AGREEMENT

In return for “your” payment of the required premium, “we” provide the coverage described herein subject to all the “terms” of the Commercial Output Program. This coverage is also subject to the “schedule of coverages” and additional policy conditions relating to assignment or transfer of rights or duties, cancellation, changes or modifications, inspections, and examination of books and records.

Endorsements and schedules may also apply. They are identified on the “schedule of coverages”.

Refer to Definitions for words and phrases that have special meaning. These words and phrases are shown in quotation marks or bold type.

DEFINITIONS

1. The words “you” and “your” mean the persons or organizations named as the insured on the “schedule of coverages”.

2. The words “we”, “us”, and “our” mean the company providing this coverage.

3. “Accident” means direct physical loss as follows:
   a. Mechanical breakdown;
   b. Rupturing or bursting of moving parts of machinery caused by centrifugal force;
   c. Loss caused by arcing or electrical currents other than lightning;
   d. Explosion of steam boilers, steam pipes, steam turbines, or steam engines that “you” own or lease or that are operated under “your” control;
   e. Loss to steam boilers, steam pipes, steam turbines, or steam engines caused by any condition or occurrence within such equipment; or
   f. Loss to hot water boilers or heaters caused by any condition or occurrence within such equipment.

4. “Business” means the usual business operations occurring at “covered locations” including the tenantability of “covered locations” when the selected coverage option includes “rents”.

5. “Computers” means:
   a. “Hardware” owned by “you” or in “your” care, custody, or control; or
   b. “Software”.

6. “Computer hacking” means an unauthorized intrusion by an individual or group of individuals, whether employed by “you” or not, into a “computer”, a Web site, or a “computer” network and that results in but is not limited to:
   a. Deletion, destruction, generation, or modification of “software”;
   b. Alteration, contamination, corruption, degradation, or destruction of the integrity, quality, or performance of “software”;
   c. Observation, scanning, or copying of “data records”, “programs and applications”, and “proprietary programs”;
   d. Damage, destruction, inadequacy, malfunction, degradation, or corruption of any “hardware” or “media” used with “hardware”; or
   e. Denial of access to or denial of services from “computers”, “computer” network, or Web site including related “software”.

7. “Computer virus” means the introduction into a “computer”, “computer” network, or Web site of any malicious, self-replicating electronic data processing code or other code and that is intended to result in, but is not limited to:
   a. Deletion, destruction, generation, or modification of “software”;
   b. Alteration, contamination, corruption, degradation, or destruction of the integrity, quality, or performance of “software”;
   c. Damage, destruction, inadequacy, malfunction, degradation, or corruption of any “hardware” or “media” used with “hardware”; or
   d. Denial of access to or denial of services from “computers”, “computer” network, or Web site including related “software”.

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8. “Covered equipment”, unless otherwise specified in a schedule, means equipment:
   a. That generates, transmits, or utilizes energy; or
   b. Which, during normal usage, operates under vacuum or pressure, other than the weight of its contents.

   Such equipment must be covered property, except as specifically provided for under Utility Service Interruption coverage and the Spoilage Coverage Part.

   “Covered equipment” does not mean:
   a. Equipment manufactured by “you” for sale;
   b. Buildings, structures, or compartments that cover or house “covered equipment”;
   c. Foundations that support “covered equipment”;
   d. Sewage and other underground piping and vessels, water piping, or sprinkler system piping. However, “we” cover:
      1) Boiler feedwater and condensate return piping; and
      2) Water piping for heating, air conditioning, or refrigeration systems;
   e. “Mobile equipment”, including but not limited to draglines or other excavation equipment;
   f. Aircraft or watercraft and their motors, equipment, and accessories;
   g. Automobiles, motor trucks, tractors, trailers, and similar conveyances and their motors, equipment, and accessories. However, any property that is stationary, permanently installed at a “covered location”, and receives electrical power from an external power supplier will not be considered an automobile, motor truck, tractor, or trailer; or
   h. “Computers”.

9. “Covered location” means any location or premises where “you” have buildings, structures, or business personal property covered under this coverage.

   However, if the Scheduled Locations Endorsement is added to this policy, “covered location” means a location that is described on the Location Schedule.

   “Covered location” does not mean vehicles containing covered property, except vehicles on or within 1,000 feet of the premises of any covered building or structure.

10. “Data records” means files, documents, and information in an electronic format and that are stored on “media”.

11. “Dependent locations” means locations that are operated by others and that “your” “business” depends on, as described below. Dependent locations includes but is not limited to:
   a. Contributing locations, these are “your” suppliers’ locations or locations of suppliers that deliver services or materials to others for “your” account. Contributing locations do not include suppliers of:
      1) Water;
      2) Telecommunications, including but not limited to Internet service providers; or
      3) Power;
   b. Recipient locations, these are locations that receive “your” products;
   c. Leader locations, these are locations that attract customers to “your” “business”; or
   d. Manufacturing locations, these are locations that make products for delivery to “your” customers under contract of sale.

12. “Fine arts” means bona fide works of art of rarity, historical value, or artistic merit, including but not limited to paintings, etchings, pictures, tapestries, and art glass windows.

13. “Flood” means flood, surface water, waves, tidal water, or the overflow of a body of water, all whether driven by wind or not. This includes spray that results from any of these whether driven by wind or not.

14. “Hardware” means a network of electronic machine components (microprocessors) capable of accepting instructions and information, processing the information according to the instructions, and producing desired results. “Hardware” includes but not limited to:
   a. Mainframe and mid-range computers and servers;
   b. Personal computers and workstations;
   c. Laptops, palm tops, notebook PCs, other portable computer devices and accessories including, but not limited to, multimedia projectors; and
d. Peripheral data processing equipment, including but not limited to, printers, keyboards, monitors, and modems.

15. “Limit” means the amount of coverage that applies.

16. “Media” means an instrument that is used with “hardware” and on which “data records”, “programs and applications”, and proprietary programs can be recorded or stored. “Media” includes, but is not limited to, films, tapes, cards, discs, drums, cartridges, cells, DVDs, or CD-ROMs.

17. “Mobile equipment” means:
   a. Contractors’ equipment or similar equipment of a mobile or floating nature;
   b. Self-propelled vehicles designed and used primarily to carry mounted equipment; or
   c. Vehicles designed for highway use that are unlicensed and not operated on public roads.

18. “Money” means currency, bullion, coins, bank notes in current use, and traveler’s checks, register checks, and money orders held for sale to the public.

19. “Off-site server” means a server for “your” Web site that is being maintained or operated by and that is located at the premises of:
   a. An independent contractor acting as “your” Web host; or
   b. “Your” Internet service provider that is acting as “your” Web host.

20. “One accident” means:

   When an initial “accident” causes or results in other “accidents”, all of the “accidents” will be considered “one accident”. All “accidents” that are the result of the same occurrence will be considered “one accident”.

21. “Perishable stock” means personal property preserved and maintained under controlled conditions and susceptible to loss or damage if the controlled conditions change.

22. “Pollutant” means:
   a. Any solid, liquid, gaseous, thermal, or radioactive irritant or contaminant, including but not limited to acids, alkalis, chemicals, fumes, smoke, soot, vapor, and waste. Waste includes materials to be recycled, reclaimed, or reconditioned, as well as disposed of; and

   b. Electrical or magnetic emissions, whether visible or invisible, and sound emissions.

23. “Programs and applications” means operating programs and applications that “you” purchase and that are:
   a. Stored on “media”; or
   b. Pre-installed and stored in “hardware”.

Applications includes, but is not limited to, programs for word processing, spreadsheet calculations, and graphic design.

24. “Proprietary programs” means proprietary operating programs and applications that “you” developed or that “you” had developed specifically for “you” and that are:
   a. Stored on “media”; or
   b. Installed and stored in “hardware”.

25. “Rents” means “your” actual loss of:
   a. Rental income from a “covered location” as furnished or equipped by “you”, less any expenses that do not continue;
   b. The fair rental value of any part of a “covered location” that “you” occupy, less any expenses that do not continue; and
   c. Other charges for which a tenant is legally obligated and which “you” would otherwise be obligated.

26. “Restoration period” means:

   a. The time it should reasonably take to resume “your” “business” to a similar level of service starting from the date of a physical loss of or damage to property at a “covered location” that is caused by a covered peril and ending on the date:
      1) The property should be rebuilt, repaired, or replaced; or
      2) Business is resumed at a new permanent location.

   This is not limited by the expiration date of the policy.

   b. The “restoration period” also means the increased time required to comply with the enforcement of any ordinance, law, or decree that:
      1) Regulates the construction, use, or repair of any property; or
2) Requires the demolition of any property, in part or in whole, not damaged by a covered peril.

However, except as provided under Supplemental Income Coverage, Pollutant Cleanup and Removal, “we” do not cover the costs associated with the enforcement of any ordinance, law, or decree that requires “you” or anyone else to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize or in any way respond to or assess the effects of “pollutants”.

The ordinance, law, or decree must be in force at the time of loss.

c. Only as regards coverage described under Dependent Locations in the Supplemental Income Coverages, “restoration period” also means the time it should reasonably take to resume “your” “business” starting from the date of direct physical loss of or damage to a “dependent location” caused by a covered peril, and ending on the date:

1) The property at the “dependent location” should be rebuilt, repaired, or replaced; or

2) Business is resumed at a new, permanent location.

