Liberty Mutual Property
RM SELECT™ POLICY

DECLARATIONS

Policy number

Named Insured and Mailing Address

Form of Business

Premium Will Be Billed

Policy Period: to at 12:01 A.M. standard time at above mailing address.

In return for the payment of the premium, and subject to all the terms of this policy, **we** agree with **you** to provide the insurance as stated in this policy.

Premium (Excluding Terrorism Risk Insurance Revision and Extension Act of 2007 (TRIREA) Premium):	$
Terrorism Risk Insurance Revision and Extension Act of 2007 (TRIREA) Premium:	$
State or Municipal Taxes, Surcharges and Other Miscellaneous Charges: (See State or Municipal Taxes, Surcharges and Other Miscellaneous Charges Summary, Form RM0005, for breakdown)	$
Total Premium/Other Charges for Above **Policy Period**:	$
The Deposit Premium/Other Charges is:	$

Issued By:

By:

Authorized Company Representative OR Countersignature (as required)

SAMPLE

Copyright 2008, Liberty Mutual Group of Companies - all rights reserved.

DECLARATIONS (Continued)

A. Insuring Agreement

Subject to all the terms and conditions of this policy, **we** will pay for risks of direct physical loss or damage to **covered property** as a result of an **occurrence**, unless excluded.

If this policy provides Equipment Breakdown coverage then subject to all the terms and conditions of this policy **we** will pay for direct physical loss or damage to **covered property** as a result of an **accident** to an **object**, unless excluded.

This policy consists of the forms and endorsements shown on the POLICY INDEX, Form RM0003, and any endorsements attached to the policy. Insurance is provided at those locations and for those coverages and **limits of liability** shown on the Schedule of this form. Extensions of coverage, sublimits of liability and deductibles are listed on this form. Endorsements may contain separate terms, conditions, deductibles and limits or sublimits of liability.

Words in **bold faced type** have special meanings in this policy. They are defined in DEFINITIONS, Form RM1007. These definitions apply to this entire policy, and to any endorsements to it. Definitions that apply to individual forms or endorsements will be italicized and noted in those forms or endorsements. The names of forms are capitalized (for example, DECLARATIONS).

B. Coverages

We provide the following coverages if they are marked with an "X". Coverages are provided in accordance with the terms of this policy. Terms that apply only to individual coverage forms are set forth in those forms. This policy provides coverage on a replacement cost basis for **real property**, **personal property**, **personal property of others** and equipment breakdown except as indicated on VALUATIONS, Form RM1005, or any other forms or endorsements attached to this policy.

() **Real Property**
() **Personal Property**, including **personal property of others** and **valuable papers and records**
() Equipment Breakdown
() Loss of **Business Income**
  () **Real Property** or **Personal Property** only
  () Equipment Breakdown only
  () **Real Property** or **Personal Property** and Equipment Breakdown
() **Extra Expense**
  () **Real Property** or **Personal Property** only
  () Equipment Breakdown only
  () **Real Property** or **Personal Property** and Equipment Breakdown

C. Limits of Liability

We will not pay more than the applicable **limit of liability** shown on the Schedule of this form for any one (1) **occurrence** or any one (1) **accident** covered by this policy, nor will **we** pay for more than **your** interest in the lost or damaged property.

D. Standard Extensions of Coverage

Refer to **A.** of EXTENSIONS OF COVERAGE, Form RM1002, for the standard extensions of coverage, including sublimits of liability, provided by this policy.

E. Optional Extensions of Coverage – Sublimits of Liability

1. The sublimits of liability shown in **E. 4.** below apply to the Optional Extensions of Coverage defined in **B.** of EXTENSIONS OF COVERAGE, Form RM1002. If no sublimit is shown, no coverage is provided.

2. If a sublimit is shown in **E. 4.** below for **miscellaneous locations**, **new locations** and **unscheduled locations**, coverage may be limited or excluded elsewhere in this policy or its endorsements.

SAMPLE

DECLARATIONS (Continued)

3. These sublimits are the most **we** will pay for any loss covered by these Optional Extensions of Coverage. For **miscellaneous locations**, **new locations** and **unscheduled locations**, the most **we** will pay for any loss or damage will be the lesser of:

a. The sublimit shown below for **miscellaneous locations**, **new locations** or **unscheduled locations**; or

b. The sublimit shown on any individual coverage form or endorsement.

4. Optional Extensions of Coverage:

a. $_____ Course of Construction;

b. $_____ Demolition Cost;

c. $_____ Increased Construction Cost;

d. $_____ Operation of Building Laws;

e. $_____ Errors and Omissions;

f. $_____ Exhibitions, Expositions, Fairs or Trade Shows;

g. $_____ at each **miscellaneous location**;

h. $_____ at each **new location**, for up to _____ days from the date such **new location(s)** is first purchased or rented, whichever is earlier;

i. $_____ on covered **personal property** in the custody of salespeople;

j. $_____ **Transit**;

k. $_____ at each **unscheduled location**.

F. Equipment Breakdown Coverage

1. Equipment Breakdown **limit of liability**

If marked with an "X" the following **limits of liability** apply:

() See the Schedule of this form;

() See Form _____; or

() **Limit(s) of liability** shown below are separate from any other applicable **limit of liability** or any sublimit of liability of this policy.

$_____ Damage to covered **object(s)**, loss of **business income**, and **extra expense**;

$_____ Damage to covered **object(s)** and loss of **business income**;

$_____ Damage to covered **object(s)** and **extra expense**;

$_____ Damage to covered **object(s)**;

$_____ Loss of **business income** and **extra expense**;

$_____ Loss of **business income**;

$_____ **Extra expense**.

