insurance has been exhausted.

#### 15. Policy Period, Coverage Territory

Under this Equipment Breakdown Coverage:

- a. The "accident" must occur during the Policy Period, but expiration of the policy does not limit our liability.
- b. The "accident" must occur within the following Coverage Territory:
  - (1) The United States of America (including its territories and possessions);
  - (2) Puerto Rico; and
  - (3) Canada.

#### 16. Premiums

The first Named Insured shown in the Declarations:

- a. Is responsible for the payment of all premiums; and
- b. Will be the payee for any return premiums we pay.

#### 17. Privilege to Adjust with Owner

In the event of loss, damage or expense involving property of others in your care, custody or control, we have the right to settle the loss, damage or expense with respect to such property with the owner of the property. Settlement with owners of that property will satisfy any claim of yours.

#### 18. Suspension

Whenever "covered equipment" is found to be in, or exposed to, a dangerous condition, any of our representatives may immediately suspend the insurance against loss from an "accident" to that "covered equipment." This can be done by delivering or mailing a written notice of suspension to:

- a. Your last known address; or
- b. The address where the "covered equipment" is located.

Once suspended in this way, your insurance can be reinstated only by an endorsement for that "covered equipment."

If we suspend your insurance, you will get a pro rata refund of premium for that "covered equipment" for the period of suspension. But the suspension will be effective even if we have not yet made or offered a refund.

#### 19. 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.

#### 20. Transfer of Rights of Recovery Against Others to Us

If any person or organization to or for whom we make payment under this Equipment Breakdown Coverage has rights to recover damages from another, those rights are transferred to us to the extent of our payment. That person or organization must do everything necessary to secure our rights and must do nothing after loss to impair them. But you may waive your rights against another party in writing:

- a. Prior to an "accident."
- b. After an "accident" only if, at time of the "accident," that party is one of the following:
  - (1) Someone insured by this Policy; or
  - (2) A business firm:
    - (a) Owned or controlled by you; or
    - (b) That owns or controls you.

### G. DEFINITIONS

#### 1. "Accident"

- a. "Accident" is defined in A.1.a.
- b. None of the following is an "accident," however caused and without regard to whether such condition or event is normal and expected or unusual and unexpected:
  - (1) Depletion, deterioration, rust, corrosion, erosion, settling or wear and tear;
  - (2) Any gradually developing condition;
  - (3) Any defect, programming error, programming limitation, computer

virus, malicious code, loss of "data," loss of access, loss of use, loss of functionality or other condition within or involving "data" or "media" of any kind;

- (4) Contamination by a "hazardous substance"; or
- (5) Misalignment, miscalibration, tripping off-line, or any condition which can be corrected by resetting, tightening, adjusting or cleaning, or by the performance of maintenance.

#### 2. "Boilers and Vessels" means:

- a. Boilers;
- b. Steam piping;
- c. Piping that is part of a closed loop used to conduct heat from a boiler;
- d. Condensate tanks; and
- e. Unfired vessels which, during normal usage, operate under vacuum or pressure, other than the weight of contents.

This term does not appear elsewhere in this coverage form, but may appear in the Declarations.

#### 3. "Building Utilities" means "covered equipment" permanently mounted on or in a building and used to provide any of the following services within the building: heating, ventilating, air conditioning, electrical power, hot water, elevator or escalator services, natural gas service or communications. "Building utilities" does not include personal property or equipment used in manufacturing or processing.

#### 4. "Buried Vessels or Piping" means any piping or vessel buried or encased in the earth, concrete or other material, whether above or below grade, or in an enclosure which does not allow access for inspection and repair.

#### 5. "Business Income" means the sum of:

- a. The Net Income (net profit or loss before income taxes) that would have been earned or incurred; and
- b. Continuing normal and necessary operating expenses incurred, including employee payroll.

#### 6. "Business Income Actual Annual Value" means the "business income" for the current fiscal year that would have been earned had no "accident" occurred.

In calculating the "business income actual annual value," we will take into account the actual experience of your business before the "accident" and the probable experience you would have had without the "accident."

7. **"Business Income Estimated Annual Value"** means the anticipated "business income" reported to us and shown in the Declarations. If no value is shown in the Declarations, the "business income estimated annual value" will be the most recent report of anticipated "business income" values on file with us.

**8. "Covered Equipment"**

- a. "Covered Equipment" is defined in A.1.b.
- b. None of the following is "covered equipment":
- (1) Structure, including but not limited to the structural portions of buildings and towers, scaffolding, and any air supported enclosure;
  - (2) Foundation;
  - (3) Cabinet, compartment, conduit or ductwork;
  - (4) Insulating or refractory material;
  - (5) "Buried vessels or piping";
  - (6) Waste, drainage or sewer piping;
  - (7) Piping, valves or fittings forming a part of a sprinkler or fire suppression system;
  - (8) Water piping that is not part of a closed loop used to conduct heat or cooling from a boiler or a refrigeration or air conditioning system;
  - (9) "Vehicle" or any equipment mounted on a "vehicle";
  - (10) Satellite, spacecraft or any equipment mounted on a satellite or spacecraft;
  - (11) Dragline, excavation or construction equipment;
  - (12) Equipment manufactured by you for sale; or
  - (13) "Data."