This is not limited by the expiration date of the policy.

d. Only as regards coverage described under Off Premises Utility Service Interruption; and Property In Transit, On Exhibition, or In the Custody Of Sales Representatives in the Supplemental Income Coverages, “restoration period” also means the time it should reasonably take to resume “your” “business” starting from the date of direct physical loss of or damage caused by a covered peril to:

1) Property not located at a “covered location” and that is owned by a utility, a landlord, or another utility supplier;

2) The “off-site server” for “your” Web site or the location that houses the “off-site server” for “your” Web site;

3) Property in transit, on exhibition, or in the custody of sales representatives;

and ending on the date the property should be rebuilt, repaired, or replaced. This is not limited by the expiration date of the policy.

27. “Schedule of coverages” means:

a. All pages labeled schedule of coverages or schedules which pertain to this coverage; and

b. Declarations or supplemental declarations which pertain to this coverage.

28. “Securities” means negotiable and nonnegotiable instruments or contracts representing either “money” or other property. This includes, but is not limited to, stock certificates; tokens, tickets, revenue, or stamps (whether represented by actual stamps or unused value in a meter) in current use; and evidences of debt used in connection with charge, credit, or debit cards that are not issued by “you”, but does not include “money”.

29. “Sinkhole collapse” means the sudden settlement or collapse of earth supporting the covered property into subterranean voids created by the action of water on a limestone or similar rock formation. It does not include the value of the land or the cost of filling sinkholes.

30. “Software” means:

a. “Media”;

b. “Data records”;

c. “Programs and applications”; and

d. “Proprietary programs”.

31. “Specified perils” means aircraft; civil commotion; explosion; falling objects; fire; hail; leakage from fire extinguishing equipment; lightning; riot; “sinkhole collapse”; smoke; sonic boom; vandalism; vehicles; “volcanic action”; water damage; weight of ice, snow, or sleet; and windstorm.

Falling objects does not include loss to:

a. Business personal property in the open; or

b. To the interior of buildings or structures, or business personal property inside buildings or structures unless the exterior of the roof or walls are first damaged by a falling object.

Water damage means the sudden or accidental discharge or leakage of water or steam as a direct result of breaking or cracking of a part of the system or appliance containing the water or steam.
32. “Spoilage” means any detrimental change in physical state of “perishable stock”. Detrimental change includes, but is not limited to, thawing of frozen goods, warming of refrigerated goods, solidification of liquid or molten material, chemical reactions to material in process, and reduction in value of time sensitive materials.

33. “Terms” are all provisions, limitations, exclusions, conditions, and definitions that apply.

34. “Theft” means any act of stealing, including burglary or robbery.

35. “Valuable papers” means documents, manuscripts, or records that are inscribed, printed, or written. This includes, but is not limited to, abstracts, books, deeds, drawings, films, maps, or mortgages.

36. “Volcanic action” means airborne volcanic blast or airborne shock waves; ash, dust, or particulate matter; or lava flow. It does not include the cost to remove ash, dust, or particulate matter that does not cause direct physical loss to the covered property.

PROPERTY COVERED

“We” cover the following property unless the property is excluded or subject to limitations.

“We” cover direct physical loss to covered property at a “covered location” caused by a covered peril.

BUILDING PROPERTY

1. Covered Building Property — Covered Building Property means buildings and structures and:
   a. Completed additions;
   b. Fixtures, machinery, and equipment which are a permanent part of a covered building or structure;
   c. Outdoor fixtures;
   d. Personal property owned by “you” and used to maintain or service a covered building or structure or its premises. This includes air-conditioning equipment; fire extinguishing apparatus; floor coverings; and appliances for refrigerating, cooking, dish washing, and laundering;
   e. If not covered by other insurance, buildings and additions to buildings under construction, alteration, and repair including:
      1) Materials, equipment, supplies, and temporary structures, on or within 1,000 feet of a “covered location”, intended and designated for use in the construction, alteration, and repair of buildings or additions to buildings; and
      2) “Your” contractual liability for the interest of contractors and sub-contractors in buildings and additions to buildings under construction, alteration, and repair such as materials, equipment, supplies, and temporary structures, on or within 1,000 feet of a “covered location”, intended and designated for use in the construction, alteration, and repair of buildings or additions to buildings;
   f. Building glass;
   g. The following property if it is located on or within 1,000 feet of a covered building or structure:
      1) Radio and television towers, antennas, satellite dishes, masts, lead-in wiring, and guy wires. This includes foundations and any other property that is permanently attached to any of these types of property;
      2) Awnings or canopies; and
      3) Fences;
   h. Signs, whether or not they are attached to covered buildings, or structures; or
   i. Foundations of buildings, structures, machinery, or boilers.

2. Building Property That Is Not Covered — Except as provided under Supplemental Coverages - Underground Pipes, Pilings, Bridges and Roadways, Covered Building Property does not include:
   a. Pilings, piers, wharves, docks, or retaining walls;
   b. Underground pipes, flues, or drains; and
   c. Bridges, walkways, roadways, and other paved surfaces.

BUSINESS PERSONAL PROPERTY

1. Covered Business Personal Property — Covered business personal property means “your” business personal property in buildings or structures at a “covered location” or in the open (or in vehicles) on or within 1,000 feet of a “covered location”. This includes:
a. “Your” use interest as a tenant in improvements to the buildings or structures. Improvements are fixtures, alterations, installations, or additions:

1) To a building or structure “you” occupy but do not own; and

2) Made or acquired at “your” expense and which cannot be legally removed by “you”.

“We” also cover “your” interest as a tenant in undamaged improvements that “you” lose because “your” lease has been canceled by the lessor as a result of damage to the building or structure “you” occupy but do not own. The damage to the building must be caused by a covered peril;

b. Leased personal property which “you” have a contractual responsibility to insure;

c. “Your” interest in personal property of others to the extent of “your” labor, material, and services;

d. “Computers”, if not covered by other insurance;

e. Personal property which will become a part of “your” installation, fabrication, or erection project while:

1) At the site of installation, fabrication, or erection; or

2) While in temporary storage awaiting installation, fabrication, or erection.

Coverage under this provision is not restricted to buildings or structures at a “covered location” or within 1,000 feet of a “covered location”;

f. “Mobile equipment”, if not covered by other insurance. Coverage under this provision is not restricted to buildings or structures at a “covered location” or within 1,000 feet of a “covered location”;

and

g. Personal property of others. This means personal property of others that is in “your” care, custody, or control.

Personal property of others includes property that is sold under an installation agreement where “your” responsibility continues until the property is accepted by the buyer.

“Our” payment for loss to personal property of others will only be for the benefit of the owners of the personal property.

2. Business Personal Property That Is Not Covered — Covered business personal property does not include:

a. “Off-site server”; and

b. Except as provided under Supplemental Marine Coverages;

1) Personal property in transit as described under Property In Transit;

2) “Fine arts” as described under Fine Arts;

3) “Computers” while away from a “covered location” as described under Off Premises Computers;

4) Property while temporarily on display or exhibit as described under Property On Exhibition;

5) Samples of “your” stock as described under Sales Representative Samples; and

6) Duplicate or back-up “software” as described under Software Storage.

PROPERTY NOT COVERED

1. Airborne or Waterborne Property — “We” do not cover airborne or waterborne personal property unless the property is being transported by regularly scheduled airlines or ferry service.

2. Aircraft or Watercraft — “We” do not cover aircraft or watercraft (and their motors, equipment, and accessories) that are operated principally away from a “covered location”. However, “we” do cover:

a. Aircraft or watercraft (and their motors, equipment, and accessories) that “you” manufacture, process, warehouse, or hold for sale; and

b. Rowboats or canoes out of water at a “covered location”.

3. Animals — “We” do not cover animals, including but not limited to birds and fish, unless owned by others and boarded by “you”. “We” do cover animals “you” own and hold for sale while inside of buildings.

4. Automobiles and Vehicles — “We” do not cover automobiles, motor trucks, tractors, trailers, and similar conveyances designed and used for over-the-road transportation of people or cargo.
“We” do cover:

a. “Mobile equipment” described under Business Personal Property; and

b. Automobiles and vehicles that “you” manufacture, process, or warehouse. However, “we” do not cover automobiles or vehicles held for sale, lease, loan or rental.

5. Checked Luggage — “We” do not cover loss resulting from “theft” or disappearance of a laptop, palmtop, notebook PC, or any portable “computer” while in transit as checked luggage.

6. Contraband — “We” do not cover contraband or property in the course of illegal transportation or trade.

7. Cost of Excavation — “We” do not cover the cost of excavations, grading, filling, or backfilling. However, if a covered loss occurs to covered property below the surface of the ground, “we” cover costs that are a necessary part of the repairing, rebuilding, or replacement of the property.

8. Crops While Outside of Buildings — “We” do not cover grain, hay, straw, or other crops while outside of buildings.

9. Exports and Imports — “We” do not cover exported or imported property that is covered under any ocean marine cargo insurance policy or any similar policy that anyone has obtained covering exports and imports.