SAMPLE

DECLARATIONS (Continued)

2. For equipment breakdown extensions of coverage see EQUIPMENT BREAKDOWN EXTENSIONS OF COVERAGE, Form RM1250.

G. Deductible and waiting periods, except as indicated on any other forms or endorsements attached to this policy.

1. **Your** deductible for this policy will be according to the terms of the following paragraphs:

a. $_____. Unless marked with an "X" in **G. 1. b.** below, **we** will not pay unless a **covered loss** from any one (1) **occurrence** exceeds the amount shown. **We** will then pay for the excess, up to any other applicable **limit of liability**.

b. () See ADDITIONAL DEDUCTIBLES AND WAITING PERIODS, Form RM1115.

2. **Your** equipment breakdown deductible or waiting period will be according to the terms of the following paragraphs:

a. If **you** have a combined deductible, **we** will not pay unless a covered equipment breakdown loss from any one (1) **accident** is more than:

$_____ for loss to covered **object(s)**, loss of **business income**, and **extra expense**;

$_____ for loss to covered **object(s)** and loss of **business income**;

$_____ for loss to covered **object(s)** and **extra expense**

and then only for the excess; or

b. If **you** have more than one (1) coverage deductible shown below, **we** will not pay unless a covered equipment breakdown loss from any one (1) **accident** is more than:

$_____ for loss to covered **object(s)**;

$_____ for loss of **business income** and **extra expense**;

$_____ for loss of **business income**;

$_____ for **extra expense**;

_____ times the **average daily value** of loss of **business income** or **extra expense** during the period of interruption;

_____ hours immediately following the **accident** for loss of **business income** or **extra expense**

and then only for the excess.

However, each deductible amount marked with an asterisk (*) will apply separately to the **accident**; or

c. **We** will not pay for loss of **business income**, **extra expense**, or, to the extent **perishable goods** coverage is provided in EQUIPMENT BREAKDOWN EXTENSIONS OF COVERAGE, Form RM1250, unless a covered equipment breakdown loss from any one (1) **accident** to an **object** exceeds a waiting period of:

_____ hours. Once the waiting period is met coverage will commence at the initial time of the interruption, and will be subject to any deductible shown in **G. 2. a.** or **G. 2. b.** above and then only for the excess; or if marked with an "X" in **G. 2. d.** below.

d. () See ADDITIONAL DEDUCTIBLES AND WAITING PERIODS, Form RM1115.

If a **covered loss** involves two (2) or more deductibles, **we** will only use the largest of the applicable deductibles unless otherwise provided in this policy or any endorsement, except that **we** will apply any deductible(s) marked with an asterisk (*) in addition to the largest of any other applicable deductibles.

SAMPLE

DECLARATIONS (Continued)

Schedule No.	Location or Sub-location	Coverage	**Limit of Liability**

SAMPLE

COVERAGES

A. If coverage for **real property** is provided as shown in **B.** Coverages of the DECLARATIONS, Form RM1000, **we** will pay for a **covered loss** to **your real property** at or within one-thousand (1,000) feet of a **covered location**.

B. If coverage for **personal property** is provided as shown in **B.** Coverages of the DECLARATIONS, Form RM1000, **we** will pay for a **covered loss** to **your personal property**, including **personal property of others** and **valuable papers and records**, at or within one-thousand (1,000) feet of a **covered location**.

C. If coverage for loss of **business income** is provided as shown in **B.** Coverages of the DECLARATIONS, Form RM1000, **we** will pay for:

1. The actual loss of **business income you** incur during a **period of restoration** directly resulting from damage by a **peril insured against** to the type of property covered by this policy at a **covered location**.

2. The necessary expenses **you** incur in excess of **your** normal operating expenses that reduces **your** loss of **business income**. **We** will not pay more than **we** would pay if **you** had been unable to make up lost production or continue operations or services.

3. The actual loss of **business income you** incur if **you** are denied access to a **covered location** by order of civil or military authority if:

a. the order results from a **covered loss**; or

b. the order results from damage by a **peril insured against** to the type of property covered by this policy within one (1) statute mile of a **covered location**.

This coverage will apply for a period not to exceed twenty-one (21) consecutive days from the date of the order.

4. The actual loss of **business income you** incur if **your** ingress to or egress from a **covered location** is prevented as the direct result of a **peril insured against** to the type of property covered by this policy within one (1) statute mile of a **covered location**.

This coverage will apply for a period not to exceed twenty-one (21) consecutive days from the date **your** ingress or egress is first prevented.

5. In determining the actual loss of **business income**, consideration must be given to:

a. The experience of the business before the loss and the probable experience after the loss;

b. The continuation of only those normal charges and expenses that would have been incurred had no interruption of production or suspension of business operations or services happened;

c. The demonstration of an actual loss of sales, income, or rental income; and

d. Any amount recovered, at selling price, for loss or damage to merchandise that will be considered to have been sold.

6. **We** will not pay unless **you** are wholly or partially prevented from:

a. producing goods; or

b. continuing business operations or services.

SAMPLE

Copyright 2008, Liberty Mutual Group of Companies - all rights reserved.

COVERAGES (Continued)

7. **You** are required to mitigate **your** loss by:

a. Making up lost production within a reasonable period of time not limited to the **period of restoration**.

b. Continuing business operations or services during the **period of restoration**.

c. Using any property or service:

(1) owned or controlled by **you**; or

(2) obtainable from any other sources.

d. Working extra time or overtime.

e. Using inventory.

We will not pay for any loss to the extent it can be reduced through these or any other means whether at a **covered location** or any other location.