**9. "Covered Property"**

- a. "Covered Property" means property that you own or property that is in your care, custody or control and for which you are legally liable. Such property must be at a location described in the Declarations except as provided under Off Premises Property Damage coverage.
- b. None of the following is "covered property":
- (1) Accounts, bills, currency, deeds or other evidences of debt, money, notes or securities;
  - (2) Fine arts, jewelry, furs or precious stones;

- (3) Precious metal, unless forming a part of "covered equipment";
- (4) Animals;
- (5) Contraband, or property in the course of illegal transportation or trade;
- (6) Land (including land on which the property is located), water, trees, growing crops or lawns; or
- (7) Shrubs or plants, unless held indoors for retail sale.

10. **"Data"** means information or instructions stored in digital code capable of being processed by machinery.

**11. "Electrical Generating Equipment"**

- a. "Electrical Generating Equipment" means equipment which converts any other form of energy into electricity. This includes, but is not limited to, the following:
- (1) Boilers used primarily to provide steam for one or more turbine-generator units;
  - (2) Turbine-generators (including steam, gas, water or wind turbines);
  - (3) Engine-generators;
  - (4) Fuel cells or other alternative electrical generating equipment;
  - (5) Electrical transformers, switchgear and power lines used to convey the generated electricity; and
  - (6) Associated equipment necessary for the operation of any of the equipment listed in (1) through (5) above.

b. "Electrical Generating Equipment" does not mean:

- (1) Elevator or hoist motors that generate electricity when releasing cable; or
- (2) Equipment intended to generate electricity solely on an emergency, back-up basis.

This term does not appear elsewhere in this coverage form, but may appear in the Declarations.

12. **"Extra Expense"** means the additional cost you incur to operate your business over and above the cost that you normally would have incurred to operate your business during the same period had no "accident" occurred.

13. **"Hazardous Substance"** means any substance that is hazardous to health or has been declared to be hazardous to health by a governmental agency.

**14. "Interruption of Service"**

- a. "Interruption of Service" means a failure or disruption of the normal supply of any of the Covered Services listed in b. below, when such failure or disruption is caused by an "accident" to "covered equipment," subject to the conditions listed in c. through f. below.
- b. Covered Services are electrical power, waste disposal, air conditioning, refrigeration, heating, natural gas, compressed air, water, steam, internet access, telecommunications services, wide area networks and data transmission.
- c. The "covered equipment" must either be:
  - (1) Owned by a company with whom you have a contract to supply you with one of the Covered Services; or
  - (2) Used to supply you with one of the Covered Services and located within one mile of a location described in the Declarations.
- d. If a Service Interruption Distance Limitation is indicated in the Declarations, the "covered equipment" suffering the "accident" must be located within the indicated distance of any location described in the Declarations.
- e. Unless otherwise shown in the Declarations, no failure or disruption of service will be considered to qualify as an "interruption of service" until the failure or disruption exceeds 24 hours immediately following the "accident."
- f. "Interruption of service" does not include any failure or disruption, whether or not arising from or involving an "accident," in which a supplier could have continued to provide service to the location but chose for any reason to reduce or discontinue service.

**15. "Interruption of Supply"**

- a. "Interruption of Supply" means a failure or disruption of the normal supply of any of the Covered Contingencies listed below, when such failure or disruption is caused by an "accident" to "covered equipment" that is located at a Contingent Business Income supplier or receiver location indicated in the Declarations. If no Contingent Business Income supplier or receiver

location is indicated in the Declarations, the "covered equipment" must be owned by a supplier from whom you have received the Covered Contingency for at least six months prior to the "accident" or a receiver to whom you have supplied the Covered Contingency for at least six months prior to the "accident."

- b. Covered Contingencies are raw materials, intermediate products, finished products, packaging materials and product processing services.
- 16. "Media"** means material on which "data" is recorded, such as magnetic tapes, hard disks, optical disks or floppy disks.
- 17. "One Accident"** means all "accidents" occurring at the same time from the same event.  
If an "accident" causes other "accidents," all will be considered "one accident."
- 18. "Ordinary Payroll"** means the Payroll Expenses associated with all employees other than executives, department managers and employees under contract.  
As used above, Payroll Expenses means all payroll, employee benefits directly related to payroll, FICA payments you pay, union dues you pay and workers compensation premiums.  
"Ordinary payroll" does not include pensions or directors fees.  
This term does not appear elsewhere in this coverage form, but may appear in the Declarations.
- 19. "Period of Restoration"** means the period of time that begins at the time of the "accident" and continues until the earlier of:
- a. The date the physical damage to "covered equipment" is repaired or replaced; or
  - b. The date on which such damage could have been repaired or replaced with the exercise of due diligence and dispatch,  
plus the number of days, if any, shown in the Declarations for Extended Period of Restoration.
- 20. "Perishable Goods"** means any "covered property" subject to deterioration or impairment as a result of a change of conditions, including but not limited to temperature, humidity or pressure.

21. **"Production Machinery"** means any machine or apparatus that processes or produces a product intended for eventual sale. This includes all component parts of such machine or apparatus and any other equipment used exclusively with such machine or apparatus.

This term does not appear elsewhere in this coverage form, but may appear in the Declarations.

22. **"Spoilage"** means any detrimental change in state. This includes but is not limited to thawing of frozen goods, warming of refrigerated goods, freezing

of fresh goods, solidification of liquid or molten material and chemical reactions to material in process.

23. **"Vehicle"** means any machine or apparatus that is used for transportation or moves under its own power. "Vehicle" includes, but is not limited to, car, truck, bus, trailer, train, aircraft, watercraft, forklift, bulldozer, tractor or harvester.

However, any property that is stationary, permanently installed at a covered location and that receives electrical power from an external power source will not be considered a "vehicle."