10. Land, Water, and Growing Crops — “We” do not cover:

   a. Land, including but not limited to land on which the covered property is located;

   b. Underground or surface water; or

   c. Growing crops.

11. Money, Securities, Accounts, and Valuable Papers — Except as provided elsewhere in this policy, “we” do not cover “money”, “securities”, accounts, bills, and the cost to reproduce, replace, or restore “valuable papers” and lost information.

12. Outdoor Trees, Shrubs, Plants, or Lawns — Except as provided under Supplemental Coverages - Trees, Shrubs, and Plants, “we” do not cover trees, shrubs, plants, or lawns (other than stock).

13. Property More Specifically Insured — “We” do not cover property which is more specifically insured in whole or in part by any other insurance. “We” do cover the amount in excess of the amount due from the more specific insurance whether “you” can collect on it or not.

14. Property of Others — “We” do not cover property of others for which “you” are responsible as:

   a. A carrier for hire; or

   b. An arranger of transportation. This includes carloaders, consolidators, brokers, freight forwarders, or shipping associations.

15. Property You Have Sold — “We” do not cover property that “you” have sold after it has been delivered. This does not include property which “you” have sold under an installation agreement.

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**COVERAGE EXTENSIONS**

The following Coverage Extensions indicate an applicable “limit”. This “limit” may also be shown in the “schedule of coverages”. If a different “limit” is indicated in the “schedule of coverages”, that “limit” will apply instead of the “limit” shown below.

However, if no “limit” is indicated for a Coverage Extension, coverage is provided up to the full “limit” for the applicable covered property unless a different “limit” is indicated on the “schedule of coverages”.

Unless otherwise indicated, the coverages provided below are part of and not in addition to the applicable “limit” for coverage described under Property Covered.

The “limit” provided under a Coverage Extension cannot be combined or added to the “limit” for any other Coverage Extension or Supplemental Coverage including a Coverage Extension or Supplemental Coverage that is added to this policy by endorsement.

The following coverage extensions are not subject to and not considered in applying coinsurance when coinsurance conditions are added to this coverage.

1. **Consequential Loss** — “We” pay for “your” consequential loss of undamaged business personal property. Consequential loss means the loss of value of an undamaged part or parts of a product which becomes unmarketable. It must be unmarketable due to a physical loss to another part or parts of the product caused by a covered peril.
2. **Debris Removal** — “We” pay the cost to remove the debris of covered property that is caused by a covered peril. This coverage does not include costs to:
   a. Extract “pollutants” from land or water; or
   b. Remove, restore, or replace polluted land or water.

   “We” do not pay any more under this coverage than 25% of the amount “we” pay for the direct physical loss. “We” will not pay more for loss to property and debris removal combined than the “limit” for the damaged property.

   However, “we” pay up to an additional $50,000 for debris removal expense when the debris removal expense exceeds 25% of the amount “we” pay for direct physical loss or when the loss to property and debris removal combined exceeds the “limit” for the damaged property.

   “We” do not pay any expenses unless they are reported to “us” in writing within 180 days from the date of direct physical loss to covered property.

3. **Emergency Removal** — “We” pay for any direct physical loss to covered property while it is being moved or being stored to prevent a loss caused by a covered peril. This coverage applies for up to 365 days after the property is first moved, but does not extend past the date on which this policy expires.

4. **Emergency Removal Expenses** — “We” pay up to $5,000 for “your” expenses to move or store covered property to prevent a loss caused by a covered peril. This coverage applies for up to 365 days after the property is first moved, but does not extend past the date on which this policy expires.

   The “limit” for Emergency Removal Expenses is separate from, and not part of, the applicable “limit” for coverage described under Property Covered.

5. **Fraud and Deceit** — “We” pay up to $5,000 for “theft” of covered property when “you”, “your” agents, customers, or consignees are fraudulently induced to part with the covered property:
   a. To persons who falsely represent themselves as the proper persons to receive the property; or
   b. By the acceptance of fraudulent bills of lading or shipping receipts.

6. **Damage From Theft** — “We” cover direct physical damage caused by “theft” or attempted “theft” to:
   a. A building that “you” do not own and that contains “your” business personal property; or
   b. Personal property not owned by “you” within such building and that is used to maintain or service the building or structure or its premises.

   This coverage extension only applies to a location where “you” are a tenant and the terms of “your” lease make “you” liable for damage caused by “theft” or attempted “theft”.

7. **Off Premises Utility Service Interruption**
   a. **Coverage** — “We” cover direct physical loss or damage caused by the interruption of an off premises utility service when the interruption:
      1) Results in the direct physical loss or damage to covered property located at a “covered location”; and
      2) Is a result of direct physical loss or damage by a covered peril to property that is not located at a “covered location” and that is owned by a utility, a landlord, or another supplier who provides “you” with:
         a) Power or gas;
         b) Telecommunications, including but not limited to Internet access; or
         c) Water, including but not limited to waste water treatment.
   b. **Overhead Transmission Lines** — If the “schedule of coverages” indicates that overhead transmission lines are excluded, coverage under this extension does not include loss to overhead transmission lines that deliver utility service to “you”. Overhead transmission lines include, but are not limited to:
      1) Overhead transmission and distribution lines;
      2) Overhead transformers and similar equipment; and
      3) Supporting poles and towers.
c. **Perishable Stock Exclusion** — Coverage under this extension does not include loss of “perishable stock” due to “spoilage” that results from:
   1) Complete or partial lack of electrical power; or
   2) Fluctuation of electrical current.

d. **Applicable Limit** — The most “we” pay in any one occurrence under this Coverage Extension is $50,000.

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**SUPPLEMENTAL COVERAGES**

The following Supplemental Coverages indicate an applicable “limit”. This “limit” may also be shown in the “schedule of coverages”. If a different “limit” is indicated in the “schedule of coverages”, that “limit” will apply instead of the “limit” shown below.

However, if no “limit” is indicated for a Supplemental Coverage, coverage is provided up to the full “limit” for the applicable covered property unless a different “limit” is indicated on the “schedule of coverages”.

Unless otherwise indicated, a “limit” for a Supplemental Coverage provided below is separate from, and not part of, the applicable “limit” for coverage described under Property Covered. The “limit” available for coverage described under a Supplemental Coverage:

a. Is the only “limit” available for the described coverage; and

b. Is not the sum of the “limit” indicated for a Supplemental Coverage and the “limit” for coverage described under Property Covered.

The “limit” provided under a Supplemental Coverage cannot be combined or added to the “limit” for any other Supplemental Coverage or Coverage Extension including a Supplemental Coverage or Coverage Extension that is added to this policy by endorsement.

Unless otherwise stated, each supplemental coverage:

a. Applies to covered property in or on buildings or structures at a “covered location” or in the open (or in vehicles) within 1,000 feet of a “covered location”; and

b. Is not subject to and not considered in applying coinsurance when coinsurance conditions are added to this coverage.

1. **Brands or Labels Expense** — If covered business personal property is damaged and the damage is caused by a covered peril, “we” have the option to take all or any part of the damaged business personal property at the agreed or appraised value. “You” may stamp salvage or remove any brands or labels from the property or its containers. “You” must not damage the property or containers when “you” remove the brands or labels. “You” must re-label the merchandise or its containers if required by law.

   The most “we” pay in any one occurrence for “your” expenses for stamping or removing brands or labels is $50,000.

2. **Expediting Expenses** — When a covered peril occurs to covered property, “we” pay for reasonable expenses necessary to expedite permanent repairs or replacement and make temporary repairs to damaged covered property. Expediting expenses include additional labor or overtime, and transportation costs.

   The most “we” pay for all expediting expenses in any one occurrence is $50,000.

3. **Fire Department Service Charges** — “We” pay up to $25,000 to cover “your” liability, assumed by contract or agreement prior to the loss, for fire department service charges.

   This coverage is limited to charges incurred when the fire department is called to save or protect covered property from a covered peril.

   No deductible applies.

4. **Inventory and Appraisal Expense** — “We” pay up to $50,000 for reasonable expenses, for the taking of inventory and appraisals, incurred by “you” at “our” request to assist “us” in the determination of the amount of a loss caused by a covered peril.

   “We” do not pay for:
   
   a. Any expenses incurred under the Other Conditions, Appraisal section of this coverage; or
   
   b. Any public adjusters’ fees or attorneys’ fees.

5. **Ordinance or Law (Undamaged Parts of a Building)** — When a covered peril occurs to a covered building or structure, “we” pay for the value of undamaged parts of a covered building or structure that is required to be demolished as a result of the enforcement of any ordinance, law, or decree that:
a. Requires the demolition of undamaged parts of a covered building or structure that is damaged or destroyed by a covered peril;
b. Regulates the construction or repair of a building or structure, or establishes building, zoning, or land use requirements at a “covered location”; and
c. Is in force at the time of loss.

“We” do not cover the costs associated with the enforcement of any ordinance, law, or decree that requires “you” or anyone else to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize or in any way respond to or assess the effects of “pollutants”.

This coverage is part of and not in addition to the applicable “limit” for coverage described under Property Covered.