8. **We** will not pay for:

a. Any loss during any idle period. Idle period includes, but is not limited to, any period when production, operation or service would cease or be prevented due to:

(1) physical damage not insured under this policy on or away from the **covered location**;

(2) planned or rescheduled shutdown or maintenance;

(3) strikes or other work stoppage; or

(4) any reason other than a **covered loss**.

b. Any increase in loss due to:

(1) suspension, cancellation or lapse of any lease, contract, license or order.

(2) fines or damage for breach of contract for late or non-completion of orders, or for penalties of any nature.

c. Any consequential, indirect or remote loss.

d. Any loss resulting from damage to:

(1) finished goods manufactured by **you**, nor for the time required for their reproduction.

(2) property in **transit**.

e. Any loss or expense recoverable elsewhere in this policy.

9. The most **we** will pay for a loss under this coverage is the lesser of:

a. **Your** actual loss of **business income** and necessary expense; or

b. The applicable **limit of liability** shown on the Schedule of the DECLARATIONS, Form RM1000, or any endorsements to this policy.

SAMPLE

COVERAGES (Continued)

D. If coverage for **extra expense** is provided as shown in **B.** Coverages of the DECLARATIONS, Form RM1000, **we** will pay for:

1. The actual **extra expense you** incur during a **period of restoration** directly resulting from damage by a **peril insured against** to the type of property covered by this policy at a **covered location**.

2. The actual **extra expense you** incur if **you** are denied access to a **covered location** by order of civil or military authority if:

a. the order results from a **covered loss**; or

b. the order results from damage by a **peril insured against** to the type of property covered by this policy within one (1) statute mile of a **covered location**.

This coverage will apply for a period not to exceed twenty-one (21) consecutive days from the date of the order.

3. **We** will not pay for:

a. Loss of **business income**.

b. Costs which would have been incurred in conducting **your** business during the same period had no **covered loss** happened.

c. The cost of permanent repair or replacement of property that has been damaged or destroyed.

d. Any loss during any idle period. Idle period includes, but is not limited to, any period when production, operation or service would cease or be prevented due to:

(1) physical damage not insured under this policy on or away from the **covered location**;

(2) planned or rescheduled shutdown or maintenance;

(3) strikes or other work stoppage; or

(4) any reason other than a **covered loss**.

e. Any increase in loss due to:

(1) suspension, cancellation or lapse of any lease, contract, license or order.

(2) fines or damage for breach of contract for late or non-completion of orders, or for penalties of any nature.

f. Any consequential, indirect or remote loss.

g. Any loss resulting from damage to:

(1) finished goods manufactured by **you**, nor for the time required for their reproduction.

(2) property in **transit**.

h. Any loss or expense recoverable elsewhere in this policy.

SAMPLE

COVERAGES (Continued)

4. The most **we** will pay for a loss under this coverage is the lesser of:

a. **Your** actual **extra expense**; or

b. The applicable **limit of liability** shown on the Schedule of the DECLARATIONS, Form RM1000, or any endorsements to this policy.

E. If coverage for equipment breakdown is provided as shown in **B.** Coverages of the DECLARATIONS, Form RM1000, the following provisions apply to loss or damage that results from or is caused by an **accident** to a covered **object**:

1. Exclusions **B. 9.**, **B. 10.**, **B. 11.** and **B. 12.** in EXCLUSIONS, Form RM1003, do not apply to a **covered loss** that result from an **accident** to covered **object(s)**.

2. **We** will pay if an **accident** to covered **object(s)** causes:

a. Loss to property **you** own;

b. Loss to the property of others in **your** care, custody or control and for which **you** are legally liable.

3. If direct loss or damage to an electrical **object(s)** results from the peril of **flood we** will pay for the amount **you** actually expend to dry out the **object(s)**.

Our payment to **you** will:

a. Be subject to the applicable direct damage **limit of liability** and deductible as shown in **F. 1.** and **G. 2.** of the DECLARATIONS, Form RM1000, for damage to covered **object(s)**; and

b. Not exceed the value of the damaged **object(s)**.

SAMPLE

EXTENSIONS OF COVERAGE

A. Standard Extensions of Coverage

In the event of a **covered loss**, the coverage provided by this policy is extended as follows:

1. Accounts Receivable

a. **We** will pay up to a **limit of liability** of $100,000 for the following expenses **you** incur directly resulting from loss or damage by a **peril insured against** to **your** records of accounts receivable at a **covered location**:

(1) Amounts due **you** from customers that **you** are unable to collect;

(2) Interest charges on any loan to offset amounts **you** are unable to collect, pending **our** payment of those amounts;

(3) Collection expense above **your** normal collection expense; and

(4) Reasonable expenses **you** incur to reestablish **your** records of accounts receivable.

b. For the purposes of this extension of coverage, the following additional exclusions apply and **we** will not pay for:

(1) Any loss that requires an audit or inventory to establish its existence;

(2) Any fraudulent, dishonest or criminal act done by:

(a) Anyone entrusted with the accounts receivables, including their employees and agents; or

(b) Anyone having an interest in the accounts receivable.

This exclusion does not apply to the acts of a carrier for hire.

(3) Bookkeeping, accounting, or billing errors or omissions.

(4) Wrongful alteration, falsification, manipulation, concealment, destruction, or disposal of records of accounts receivable, committed to conceal the wrongful giving, taking, getting, or withholding of money, securities, or other property.

c. When records of accounts receivable have been damaged or destroyed, **you** must use all reasonable efforts, including legal action if necessary, to obtain collection of any outstanding accounts receivable, and **we** will pay such costs and expenses of obtaining collection to the extent they reduce **your** loss.

d. When records of accounts receivable have been damaged or destroyed, **you** will use any property or service owned or controlled by **you** or obtainable from other sources in order to reduce **your** loss.

e. If **you** are unable to accurately determine the amount of outstanding accounts receivable at the time of loss, **our** payment will be calculated in the following manner:

Your average monthly accounts receivable amount, based on the twelve (12) months preceding the loss, adjusted for normal fluctuations in the month in which the loss occurs, or for any demonstrated variance for that month.