6. Ordinance or Law (Increased Cost to Repair and Cost to Demolish and Clear Site) —

a. Increased Cost to Repair — When a covered peril occurs to a covered building or structure, “we” cover the:

1) Increased cost to repair, rebuild, or reconstruct damaged portions of a covered building or structure; and

2) Increased cost to repair, rebuild, or reconstruct undamaged portions of a covered building or structure whether or not those undamaged portions need to be demolished;

as a result of the enforcement of building, zoning, or land use ordinance, law, or decree and is in force at the time when a covered peril occurs to a covered building or structure.

If a covered building or structure is repaired or rebuilt, it must be intended for similar occupancy as the current property, unless otherwise required by building, zoning, or land use ordinance, law, or decree.

“We” do not cover the increased cost of construction until the covered building or structure is actually repaired or replaced and unless the repairs or replacement are made as soon as reasonably possible after the loss, not to exceed two years.

b. Cost to Demolish and Clear Site — “We” cover the cost to demolish and clear the site of undamaged parts of the covered building or structure that is damaged or destroyed by a covered peril. The demolition must be a result of the enforcement of a building, zoning, or land use ordinance, law, or decree that is in force at the time when a covered peril occurs to a covered building or structure.

c. We Do Not Cover — “We” do not cover the costs associated with the enforcement of any ordinance, law, or decree that:

1) Requires “you” or anyone else 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

2) “You” were required to comply with before the covered peril occurred to a covered building or structure, even if the building or structure was undamaged and “you” failed to comply with the ordinance, law, or decree.

d. What We Pay If The Building Is Repaired or Replaced — If the covered building or structure is repaired or replaced, “we” pay the lesser of:

1) The amount “you” actually spend to demolish and clear the site, plus the actual increased cost to repair, rebuild, or construct the property but not for more than a building or structure of the same height, floor area, and style; or

2) $100,000.

e. What We Pay If The Building Is Not Repaired or Replaced — If the covered building or structure is not repaired or replaced, “we” pay the lesser of:

1) The amount “you” actually spend to demolish and clear the site; plus the cost “you” would have incurred to replace the damaged or destroyed property with other property:

   a) Of like kind, and quality;

   b) Of the same height, floor area, and style; and

   c) Used for the same purpose; or

2) $100,000.
7. **Personal Effects** — “We” cover direct physical loss caused by a covered peril to personal effects owned by “you”, “your” officers, “your” partners, or “your” employees.

The most “we” pay for loss to personal effects in any one occurrence or at any one “covered location” is $15,000.

8. **Pollutant Cleanup and Removal** — “We” pay “your” expense to extract “pollutants” from land or water if the discharge, dispersal, seepage, migration, release, or escape of the “pollutants” is caused by a covered peril that occurs during the policy period. The expenses are paid only if they are reported to “us” in writing within 180 days from the date the covered peril occurs.

“We” do not pay the cost of testing, evaluating, observing, or recording the existence, level, or effects of “pollutants”. However, “we” pay the cost of testing which is necessary for the extraction of “pollutants” from land or water.

The most “we” pay for each site or “covered location” is $50,000 for the sum of all such expenses arising out of a covered peril occurring during each separate 12 month period of this policy.

9. **Recharge of Fire Extinguishing Equipment** — “We” pay up to $50,000 to cover “your” incurred expenses to recharge “your” automatic fire extinguishing equipment or hand held fire extinguishing equipment when the equipment is discharged:

   a. To fight a fire;
   
   b. As a result of a covered peril; or
   
   c. As a result of an accidental discharge.

However, “we” do not pay for “your” expenses to recharge equipment as a result of a discharge during testing or installation.

If it is less expensive to do so, “we” will pay “your” costs to replace “your” automatic fire extinguishing equipment or hand held fire extinguishing equipment rather than recharge the equipment.

10. **Rewards** — “We” pay up to $10,000 as a reward for information that leads to a conviction for arson, “theft”, or vandalism. The conviction must involve a covered loss caused by arson, “theft”, or vandalism.

The amount “we” pay is not increased by the number of persons involved in providing the information.

11. **Sewer Backup and Water Below the Surface** — “We” cover direct physical loss caused by:

   a. Water that backs up through a sewer or drain; or
   
   b. Water below the surface of the ground, including but not limited to water that exerts pressure on or flows, seeps, or leaks through or into a covered building or structure, sidewalk, driveway, foundation, swimming pool, or other structure.

The most “we” pay for loss caused by sewer backup and water below the surface in any one occurrence is $25,000.

12. **Trees, Shrubs, and Plants** — “We” cover direct physical loss (and debris removal expenses) to outdoor trees, shrubs, plants, and lawns at a “covered location”. “We” only cover loss caused by:

   a. Fire;
   
   b. Lightning;
   
   c. Explosion;
   
   d. Riot or civil commotion;
   
   e. Falling objects; or
   
   f. Vandalism.

The most “we” pay for loss to trees, shrubs, and plants in any one occurrence is $50,000.

Coverage under this supplemental coverage does not apply to property held for sale by “you”.

13. **Underground Pipes, Pilings, Bridges, and Roadways** — “We” cover direct physical loss caused by a covered peril to:

   a. Pilings, piers, wharves, docks, or retaining walls;
   
   b. Underground pipes, flues, or drains; and
   
   c. Bridges, walkways, roadways, and other paved surfaces.

The most “we” pay under this Supplemental Coverage in any one occurrence or at any one “covered location” is $250,000.
SUPPLEMENTAL MARINE COVERAGES

The following Supplemental Marine Coverages indicate an applicable “limit”. This “limit” may also be shown in the “schedule of coverages”. If a different “limit” is indicated in the “schedule of coverages”, that “limit” will apply instead of the “limit” shown below.

However, if no “limit” is indicated for a Supplemental Marine Coverage, coverage is provided up to the full “limit” for the applicable covered property unless a different “limit” is indicated on the “schedule of coverages”.

Unless otherwise indicated, a “limit” for a Supplemental Marine Coverage provided below is separate from, and not part of the applicable “limit” for coverage described under Property Covered. The “limit” available for coverage described under a Supplemental Marine Coverage:

a. Is the only “limit” available for the described coverage; and

b. Is not the sum of the “limit” indicated for a Supplemental Marine Coverage and the “limit” for coverage described under Property Covered.

The “limit” provided under a Supplemental Marine Coverage cannot be combined or added to the “limit” for any other Supplemental Marine Coverage, Supplemental Coverage, or Coverage Extension including a Supplemental Marine Coverage, Supplemental Coverage, or Coverage Extension that is added to this policy by endorsement.

The following supplemental marine coverages are not subject to and not considered in applying coinsurance when coinsurance conditions are added to this coverage.

1. Accounts Receivable — “We” pay up to $50,000 to cover losses and expenses that “you” incur as a result of a direct physical loss caused by a covered peril to “your” records of accounts receivable.

   Losses and expenses under this coverage means:

   a. All sums due “you” from customers, provided “you” are unable to effect collection;

   b. Interest charges on any loan used to offset impaired collections pending “our” payment of such sums;

   c. Collection expenses in excess of normal collection costs made necessary because of loss or damage; and

   d. Other reasonable expenses incurred by “you” in recreating records of accounts receivable following such loss or damage.

2. Electrical or Magnetic Disturbance of Computers — “We” cover direct physical loss to “computers” caused by electrical or magnetic disturbance that results in electrical or magnetic damage to “computers” and damage to, disturbance of, or erasure of electronic records.

   This coverage is part of and not in addition to the applicable “limit” for coverage described under Property Covered.

3. Power Supply Disturbance of Computers —

   “We” cover direct physical loss to “computers” caused by power supply disturbance such as interruption of power supply, power surge, blackout, or brownout.

   This coverage is part of and not in addition to the applicable “limit” for coverage described under Property Covered.

4. Virus and Hacking Coverage — “We” cover direct physical loss to covered “computers”, “your” “computer” network and “your” Web site caused by a “computer virus” or by “computer hacking”.

   However, “we” do not cover:

   a. Loss of exclusive use of any “data records” or “proprietary programs” that have been copied, scanned, or altered;

   b. Loss of or reduction in economic or market value of any “data records” or “proprietary programs” that have been copied, scanned, or altered;

   c. Theft from “your” “data records” or “proprietary programs” of confidential information through the observation of the “data records” or “proprietary programs” by accessing covered “computers”, “your” computer network, or “your” Web site without any alteration or other physical loss or damage to the records or programs.

   Confidential information includes, but is not limited to, customer information, processing methods, or trade secrets; and

   d. Except as provided under the Supplemental Income Coverages section of the Commercial Output Program - Income Coverage Part (if attached to this policy), denial of access to or services from “computers”, “your” “computer” network, or “your” Web site.
The most “we” pay in any one occurrence under this Supplemental Marine Coverage is $25,000.

The most “we” pay for all covered losses under this Supplemental Marine Coverage during each separate 12-month period of this policy is $50,000.

5. **Fine Arts** — “We” cover direct physical loss caused by a covered peril to “your” “fine arts” at a “covered location”. “We” also cover “your” “fine arts” while:
   
   a. Temporarily on display or exhibit away from a “covered location”; or
   
   b. In transit between a “covered location” and a location where the “fine arts” will be temporarily on display or exhibit.

The most “we” pay for loss to “fine arts” in any one occurrence or at any one “covered location” is $100,000.

6. **Off Premises Computers** — “We” cover direct physical loss caused by a covered peril to “computers” in the custody of “you”, “your” officers, “your” partners, or “your” employees, while:
   
   a. Away from a “covered location”; or
   
   b. In transit between a “covered location” and “you”, “your” officers, “your” partners, or “your” employees.

The most “we” pay in any one occurrence for loss to off premises “computers” is $25,000.

7. **Property on Exhibition** — “We” cover direct physical loss caused by a covered peril to business personal property while temporarily on display or exhibit at locations “you” do not regularly occupy.

The most “we” pay in any one occurrence for loss to property on exhibition is $50,000.

8. **Property in Transit** — “We” cover direct physical loss caused by a covered peril to business personal property while in transit, regardless if the loss involves one or more vehicles, conveyances, containers, trailers, or any combination of these.

   a. **Property You Have Sold** — “We” also cover direct physical loss caused by a covered peril to business personal property that “you” have sold and are shipping at the owner’s risk. “We” only pay for loss to business personal property that “you” have sold when the shipment has been rejected by the owner because:

   1) The property is damaged; and
   
   2) The owner of the property has refused to pay “you”.

b. **Rejected Shipments** — “We” also cover direct physical loss caused by a covered peril to rejected shipments while in due course of transit back to “you” or while awaiting return shipment to “you”.

c. **Bills of Lading** — “You” may accept bills of lading or shipping receipts issued by carriers for hire that limit their liability to less than the actual cash value of the covered property.

d. **Perishable Stock** — “We” do not cover loss to “perishable stock” resulting from a breakdown of refrigeration equipment on any vehicle, conveyance, container, or trailer.

The most “we” pay in any one occurrence for loss to property in transit is $50,000.

9. **Sales Representative Samples** — “We” cover direct physical loss caused by a covered peril to samples of “your” stock in trade (and containers) and similar property of others.

   “We” cover samples of “your” stock in trade while the property is:

   a. In the custody of “your” sales representatives and agents;
   
   b. In “your” custody while acting as a sales representative; or
   
   c. In transit between a “covered location” and “your” sales representatives.

The most “we” pay in any one occurrence for loss to samples of “your” stock in trade is $50,000.

10. **Software Storage** — “We” cover direct physical loss caused by a covered peril to duplicate and back-up “software” stored at a “software” storage location. Each “software” storage location must be in a separate building which is at least 100 feet away from a “covered location”.

The most “we” pay in any one occurrence for loss to duplicate and back-up “software” is $50,000.

11. **Valuable Papers** — “We” pay up to $100,000 for the cost of research or other expenses necessary to reproduce, replace, or restore lost information that results from a direct physical loss caused by a covered peril to “your” “valuable papers”.

PERILS COVERED

“We” cover risks of direct physical loss unless the loss is limited or caused by a peril that is excluded.

PERILS EXCLUDED

1. “We” do not pay for loss or damage caused directly or indirectly by one or more of the following excluded causes or events. Such loss or damage is excluded regardless of other causes or events that contribute to or aggravate the loss, whether such causes or events act to produce the loss before, at the same time as, or after the excluded causes or events.

a. Ordinance or Law — Except as provided under Supplemental Coverages - Ordinance or Law, “we” do not pay for loss or increased cost caused by enforcement of any code, ordinance, or law regulating the use, construction, or repair of any building or structure; or requiring the demolition of any building or structure including the cost of removing its debris.

“We” do not pay for loss regardless if the loss is caused by or results from the:

1) Enforcement of any code, ordinance, or law even if a building or structure has not been damaged; or

2) Increased costs that “you” incur because of “your” compliance with a code, ordinance, or law during the construction, repair, rehabilitation, remodeling, or razing of a building or structure, including the removal of debris, following a direct physical loss to the property.

b. Earth Movement — “We” do not pay for loss caused by any earth movement (other than “sink-hole collapse”) or caused by eruption, explosion, or effusion of a volcano. Earth movement includes, but is not limited to: earthquake; landslide; mudflow; mudslide; mine subsidence; or sinking, rising, or shifting of earth.

“We” do cover direct loss by fire, explosion, or “volcanic action” resulting from either earth movement or eruption, explosion, or effusion of a volcano.

This exclusion does not apply to “computers”, “mobile equipment”, and the Supplemental Marine Coverages.

c. Civil Authority — “We” do not pay for loss caused by order of any civil authority, including seizure, confiscation, destruction, or quarantine of property.

“We” do cover loss resulting from acts of destruction by the civil authority to prevent the spread of fire, unless the fire is caused by a peril excluded under this coverage.

d. Nuclear Hazard — “We” do not pay for loss caused by or resulting from a nuclear reaction, nuclear radiation, or radioactive contamination (whether controlled or uncontrolled; whether caused by natural, accidental, or artificial means). Loss caused by nuclear hazard is not considered loss caused by fire, explosion, or smoke. Direct loss by fire resulting from the nuclear hazard is covered.

e. War and Military Action — “We” do not pay for loss caused by:

1) War, including undeclared war or civil war; or

2) A warlike action by a military force, including action taken to prevent or defend against an actual or expected attack, by any government, sovereign, or other authority using military personnel or other agents; or

3) Insurrection, rebellion, revolution, or unlawful seizure of power including action taken by governmental authority to prevent or defend against any of these.

With regard to any action that comes within the “terms” of this exclusion and involves nuclear reaction, nuclear radiation, or radioactive contamination, this War and Military Action Exclusion will apply in place of the Nuclear Hazard Exclusion.

f. Flood — “We” do not pay for loss caused by “flood”. However, “we” do cover the resulting loss if fire, explosion, or sprinkler leakage results.

This exclusion does not apply to “computers”, “mobile equipment”, and the Supplemental Marine Coverages.
g. Utility Failure — Except as provided under Coverage Extensions - Off Premises Utility Service Interruption, “we” do not pay for loss caused by or resulting from the failure of a utility to supply electrical power or other utility service to a “covered location”, however caused, if the failure takes place away from the “covered location”.

But if failure of a utility to supply electrical or other utility service to a “covered location” results in a covered peril, “we” cover the loss or damage caused by that covered peril.

This exclusion does not apply to “computers”, “mobile equipment”, and the Supplemental Marine Coverages.

h. Sewer Backup and Water Below the Surface — Except as provided under Supplemental Coverages - Sewer Backup and Water Below the Surface, “we” do not pay for loss caused by or resulting from:

1) Water that backs up through a sewer or drain; or

2) Water below the surface of the ground, including but not limited to water that exerts pressure on or flows, seeps, or leaks through or into a covered building or structure, sidewalk, driveway, foundation, swimming pool, or other structure.

But if sewer backup and water below the surface results in fire, explosion, or sprinkler leakage, “we” cover the loss or damage caused by that fire, explosion, or sprinkler leakage.

This exclusion does not apply to “computers”, “mobile equipment”, and the Supplemental Marine Coverages.

2. “We” do not pay for loss or damage that is caused by or results from one or more of the following excluded causes or events:

a. Animal Nesting, Infestation, or Discharge — “We” do not pay for loss caused by nesting, infestation, discharge, or release of waste products or secretions by animals, including but not limited to, birds, insects, or vermin.

But if nesting, infestation, discharge, or release of waste products or secretions by animals results in a “specified peril” or breakage of building glass, “we” cover the loss or damage caused by that “specified peril” or breakage of building glass.

b. Collapse — “We” do not pay for loss caused by collapse, except as provided under the Other Coverages, Collapse. But if collapse results in a covered peril, “we” cover the loss or damage caused by that covered peril.

This exclusion does not apply to “computers”, “mobile equipment”, and the Supplemental Marine Coverages.

c. Computer Virus or Computer Hacking — Except as provided under Supplemental Marine Coverages - Virus and Hacking Coverage, “we” do not pay for:

1) Any direct or indirect loss or damage; or

2) Loss of access, loss of use, or loss of functionality caused by a “computer virus” or by “computer hacking”.

d. Contamination or Deterioration — “We” do not pay for loss caused by contamination or deterioration including corrosion, decay, fungus, mildew, mold, rot, rust, or any quality, fault, or weakness in covered property that causes it to damage or destroy itself.

But if contamination or deterioration results in a “specified peril” or breakage of building glass, “we” cover the loss or damage caused by that “specified peril” or breakage of building glass.

This exclusion does not apply to loss caused by corrosion, decay, fungus, mildew, mold, rot, or rust to “computers” that results from direct physical damage by a covered peril to the air conditioning system that services “your” “computers”.

e. Criminal, Fraudulent, Dishonest, or Illegal Acts — “We” do not pay for loss caused by or resulting from criminal, fraudulent, dishonest, or illegal acts committed alone or in collusion with another by:

1) “You”;

2) Others who have an interest in the property;

3) Others to whom “you” entrust the property;

4) “Your” partners, officers, directors, trustees, joint adventurers; or

5) The employees or agents of 1), 2), 3), or 4) above, whether or not they are at work.
This exclusion does not apply to acts of destruction by “your” employees, but “we” do not pay for “theft” by employees.