SAMPLE

Copyright 2008, Liberty Mutual Group of Companies - all rights reserved.

f. The following will be deducted from the total amount of accounts receivable, regardless of the method used to determine that amount:

(1) Balances for accounts not damaged or affected by the loss;

(2) Amounts of accounts **you** are able to reestablish and collect;

(3) An allowance for bad debts **you** are not normally able to collect; and

(4) All unearned interest and service charges.

2. Arson Reward

If one (1) or more **covered losses** are caused by or result from any fires of a suspicious nature, **we** will pay a $25,000 reward to an individual or individuals provided:

a. The individual(s) report(s) the suspected arsonist to local law enforcement officials; and

(1) The arsonist is apprehended, brought to trial, and convicted of arson to **your covered property**; or

(2) The arsonist is apprehended, confesses and/or pleads guilty to arson to **your covered property** without going to trial.

b. **Our** payment of this reward will not be increased by:

(1) The number of individuals reporting the arsonist(s);

(2) The number of arsonists involved in the **covered loss**; or

(3) The number of **covered losses**.

No deductible applies to this extension of coverage.

3. Computer Virus and Denial of Access

We will pay up to $25,000 for loss or damage to, or any cost, claim or expense caused by or resulting directly or indirectly from any of the following, regardless of any other cause or event that contributes to the loss, damage, cost, claim or expense at the same time or in any sequence:

a. The introduction of a malicious code, program, virus, worm, Trojan Horse program, macro time or logic bomb or similar unauthorized instruction which is designed or intended to damage, corrupt, destroy, distort, or delete any part of the system or disrupt its normal operation, into any of the following, whether owned by **you** or others:

(1) **Data processing equipment**, **software**, **data**, or **media**;

(2) Information repository;

(3) Hardware or **software** based computer operating systems;

(4) Microprocessors;

(5) Integrated circuits;

(6) Computer networks;

SAMPLE

(7) Website service; or

(8) Any other electronic equipment, computerized equipment, or similar device.

b. A change in the functionality, availability, operation, use of accessibility to or operation of any of the items described in **3. a. (1) - (8)** above.

4. Debris Removal Expense

a. **We** will pay for the expense to remove the debris from a **covered loss**. **We** will only pay these expenses if **we** receive immediate written notice of the **covered loss** and if these expenses are reported to **us** in writing within one-hundred-eighty (180) days of the date of the **covered loss**.

b. Debris removal expense is limited to a sublimit of liability of $250,000.

c. **We** will pay up to $25,000 for expenses to remove from a **covered location**, windblown debris of property not covered by this policy.

d. Debris removal expense does not include any costs to clean up or remove **pollutants**, **fungus**, bacteria, wet or dry rot, or decay.

5. Deferred Payments

a. **We** will pay up to a sublimit of liability of $25,000 for the unpaid balance owed **you** for **covered loss** to **your personal property** sold by **you** under a conditional sale or trust agreement or any installment or deferred payment plan after the **personal property** has been delivered to **your** client and is now in their care, custody and control.

b. In the event of **covered loss** to **personal property** sold under any of the payment plans shown in **5. a.** above, **you** will use all reasonable effort, including legal action against **your** client, to:

(1) Collect any outstanding balance due **you**; or

(2) Regain possession of the **personal property**.

c. **We** will not pay for loss or damage caused by or resulting from:

(1) A recall of **your** product. This includes but is not limited to **your** cost to recall, test or to advertise the recall.

(2) Theft or conversion of **your personal propert**y sold under any payment plan shown in **5. a.** above by **your** client after they have taken possession of the **personal property**.

d. This extension of coverage only applies to **your personal property** sold under any of the payment plans shown in **5. a.** above that is located within the territory of this policy.

e. Coverage provided by this extension does not apply if **your** client continues with their payments.

6. Duty to Defend

We will defend that part of any suit against **you** involving **personal property of others** when all of the following conditions exist:

a. The suit seeks payment for physical loss or damage to the **personal property of others**; and

SAMPLE

b. The physical loss or damage is caused by a **peril insured against**; and

c. The physical loss or damage takes place while the **personal property of others** is in **your** custody; and

d. The **personal property of others** is the type of property covered by this policy.

We will do so even if such suit is groundless, false or fraudulent, but **we** may, without prejudice, make such investigation, negotiation and settlement of any claim or suit, as **we** deem appropriate.

7. Extended **Period of Restoration**

a. If loss of **business income** coverage is provided, **we** will pay the actual loss of **business income you** sustain due to a reduction in sales, earnings or rental income that directly results from direct physical loss or damage to **your covered property** by a **peril insured against**, for the additional time required, when **you** use reasonable speed, to restore **your** business to the condition it would have been in if no loss had occurred. This additional time starts with the time when the **period of restoration** would end, and continues for no more than sixty (60) consecutive days immediately following the **period of restoration**.

b. This extension of coverage does not apply if **you** elect not to either repair or replace **your covered property**, or to resume the operation of **your** business. For purposes of this extension of coverage the exclusions and restrictions in this policy regarding loss of **your** market share do not apply to any claim made under this extension of coverage.

8. Fire Department Charges

We will pay charges **you** incur when the fire department is called to save or protect **covered property** from a **covered loss**.

9. **Fine Arts**

We will pay up to a sublimit of liability of $100,000 for **covered loss** to **your fine arts**. **We** will not however pay for:

a. Loss or damage sustained from any repair, restoration, or retouching process;

b. Breakage of art glass windows, statuary, marble, glassware, bric-a-brac, porcelains, and similar fragile articles, unless caused by fire, lightning, aircraft, theft and or attempted theft, windstorm, **earth movement**, **flood**, explosion, vandalism, collision, derailment or overturn of conveyance; or

c. Loss or damage to **your fine arts** while away from a **covered location**.

10. **Fungus** Cleanup Expense

a. If **fungus** results from a **covered loss** due to fire or lightning, **we** will pay up to the applicable **limit of liability** for the cost and expense:

(1) To remove **fungus** from **covered property** at a **covered location**;

(2) To repair or replace any undamaged portion of **covered property** at a **covered location** that must be removed to gain access to **fungus** in order to remove it; and

(3) To test for the presence of **fungus** on **covered property** at a **covered location** after **fungus** has been removed as provided by this extension.

SAMPLE

b. If **fungus** results from a **covered loss** due to a **peril insured against** other than fire or lightning, **we** will pay up to $250,000 for the costs and expenses outlined in **10. a. (1) – (3)** of this extension of coverage.

c. In order for this extension of coverage to apply **we** must receive immediate written notice of the **covered loss**, and these costs and expenses must be reported to **us** in writing within one-hundred-eighty (180) days of the date of the **covered loss**.

d. The removal and testing for **fungus** does not include any costs to remove **pollutants**.

11. Installation of **Personal Property** or **Personal Property of Others**

We will pay up to $250,000 for direct physical loss or damage by a **peril insured against** to **your personal property**, or **personal property of others**, which **you** have sold under an installation agreement, if **your** responsibility continues until the purchaser accepts the installation. Installation coverage applies to any non-owned location within the policy territory.

12. Lock and Key Replacement

a. When a master key or grand master key is lost or damaged from a **covered loss**, **we** will pay the lesser of:

(1) The actual cost to replace keys;

(2) The cost to rekey or reprogram the current locks to accept new keys; or

(3) When needed, new locks including the installation and reprogramming of the new locks.

b. The most **we** will pay in any one (1) **occurrence** for this extension of coverage is a sublimit of liability of $25,000.

13. **Personal Property** of Employees

We will pay for loss or damage by a **peril insured against** to the **personal property** (other than vehicles) of **your** employees when such property is at a **covered location** or being used by the employee in the course of employment. **We** will not pay for any loss or damage to such property that occurs at the employee's residence.

14. Plants, Trees or Shrubs

We will pay up to a sublimit of liability of $100,000 for a **covered loss** to plants, trees and shrubs, however loss or damage caused by freezing, disease or drought is excluded.

15. **Pollution** Cleanup Expense

a. **We** will pay to remove **pollutants** from **covered property** at a **covered location** if the **pollution** results from a **specified peril**, subject to the applicable **limit of liability**.

b. **We** will pay up to an annual aggregate **limit of liability** of $25,000 to remove **pollutants** from **covered property** at a **covered location**, if the **pollution** results from a **peril insured against** other than a **specified peril**.

c. If **pollution** results from a **peril insured against**, **we** will pay up to an annual aggregate **limit of liability** of $25,000:

(1) To remove **pollutants** from land, soil, surface or ground water upon, within, beneath or comprising a **covered location**; or

(2) For testing performed in the course of extracting the **pollutants** from **covered locations**.

SAMPLE

We will pay for removal or testing after a **covered loss** that occurs during the **policy period**.

We will only pay these expenses if **we** receive immediate written notice of the **covered loss** and if these expenses are reported to **us** in writing within one-hundred-eighty (180) days of the date of the **covered loss**.

16. Professional Fees

a. **We** will pay up to $25,000 for the reasonable costs **you** incur, for auditors, architects, accountants and engineers who undertake to accurately determine the details of **your** business in order to determine the extent of a **covered loss**.

b. Professional fees do not include:

(1) any fees or expenses of attorneys;

(2) any fees or expenses of public adjusters or any of their subsidiaries or associated entities;

(3) fees based on a contingency; or

(4) the cost of **your** own employees.

17. Removal

a. **We** will pay the actual costs or expenses **you** incur:

(1) to remove **covered property** from locations endangered by a **peril insured against**; and

(2) to return the **covered property** to the original location it had been removed from once the danger by a **peril insured against** has ended.

b. When **covered property** has been removed for this reason, it will be insured against loss or damage from a **peril insured against** at the temporary location according to the following terms:

(1) For up to ninety (90) days at each place to which the property has been taken for preservation;

(2) The applicable **limit of liability** will apply to each temporary location on a pro rata basis, based on the value **your covered property** stored at that location bears to the total value of **covered property** originally insured at the endangered location.

The sublimits of liability, rewards or other amounts payable under these standard extensions of coverage do not increase and are not in addition to any other applicable **limit of liability**.

B. Optional Extensions of Coverage

These extensions of coverage apply only if the applicable sublimit of liability is shown in **E.** Optional Extensions of Coverage – Sublimits of Liability of the DECLARATIONS, Form RM1000.

1. Course of Construction

a. **We** will pay for direct physical loss or damage to **real property** of the type insured by this policy, including new additions and buildings at an existing **covered location**, that **you** begin to construct during the **policy period**.

(1) This coverage only applies for sixty (60) days from the date **you** begin construction.

SAMPLE

(2) To continue this coverage beyond the sixty (60) days, **you** must:

(a) Report newly constructed **real property** to **us** prior to the end of that sixty (60) day period; and

(b) Pay premium from the date **you** begin construction.

b. **We** will also pay under this extension of coverage for materials, supplies, machinery, equipment and fixtures, including those that are **personal property of others**, which are:

(1) Intended by **you** for use in construction; and

(2) Located on the construction site awaiting use in construction.

c. This coverage only applies to the construction of **real property you** intend to own or occupy once constructed.