This exclusion does not apply to covered property in the custody of a carrier for hire.

f. **Defects, Errors, and Omissions** — “We” do not pay for loss which results from one or more of the following:

1) An act, error, or omission (negligent or not) relating to:
   a) Land use;
   b) The design, specification, construction, workmanship, installation, or maintenance of property;
   c) Planning, zoning, development, siting, surveying, grading, or compaction; or
   d) Maintenance of property (such as land, structures, or improvements); whether on or off a “covered location”;

2) A defect, weakness, inadequacy, fault, or unsoundness in materials used in construction or repair, whether on or off a “covered location”;

3) The cost to make good an error in design; or

4) A data processing error or omission in programming or giving improper instructions.

In addition, “we” do not pay for loss to business personal property caused by deficiencies or defects in design, specifications, materials, or workmanship, or caused by latent or inherent defects.

But if a defect, error, or omission as described above results in a covered peril, “we” cover the loss or damage caused by that covered peril.

g. **Electrical Currents** — “We” do not pay for loss caused by arcing or by electrical currents other than lightning. But if arcing or electrical currents other than lightning result in fire, “we” cover the loss or damage caused by that fire.

“We” do cover the direct loss by a covered peril which occurs at “covered locations” as a result of any power interruption or other utility services.

This exclusion does not apply to “computers”.

h. **Steam Boiler Explosion** — “We” do not pay for loss caused by an explosion of steam boilers, steam pipes, steam turbines, or steam engines that “you” own or lease or that are operated under “your” control.

But if an explosion of steam boilers, steam pipes, steam turbines, or steam engines results in a fire or combustion explosion, “we” cover the loss or damage caused by that fire or combustion explosion. “We” also cover loss or damage caused by or resulting from the explosion of gas or fuel in a firebox, combustion chamber, or flue.

i. **Increased Hazard** — “We” do not pay for loss occurring while the hazard has been materially increased by any means within “your” knowledge or “your” control.

j. **Loss of Use** — “We” do not pay for loss caused by loss of use, delay, or loss of market.

k. **Mechanical Breakdown** — “We” do not pay for loss caused by mechanical breakdown or rupturing or bursting of moving parts of machinery caused by centrifugal force.

But if a mechanical breakdown or rupturing or bursting of moving parts of machinery caused by centrifugal force results in a “specified peril”, the breakage of building glass, or an elevator collision, “we” cover the loss or damage caused by that “specified peril”, breakage of building glass, or elevator collision.

This exclusion does not apply to “computers”.

l. **Neglect** — “We” do not pay for loss caused by “your” neglect to use all reasonable means to save covered property at and after the time of loss.

“We” do not pay for loss caused by “your” neglect to use all reasonable means to save and preserve covered property when endangered by a covered peril.

m. **Pollutants** — “We” do not pay for loss caused by or resulting from release, discharge, seepage, migration, dispersal, or escape of “pollutants”:

1) Unless the release, discharge, seepage, migration, dispersal, or escape is caused by a “specified peril” or
2) Except as specifically provided under the Supplemental Coverages, Pollutant Cleanup and Removal.

“We” do pay for any resulting loss caused by a “specified peril”.

n. Seepage — “We” do not pay for loss caused by continuous or repeated seepage or leakage of water or steam that occurs over a period of 14 days or more.

o. Settling, Cracking, Shrinking, Bulging, or Expanding — “We” do not pay for loss caused by settling, cracking, shrinking, bulging, or expanding of pavements, footings, foundations, walls, ceilings, or roofs. But if settling, cracking, shrinking, bulging, or expanding results in a “specified peril” or the breakage of building glass, “we” cover the loss or damage caused by that “specified peril” or the breakage of building glass.

This exclusion does not apply to “computers” and “mobile equipment”.

p. Smoke, Vapor, or Gas — “We” do not pay for loss caused by smoke, vapor, or gas from agricultural smudging or industrial operations.

This exclusion does not apply to “computers” and “mobile equipment”.

q. Smog — “We” do not pay for loss caused by smog. But if smog results in a “specified peril” or the breakage of building glass, “we” cover the loss or damage caused by that “specified peril” or the breakage of building glass.

This exclusion does not apply to “computers” and “mobile equipment”.

r. Temperature/Humidity — “We” do not pay for loss to:

1) Personal property, except as provided under Coverage Extensions — Off Premises Utility Service Interruption; or

2) “Perishable stock”;

caused by dryness, dampness, humidity, or changes in or extremes of temperature.

But if dryness, dampness, humidity, or changes in or extremes of temperature, as described above, results in a “specified peril” or the breakage of building glass, “we” cover the loss or damage caused by that “specified peril” or the breakage of building glass.

“We” do pay for loss to “computers” that results from direct physical damage by a covered peril to the air conditioning system that services “your” “computers”.

s. Wear and Tear — “We” do not pay for loss caused by wear and tear, marring, or scratching.

But if wear and tear, marring, or scratching results in a “specified peril” or the breakage of building glass, “we” cover the loss or damage caused by that “specified peril” or the breakage of building glass.

t. Weather — “We” do not pay for loss caused by weather conditions if the weather conditions contribute in any way with a cause or event excluded in Paragraph 1. above to produce the loss or damage.

But if weather conditions result in a covered peril, “we” cover the loss or damage caused by that covered peril.

u. Voluntary Parting — Except as provided under Coverage Extensions - Fraud and Deceit, “we” do not pay for loss caused by or resulting from voluntary parting with title to or possession of any property because of any fraudulent scheme, trick, or false pretense.

ADDITIONAL PROPERTY NOT COVERED OR SUBJECT TO LIMITATIONS

1. Accounts Receivable — “We” do not cover loss to accounts receivables that is a result of:

a. An error or omission in bookkeeping, accounting, or billing; or

b. “Your” discovery of a discrepancy in “your” books or records if an audit or inventory computation is necessary to prove the factual existence of the discrepancy.

2. Animals — “We” do not cover loss to animals, including but not limited to birds and fish, except death or destruction of animals held for sale caused by “specified perils” or breakage of building glass.

3. Boilers — “We” do not cover loss to steam boilers, steam pipes, steam turbines, or steam engines caused by any condition or occurrence within such equipment. “We” do cover loss to such equipment caused by the explosion of gas or fuel in a firebox, combustion chamber, or flue.
“We” do not cover loss to hot water boilers or heaters caused by any condition or occurrence within such equipment other than explosion. This exclusion includes bursting, cracking, or rupturing.

4. Contamination of Perishable Stock Due to Release of Refrigerant — “We” do not pay for loss of “perishable stock” due to contamination from the release of a refrigerant, including but not limited to ammonia.

5. Furs — “We” do not cover furs or fur garments for loss by “theft” for more than $10,000 total in any one occurrence.

6. Glassware/Fragile Articles — “We” do not cover breakage of fragile articles such as glassware and porcelains, except as a result of “specified perils” or breakage of building glass.

This exclusion does not apply to:

a. Glass that is a part of a building or structure;

b. Bottles or other containers held for sale;

c. Lenses of photographic and scientific instruments; or

d. “Fine arts” as described under Supplemental Marine Coverages.

7. Jewelry, Watches, and Precious Stones — “We” do not cover more than $10,000 total in any one occurrence for loss by “theft” of jewelry, watches, and precious stones, including but not limited to watch movements, jewels, pearls, and semi-precious stones. This limitation does not apply to items of jewelry, watches, or precious stones worth $100 or less.

8. Missing Property — “We” do not cover missing property when the only proof of loss is unexplained or mysterious disappearance, or shortage discovered on taking inventory, or other instance where there is no physical evidence to show what happened to the property.

This exclusion does not apply to property in the custody of carriers for hire.

9. Personal Property in the Open — “We” do not cover loss to personal property in the open caused by rain, snow, ice, or sleet.

This exclusion does not apply to “mobile equipment” or to property in the custody of carriers for hire.

10. Stamps, Tickets, and/or Letters of Credit — “We” do not cover more than $5,000 total in any one occurrence for loss by “theft” to stamps, tickets (such as lottery tickets held for sale), or letters of credit.

11. Unauthorized or Fraudulent Transfer — Except as provided under Coverage Extensions - Fraud and Deceit, “we” do not cover loss of, or loss caused by the transfer or delivery of covered property from a “covered location” or “your” “computer” to a person or place outside of a “covered location” on the basis of unauthorized or fraudulent instructions, including but not limited to instructions transmitted:

a. By a computer, whether or not owned by “you”, or

b. Via any telecommunications transmission method.

12. Valuable Papers — “We” do not cover loss to “valuable papers” caused by errors or omissions in processing or copying.