2. Errors and Omissions

If a **covered loss** is not payable under this policy solely because of an error or unintentional omission made by **you**:

a. In the description of where **covered property** is physically located;

b. To include any location:

(1) owned, rented or leased by **you** on the **effective date** of this policy; or

(2) purchased, rented or leased by **you** during the term of the policy; or

c. That results in cancellation of the property insured under this policy, except for cancellation due to nonpayment of premium.

Then **we** will pay the amount **we** would have paid had the error or omission not been made, but not exceeding the **limit of liability** provided for Errors and Omissions shown on the DECLARATIONS, Form RM1000.

This coverage does not apply, however, if coverage is found, in whole or in part, elsewhere in this policy.

3. Exhibitions, Expositions, Fairs or Trade Shows

We will pay for loss or damage to **your personal property** while at an exhibition, exposition, fair or trade show.

Coverage also applies while **your personal property** is being transported between a **covered location** and the location of the exhibition, exposition, fair or trade show.

4. Miscellaneous Locations

Miscellaneous locations are insured for coverages marked with an "X" in **B.** Coverages of the DECLARATIONS, Form RM1000, and coverages provided by endorsement.

5. New Locations

a. **New locations** are insured for coverages marked with an "X" in **B.** Coverages of the DECLARATIONS, Form RM1000, and coverages provided by endorsement for the period of time specified in **E. 4. h.** of the DECLARATIONS, Form RM1000.

SAMPLE

b. To continue this coverage beyond the time frame specified, **you** must:

(1) Report **new locations** to **us** prior to the end of the period specified on the DECLARATIONS, Form RM1000; and

(2) Pay premium from the date **you** purchase or rent these **new locations**.

6. Demolition Cost, Increased Construction Cost and Operation of Building Laws

a. In the event of a **covered loss**, **we** will pay:

(1) Demolition Cost

The cost incurred to demolish all or part of **your covered real property**, including the cost to clear the site, if any law or ordinance that exists at the time of loss requires such demolition.

(2) Increased Construction Cost

The increased cost **you** incur for materials and labor required to rebuild the damaged portion of **your real property** at the same location and in a manner that satisfies the minimum requirements of the applicable law or ordinance existing at the time of the loss.

(3) Operation of Building Laws

The cost **you** incur to rebuild at the same location any undamaged part of **your real property** that is required by law to be demolished after a **covered loss**, excluding any costs associated with demolition. **We** will only pay the costs to satisfy the minimum requirements of the applicable law or ordinance that exists at the time of the loss.

b. **We** will not pay for any of these costs:

(1) Unless they are incurred within two (2) years from the date of loss.

(2) If they are incurred due to any law or ordinance that:

(a) **You** were required to comply with before the loss, even if the building was undamaged; and

(b) **You** failed to comply with.

(3) If they are associated with any demolition, abatement, removal, cleanup, debris removal, repair, monitoring or testing, increased cost of repair or other cost resulting from enforcement of any such law or ordinance which relates to **pollution**, **fungus**, bacteria, wet or dry rot, or decay.

7. Salespeople

a. **Your** covered **personal property** in the custody of salespeople.

b. Coverage does not apply to loss or damage by theft from the salespersons vehicle unless:

(1) The vehicle is equipped with a fully enclosed body or compartment;

(2) The doors, windows and hatches were securely locked; and

SAMPLE

(3) There are visible signs of forced entry to the vehicle

at the time of loss.

8. Transit

Your covered **personal property** while in **transit**.

This extension of coverage also applies to **personal property of others** while in **transit** at **your** risk, but does not apply if **you** are acting as a common or contract carrier.

9. Unscheduled Locations

Unscheduled locations are insured for coverages marked with an "X" in **B.** Coverages of the DECLARATIONS, Form RM1000, and coverages provided by endorsement.

The sublimits of liability or amounts payable under these optional extensions of coverage do not increase and are not in addition to any other applicable **limit of liability**.

SAMPLE

EXCLUSIONS

A. GROUP A EXCLUSIONS

We will not pay for loss or damage caused by or resulting from any of the following, regardless of any other cause or event, including a **peril insured against**, that contributes to the loss at the same time or in any other sequence:

1. Loss attributable to:

a. War, including undeclared or civil war; or

b. Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or

c. Insurrection, rebellion, revolution, usurped power, including action taken by a governmental authority in hindering or defending against any of these

whether or not involving the use of any chemical, biological or nuclear substance.

2. **Earth movement**, whether sudden or gradual.

a. If a loss to **covered property** by fire, theft, or explosion ensues, **we** will pay for that loss.

b. This exclusion does not apply to **covered property** in **transit**.

c. This exclusion does not apply to **sinkhole collapse** or **volcanic activity**.

3. **Flood**.

a. If a loss to **covered property** by fire, theft, or explosion ensues, **we** will pay for that loss.

b. This exclusion does not apply to **covered property** in **transit**.

4. **Fungus**, bacteria, wet or dry rot, decay.

If a loss to **covered property** from a **specified peril** ensues, **we** will pay for that loss.

5. **Pollution**.

6. Demolition cost, operation of building laws and increased cost of construction including the enforcement of any ordinance or law regulating the use, construction, repair or demolition of buildings or structures.

7. Seizure or destruction of **covered property** by government order.

We will pay for loss to **covered property** resulting from acts of destruction ordered by government to prevent the spread of fire.