OTHER COVERAGES

1. Collapse — “We” pay for loss caused by direct physical loss involving collapse as described in a., b., and c. below.

a. Collapse of a building or structure, any part of a building or structure, or personal property inside a building or structure, if the collapse is caused by one or more of the following:

1) “Specified perils” or breakage of building glass all only as insured against in this Coverage Part;

2) Hidden decay, unless “you” know of the presence of the decay prior to the collapse;

3) Hidden insect or vermin damage, unless “you” know of the damage prior to the collapse;

4) Weight of people or personal property;

5) Weight of rain that collects on a roof; or

6) Use of defective material or methods in construction, remodeling, or renovation if the collapse occurs during the course of the construction, remodeling, or renovation.
However, if the collapse occurs after construction, remodeling, or renovation is complete and is caused in part by a peril listed in 1) through 5) above, “we” will pay for the loss or damage even if the use of defective material or methods in construction, remodeling, or renovation, contributes to the collapse.

b. The following property is covered for loss involving collapse only if the collapse is of a building or structure or any part of a building or structure and is caused by one or more of the causes listed above in 1.a. or collapse caused by “specified perils” or breakage of building glass all only as insured against in this Coverage Part:

1) Outdoor radio or television antennas (and satellite dishes) and their lead-in wiring, masts, or towers;
2) Awnings, gutters, and down spouts;
3) Yard fixtures;
4) Outdoor swimming pools;
5) Fences;
6) Bulkheads, piers, wharves, and docks;
7) Beach or diving platforms or appurtenances;
8) Retaining walls that are not part of buildings; and
9) Bridges, walkways, roadways, and other paved surfaces.

c. Collapse means a sudden and unexpected falling in or caving in of a building or structure or any portion of a building or structure with the result that the building or portion of the building cannot be occupied for its intended purpose.

d. The following are not considered to be in a state of collapse:

1) A building or structure that is standing or any portion of a building that is standing even if it displays evidence of bending, bulging, cracking, expansion, leaning, sagging, settling, or shrinkage;
2) A building or structure or any portion of a building structure in danger of falling in or caving; and
3) A portion of a building or structure that is standing even if it has separated from another portion of the building or structure.

2. Tearing Out and Replacing — When “we” cover buildings or structures and a loss caused by water, other liquids, powder, or molten material is covered, “we” also pay the cost of tearing out and replacing any part of the covered building or structure to repair damage to the system or appliance from which the water or other substance escapes.

“We” also pay the cost to repair or replace damaged parts of fire extinguishing equipment if the damage results in discharge of any substance from an automatic fire protection system; or is directly caused by freezing.

WHAT MUST BE DONE IN CASE OF LOSS

1. Notice — In case of a loss, “you” must:

a. Give “us” or “our” agent prompt notice including a description of the property involved (“we” may request written notice);

b. Give notice to the police when the act that causes the loss is a crime; and

c. Give notice to the credit card company if the loss involves a credit card.

2. Protect Property — “You” must take all reasonable steps to protect covered property at and after an insured loss to avoid further loss. “We” will pay the reasonable costs incurred by “you” for necessary repairs or emergency measures performed solely to protect covered property from further damage by a peril insured against if a peril insured against has already caused a loss to covered property. “You” must keep an accurate record of such costs. However “we” will not pay for such repairs or emergency measures performed on property which has not been damaged by a peril insured against. This does not increase “our” “limit”.

3. Proof of Loss — “You” must send “us”, within 60 days after “our” request, a signed, sworn proof of loss. This must include the following information:

a. The time, place, and circumstances of the loss;

b. Other policies of insurance that may cover the loss;

c. “Your” interest and the interests of all others in the property involved, including all mortgages and liens;
d. Changes in title or occupancy of the covered property during the policy period;

e. Detailed estimates for repair or replacement of covered property; and

f. An inventory of damaged and undamaged covered property showing in detail the quantity, description, cost, actual cash value, and amount of the loss. “You” must attach to the inventory copies of all bills, receipts, and related documents that substantiate the inventory.

4. Examination — “You” must submit to examination under oath in matters connected with the loss as often as “we” reasonably request and give “us” sworn statements of the answers. If more than one person is examined, “we” have the right to examine and receive statements separately and not in the presence of others.

5. Records — “You” must produce records, including tax returns and bank microfilms of all canceled checks relating to value, loss, and expense and permit copies and extracts to be made of them as often as “we” reasonably request.

6. Damaged Property — “You” must exhibit the damaged and undamaged property as often as “we” reasonably request and allow “us” to inspect or take samples of the property.

7. Volunteer Payments — “You” must not, except at “your” own expense, voluntarily make any payments, assume any obligations, pay or offer any rewards, or incur any other expenses except as respects protecting property from further damage.

8. Abandonment — “You” may not abandon the property to “us” without “our” written consent.

9. Cooperation — “You” must cooperate with “us” in performing all acts required by the Commercial Output Program coverages.

VALUATION

1. Replacement Cost — The value of covered property will be based on replacement cost without any deduction for depreciation unless Actual Cash Value is indicated on the “schedule of coverages”.

   The replacement cost is limited to the cost of repair or replacement with similar materials on the same site and used for the same purpose. The payment will not exceed the amount “you” spend to repair or replace the damaged or destroyed property.

   Replacement cost valuation does not apply until the damaged or destroyed property is repaired or replaced. “You” may make a claim for actual cash value before repair or replacement takes place, and later for the replacement cost if “you” notify “us” of “your” intent within 180 days after the loss.

   This replacement cost provision does not apply to Paragraphs 3. through 13. below.

2. Actual Cash Value — When Actual Cash Value is indicated on the “schedule of coverages” for covered property, the value of covered property will be based on the actual cash value at the time of the loss (with a deduction for depreciation) except as provided in Paragraphs 3. through 13. below.

3. Fine Arts — The value of “fine arts” will be based on the fair market value at the time of loss.

4. Glass — The value of glass will be based on the cost of safety glazing material where required by code, ordinance, or law.

5. Hardware — The following is the value of “hardware”:

   a. Hardware That Is Replaced — The value of “hardware” that is replaced will be based on the cost of replacing the “hardware” with new equipment that is functionally comparable to the “hardware” that is being replaced.

   b. Hardware That Is Not Replaced — The value of “hardware” that is not repaired or replaced will be based on the actual cash value at the time of loss (with a deduction for depreciation).

   c. Partial Loss — In no event will “we” pay more than the reasonable cost of restoring partially damaged “hardware” to its condition directly prior to the damage.

6. Software — The following is the value of “software”:

   a. Programs and Applications — The value of “programs and applications” will be based on the cost to reinstall the “programs or applications” from the licensed discs that were originally used to install the programs or applications.
If the original licensed discs are lost, damaged, or can no longer be obtained, the value of “programs and applications” will be based on the cost of the most current version of the “programs or applications”.

b. Proprietary Programs — The value of “proprietary programs” will be based on the cost of reproduction from duplicate copies. The cost of reproduction includes, but is not limited to, the cost of labor to copy or transcribe from duplicate copies.

If duplicate copies do not exist, the value of “proprietary programs” will be based on the cost of research or other expenses necessary to reproduce, replace, or restore lost “proprietary programs”.

c. Data Records — The value of “data records” will be based on the cost of reproduction from duplicate copies. The cost of reproduction includes, but is not limited to, the cost of labor to copy or transcribe from duplicate copies.

If duplicate copies do not exist, the value of “data records” will be based on the cost of research or other expenses necessary to reproduce, replace, or restore lost files, documents, and records.

d. Media — The value of “media” will be based on the cost to repair or replace the “media” with material of the same kind or quality.

7. Merchandise Sold — The value of merchandise that “you” have sold but not delivered will be based on the selling price less all discounts and unincurred expenses.

8. Manufactured Stock — The value of stock manufactured by “you” will be based on the price that such stock would have been sold for, less all discounts and unincurred expenses.

9. Pair or Set — The value of a lost or damaged article which is part of a pair or set is based on a reasonable proportion of the value of the entire pair or set. The loss is not considered a total loss of the pair or set.

10. Loss to Parts — The value of a lost or damaged part of an item that consists of several parts when it is complete is based on the value of only the lost or damaged part or the cost to repair or replace it.

11. Tenant’s Improvements — The value of lost or damaged tenant’s improvements and the loss of undamaged tenant’s improvements due to the cancellation of a lease will be based on the replacement cost if repaired or replaced at “your” expense within 24 months.

The value of lost or damaged tenant’s improvements and the loss of undamaged tenant’s improvements due to the cancellation of a lease will be based on a portion of “your” original cost if not repaired or replaced within 24 months. This portion is determined as follows:

a. Divide the number of days from the date of the loss to the expiration date of the lease by the number of days from the date of installation to the expiration date of the lease;

b. Multiply the figure determined in 11.a. above by the original cost.

If “your” lease contains a renewal option, the expiration of the lease in this procedure will be replaced by the expiration of the renewal option period.

Lost or damaged tenant’s improvements and the loss of undamaged tenant’s improvements due to the cancellation of a lease are not covered if repaired or replaced at another’s expense.

12. Valuable Papers — The value of “valuable papers” will be based on their actual cash value at the time of loss.

13. Accounts Receivable — The value of accounts receivable will be based on the total sum of accounts receivable due. From this total “we” will deduct:

a. All amounts due from the records of accounts receivable that are not lost;

b. All amounts due that can be established by other means;

c. All amounts due that “you” have collected from the records that are lost;

d. All unearned interest and service charges; and

e. An amount to allow for bad debts.