8. Nuclear reaction or nuclear radiation, or radioactive contamination.

If a loss to **covered property** by fire ensues, **we** will pay for that loss unless otherwise limited or excluded elsewhere in this policy, including any limits or exclusions applicable to terrorism.

SAMPLE

Copyright 2008, Liberty Mutual Group of Companies - all rights reserved.

EXCLUSIONS (Continued)

9. Interference with or interruption of any public or private utility or any entity providing electrical, heating, air conditioning, refrigeration, telecommunication, steam, water, sewer or fuel service or any other service, if the failure occurs away from the **covered location**.

If a **covered loss** ensues, **we** will pay for that loss.

10. The actual or suspected presence or threat of any virus, organism or like substance that is capable of inducing disease, illness, physical distress or death, whether infectious or otherwise, including but not limited to any epidemic, pandemic, influenza, plague, SARS or Avian Flu.

11. Except as shown in **A. 3.** Standard Extensions of Coverage of EXTENSIONS OF COVERAGE, Form RM1002, loss attributable to:

a. The introduction of a malicious code, program, virus, worm, Trojan Horse program, macro time or logic bomb or similar unauthorized instruction which is designed or intended to damage, corrupt, destroy, distort, or delete any part of the system or disrupt its normal operation, into any of the following, whether owned by **you** or others:

(1) **Data processing equipment**, **software**, **data**, or **media**;

(2) Information repository;

(3) Hardware or **software** based computer operating systems;

(4) Microprocessors;

(5) Integrated circuits;

(6) Computer networks;

(7) Website service; or

(8) Any other electronic equipment, computerized equipment, or similar device.

b. Programming, operation or operator error of any of the items described in **11. a. (1) - (8)**.

c. Incompatibility, or the inability to properly interface between any of the items described in **11. a. (1) - (8)**.

d. A change in the functionality, availability, operation, use of, accessibility to or operation of any of the items described in **11. a. (1) - (8)**.

e. Inability, failure or malfunction of the items as described in **11. a. (1) - (8)** or any services, functions, or products that use or rely upon in any manner one (1) or more of the items as described in **11. a. (1) - (8)** to correctly recognize, distinguish, interpret, process, provide or accept **data** or one (1) or more dates or times.

f. Advice, consultation, evaluation, design, inspection, installation, repair, replacement or maintenance done by **you** or for **you** to determine or correct any conditions or problems described by in **11. a. - e.**

If loss to **covered property** by any of the following perils ensues, **we** will pay for that loss;

a. Fire;

b. Explosion; or

c. Leakage or accidental discharge from automatic fire protection system.

However, **we** will not pay for modification, repair or replacement of systems or devices described in **11. a. (1) - (8)** in order to correct any potential or actual deficiencies or to change any features.

SAMPLE

EXCLUSIONS (Continued)

B. GROUP B EXCLUSIONS

We will not pay for loss or damage caused by or resulting from any of the following:

1. Unexplained or mysterious disappearance of any property.

2. Shortage of property discovered on taking inventory.

3. Theft by employees, whether acting alone or with others.

4. Any criminal, fraudulent or dishonest acts committed alone or in collusion with others:

a. By **you**;

b. By any of **your** associates, proprietors, partners, directors, trustees, officers, agents, employees or representatives; or

c. By any person or entity to whom **you** or any of **your** associates, proprietors, partners, directors, trustees, officers, agents, employees or representatives voluntarily relinquishes possession of **covered property** with or without **your** authority.

5. Manufacturing or processing operations, which result in damage to stock or materials while the stock or materials are being processed, manufactured, worked on or tested.

If a **covered loss** ensues, **we** will pay for that loss.

6. Delay, loss of market, loss of use, indirect or remote loss or damage.

7. Loss attributable to:

a. Wear and tear, deterioration, depletion, erosion, rust, corrosion;

b. Inherent vice, latent defect, or any quality in the **covered property** that causes it to damage or destroy itself;

c. Smog, acid rain, agricultural smudging;

d. Smoke, fumes, gas or vapor that result from industrial operations;

e. Settling, cracking, shrinking, bulging or expansion of pavements, foundations, walls, floors, roofs or ceilings, retaining walls or outdoor swimming pools;

f. Animals, birds, vermin, rodents or insects;

g. Change or extremes in temperature or humidity, whether atmospheric or not, except damage to equipment;

h. Contamination, shrinkage, change in taste, texture, finish or color.

If a **covered loss** ensues, **we** will pay for that loss.

8. Failure or breakdown of machinery or equipment, including rupture or bursting caused by centrifugal force.

If a **covered loss** ensues, **we** will pay for that loss.

This exclusion will not apply to physical loss to **data**, **data processing equipment** or **software**.

SAMPLE

EXCLUSIONS (Continued)

9. Explosion of the following:

a. Steam boilers;

b. Steam turbines, steam engines, steam piping, electric steam generators; or

c. Gas turbines.

If a loss to **covered property** by fire or explosion ensues, **we** will pay for that loss.

10. Rupture, bursting, cracking, burning or bulging of the following:

a. Steam boilers;

b. Steam turbines, steam engines, steam piping, electric steam generators;

c. Hot water boilers or other equipment for heating water;

d. Pressure vessels; or

e. Gas turbines.

If a loss to **covered property** by fire or explosion ensues, **we** will pay for that loss.

11. Any electrical injury or disturbance to electrical appliances, devices, fixtures, wiring or other electrical or electronic equipment caused by electrical currents artificially generated.

If a fire or an explosion loss ensues, **we** will pay for that loss.

This exclusion will not apply to physical loss to:

a. **Data** or **software** caused by injury, disturbance, or erasure resulting from electricity or magnetic fields; or

b. **Data processing equipment** caused by short circuit, blowout, or other electrical damage.