If a loss occurs and “you” cannot establish the actual accounts receivable due, it will be determined as follows:

a. “We” will determine the total of the average monthly accounts receivable amounts for the 12 month period that directly precedes the month in which the loss occurred.
b. “We” will adjust the total for any normal variance in the accounts receivable amount for the month in which the loss occurred.

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**HOW MUCH WE PAY**

1. **Insurable Interest** — “We” do not cover more than “your” insurable interest in any property.

2. **Deductible** — “We” pay only that part of “your” loss over the deductible amount stated on the “schedule of coverages” in any one occurrence. The deductible applies to the loss before application of any coinsurance or reporting provisions.

3. **Earthquake Period** — All earthquakes or volcanic eruptions that occur within a 168-hour period will be considered a single event. This 168-hour period is not limited by the policy expiration.

4. **Loss Settlement Terms** — Subject to Paragraphs 1., 2., 3., 5., 6., and 7. under How Much We Pay and coinsurance provisions (if applicable), “we” pay the lesser of:
   a. The amount determined under Valuation;
   b. The cost to repair, replace, or rebuild the property with material of like kind and quality to the extent practicable; or
   c. The “limit” that applies to covered property.

5. **Insurance Under More Than One Coverage** — If more than one coverage of this policy insures the same loss, “we” pay no more than the actual claim, loss, or damage sustained.

6. **Insurance Under More Than One Policy** — “You” may have another policy subject to the same plan, “terms”, conditions, and provisions as this policy. If “you” do, “we” will pay “our” share of the covered loss. “Our” share is the proportion that the applicable “limit” under this policy bears to the “limit” of all policies covering on the same basis.

   If there is another policy covering the same loss, other than that described above, “we” will pay only for the amount of covered loss in excess of the amount due from that other policy; whether “you” can collect on it or not. But “we” will not pay more than the applicable “limit”.

7. **Automatic Increase** — The “limit” on the “schedule of coverages” or the Scheduled Locations Endorsement is automatically increased annually by the annual percentage shown on the “schedule of coverages” or Scheduled Locations Endorsement for Automatic Increase.

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**LOSS PAYMENT**

1. **Our Options** — In the event of loss covered by this coverage form, “we” have the following options:
   a. Pay the value of the lost or damaged property;
   b. Pay the cost of repairing or replacing the lost or damaged property;
   c. Rebuild, repair, or replace the property with other property of equivalent kind and quality, to the extent practicable, within a reasonable time; or
   d. Take all or any part of the property at the agreed or appraised value.

   “We” must give “you” notice of “our” intent to rebuild, repair, or replace within 30 days after receipt of a duly executed proof of loss.

2. **Your Losses** — “We” will adjust all losses with “you”. Payment will be made to “you” unless another loss payee is named in the policy. An insured loss will be payable 30 days after a satisfactory proof of loss is received, and the amount of the loss has been established either by written agreement with “you” or the filing of an appraisal award with “us”.

3. **Property of Others** — Losses to property of others may be adjusted with and paid to:
   a. “You” on behalf of the owner; or
   b. The owner.

   If “we” pay the owner, “we” do not have to pay “you”. “We” may also choose to defend any suits arising from the owners at “our” expense.

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**OTHER CONDITIONS**

In addition to the “terms” which are contained in other sections of the Commercial Output Program coverages, the following conditions apply.

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1. **Appraisal** — If “you” and “we” do not agree on the amount of the loss or the value of covered property, either party may demand that these amounts be determined by appraisal.

If either makes a written demand for appraisal, each will select a competent, independent appraiser and notify the other of the appraiser’s identity within 20 days of receipt of the written demand. The two appraisers will then select a competent, impartial umpire. If the two appraisers are unable to agree upon an umpire within 15 days, “you” or “we” can ask a judge of a court of record in the state where the property is located to select an umpire.

The appraisers will then determine and state separately the amount of each loss.

The appraisers will also determine the value of covered property items at the time of the loss, if requested.

If the appraisers submit a written report of any agreement to “us”, the amount agreed upon will be the amount of the loss. If the appraisers fail to agree within a reasonable time, they will submit only their differences to the umpire. Written agreement so itemized and signed by any two of these three sets the amount of the loss.

Each appraiser will be paid by the party selecting that appraiser. Other expenses of the appraisal and the compensation of the umpire will be paid equally by “you” and “us”.

2. **Benefit to Others** — Insurance under the Commercial Output Program coverages will not directly or indirectly benefit anyone having custody of “your” property.

3. **Conformity With Statute** — When a condition of this coverage is in conflict with an applicable law, that condition is amended to conform to that law.

4. **Control of Property** — The Commercial Output Policy coverages are not affected by any act or neglect beyond “your” control.

5. **Death** — If “you” die, “your” rights and duties will pass 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.

6. **Liberalization** — If a revision of a form or endorsement which broadens Commercial Output Program coverages without additional premium is adopted during the policy period, or within six months before this coverage is effective, the broadened coverage will apply.

7. **Misrepresentation, Concealment, or Fraud** — These Commercial Output Program coverages are void as to “you” and any other insured if, before or after a loss:

   a. “You” or any other insured have willfully concealed or misrepresented:

      1) A material fact or circumstance that relates to this insurance or the subject thereof; or

      2) “Your” interest herein; or

   b. There has been fraud or false swearing by “you” or any other insured with regard to a matter that relates to this insurance or the subject thereof.

8. **Policy Period** — “We” pay for a covered loss that occurs during the policy period.

9. **Recoveries** — If “we” pay “you” for the loss and lost or damaged property is recovered, or payment is made by those responsible for the loss, the following provisions apply:

   a. “You” must notify “us” promptly if “you” recover property or receive payment;

   b. “We” must notify “you” promptly if “we” recover property or receive payment;

   c. Any recovery expenses incurred by either are reimbursed first;

   d. “You” may keep the recovered property, but “you” must refund to “us” the amount of the claim paid, or any lesser amount to which “we” agree; and

   e. If the claim paid is less than the agreed loss due to a deductible or other limiting “terms” of this policy, any recovery will be prorated between “you” and “us” based on “our” respective interest in the loss.

10. **Restoration of Limits** — Except as indicated under Supplemental Coverages - Pollutant Cleanup and Removal and Supplemental Marine Coverages - Virus and Hacking Coverage, any loss “we” pay under the Commercial Output Program coverages does not reduce the “limits” applying to a later loss.
11. **Subrogation** — If “we” pay for a loss, “we” may require “you” to assign to “us” “your” right of recovery against others. “You” must do all that is necessary to secure “our” rights. “We” will not pay for a loss if “you” impair this right to recover.

“You” may waive “your” right to recover from others in writing before a loss occurs.

12. **Suit Against Us** — No one may bring a legal action against “us” under this coverage unless:

a. All of the “terms” of the Commercial Output Program coverages have been complied with; and

b. The suit has been brought within two years after “you” first have knowledge of the loss.

If any applicable law makes this limitation invalid, then suit must begin within the shortest period permitted by the law.

13. **Territorial Limits** — “We” cover property while in the United States of America, its territories and possessions, Canada, and Puerto Rico.

However, “we” do cover foreign shipments as described under Overseas Transit.

14. **Mortgage Provisions** — If a mortgagee (mortgage holder) is named in this policy, loss to building property will be paid to the mortgagee and “you” as their interest appears. If more than one mortgagee is named, they will be paid in order of precedence.

The insurance for the mortgagee continues in effect even when “your” insurance may be void because of “your” acts, neglect, or failure to comply with the coverage “terms”. The insurance for the mortgagee does not continue in effect if the mortgagee is aware of changes in ownership or substantial increase in risk and does not notify “us”.

If “we” cancel this policy, “we” will notify the mortgagee at least ten days before the effective date of cancellation if “we” cancel for “your” nonpayment of premium, or 30 days before the effective date of cancellation if “we” cancel for any other reason.

“We” may request payment of the premium from the mortgagee if “you” fail to pay the premium.

If “we” pay the mortgagee for a loss where “your” insurance may be void, the mortgagee’s right to collect that portion of the mortgage debt from “you” then belongs to “us”. This does not affect the mortgagee’s right to collect the remainder of the mortgage debt from “you”.

As an alternative, “we” may pay the mortgagee the remaining principal and accrued interest in return for a full assignment of the mortgagee’s interest and any instruments given as security for the mortgage debt.

If “we” choose not to renew this policy, “we” will give written notice to the mortgagee at least ten days before the expiration date of this policy.

15. **Vacancy - Unoccupancy** — “We” do not pay for loss caused by attempted theft; breakage of building glass; sprinkler leakage (unless “you” have protected the system against freezing); theft; vandalism; or water damage occurring while the building or structure has been:

a. Vacant for more than 60 consecutive days; or

b. Unoccupied for more than:

1) 60 consecutive days; or

2) The usual or incidental unoccupancy period for a “covered location”;

whichever is longer.

The amount “we” will pay will be reduced by 15% for any loss by a covered peril, not otherwise excluded above, if the building or structure is vacant or unoccupied, as described above.

Unoccupied means that the customary activities or operations at a “covered location” are suspended, but business personal property has not been removed. The building or structure will be considered vacant and not unoccupied when the occupants have moved, leaving the building or structure empty or containing only limited business personal property. Buildings or structures under construction are not considered vacant or unoccupied.