12. Loss attributable to faulty, defective or inadequate:

a. Construction, workmanship or material;

b. Maintenance;

c. Design, plan or specification;

d. Developing, surveying or siting of buildings or structures during the course of construction or alterations.

If a **covered loss** ensues, **we** will pay for that loss.

13. Loss or damage to bulkheads, piers, wharves, docks, seawalls or jetties from freezing or thawing, impact of watercraft, or by the pressure or weight of ice or water whether driven by **wind** or not.

14. Acts or decisions, including the failure to act or decide, of any governmental employee, agent, group, organization, agency or body.

If a **covered loss** ensues, **we** will pay for that loss.

SAMPLE

PROPERTY NOT COVERED

We do not cover loss to:

A. Aircraft;

B. Animals, water, land, including land on which **covered property** is located, lawns, growing crops, or standing timber;

C. Bridges or tunnels, however pedestrian walkways connecting buildings are covered;

D. Caves, caverns, mines of any type, or any property contained within them;

E. Contraband or property in the course of illegal transportation or trade;

F. Currency, money, securities and negotiable instruments of any kind;

G. Dams, dikes, levees;

H. Furs, jewelry;

I. **Mobile equipment or tools** while away from a **covered location**;

J. Precious metal or precious stones, except when used in industrial operations;

K. Property insured under import or export ocean cargo policies;

L. Property **you** transport as a common or contract carrier;

M. Property shipped by mail, unless sent registered or certified;

N. Vehicles, when more than one-thousand (1,000) feet away from a **covered location**. If **your** vehicles are covered for physical damage by other insurance, **you** agree that such other insurance is considered **your** primary coverage for any loss or damage that occurs;

O. Watercraft, except watercraft that is part of **your** inventory while being stored un-fueled and on dry land at a **covered location**.

SAMPLE

Copyright 2008, Liberty Mutual Group of Companies - all rights reserved.

VALUATIONS

A. Replacement Cost

1. Loss or damage to **covered property** will be valued at the time and place of the loss at **replacement cost** unless otherwise indicated in **B.** and **C.** below or by other forms or endorsements attached to this policy.

2. **We** will not pay **replacement cost** until the lost or damaged property is actually repaired or replaced. If repairs or replacement are not made within two (2) years after the date of the physical loss **we** will pay only the **actual cash value** amount.

a. **Our** obligations for **replacement cost** will be the smaller of:

(1) The cost to repair the damaged property; or

(2) The cost to replace or rebuild with new materials of like size, kind and quality; or

(3) The selling price of **your real property** and **personal property**, other than stock, that is offered for sale, less all saved expenses; or

(4) The amount of **your** legal liability to the owner of **personal property of others**; or

(5) The applicable **limit of liability**.

b. **We** will not pay for any increase in cost due to **your** failure to use reasonable speed to repair, rebuild or replace the damaged property.

c. If the replacement occurs at another location, **we** will not pay for the cost of land at either the original or the **new location**.

3. If **you** elect not to rebuild **your real property** after a **covered loss**, **you** may still make claim for the **covered loss** to **your real property** at **replacement cost**, excluding any amounts for demolition or increased cost of construction, provided;

a. **you** actually spend those funds on capital expenditures to improve **real property** at **covered locations** within the policy territory;

b. those capital expenditures were not planned as of the date of loss; and

c. **you** make claim for the expenditure of these funds within two (2) years of the date of loss.

The **period of restoration** will not be increased by any of the above.

B. Actual Cash Value

Loss or damage to these types of **covered property** will be valued at **actual cash value** at the time and place of loss:

a. Manuscripts;

b. **Mobile equipment or tools**; and

c. Vehicles licensed for highway use.

SAMPLE

Copyright 2008, Liberty Mutual Group of Companies - all rights reserved.

VALUATIONS (Continued)

C. Other Valuations

Loss or damage to these types of **covered property** will be valued at the time and place of loss as follows:

1. Exposed film

The value of unexposed film of the same type and quality.

2. Fine Arts

a. The lesser of the:

(1) Reasonable or necessary restoration or repair costs needed to return the damaged article(s) to its condition as of the time of loss;

(2) Cost to replace the damaged article;

(3) Value specified for an article(s) if shown on a schedule of **fine arts** on file with **us**, or

(4) Value specified for an article(s) if shown on the schedule of any form or endorsement attached to this policy.

b. In the event of the total loss of an article or articles which are a part of a pair or set, **we** will pay **you** the full amount of the value of such set as determined in **C. 2. a.** above and **you** will surrender the remaining article or articles of the set to **us**.

3. Finished goods manufactured by **you**

The regular cash selling price at the location where the loss happens, less all discounts and charges to which the merchandise would have been subject had no loss occurred.

4. **Media**, **data**, programs or any **software** stored on electronic, electromechanical, electromagnetic **data processing equipment** or production equipment.

The cost of transferring such from backup or from originals of a previous generation. **We** will not pay for any other cost, including research, engineering or other cost of restoring or recreating lost information.

5. Stock in process

The value of raw materials and labor expended plus the proper proportion of overhead charges.

6. Valuable papers and records

The value blank, plus the cost of copying from backup or from originals of a previous generation. **We** will not pay for any other cost, including research, engineering or other cost, of restoring or recreating lost information.

SAMPLE

CONDITIONS

A. Abandonment of Property

You may not abandon property to **us**.

B. Appraisal

1. If **you** fail to agree with **us** on the amount of a loss, either party may demand that the disputed amount be submitted for appraisal. A demand for appraisal will be made in writing within sixty (60) days after **our** receipt of proof of loss. Each party will then choose a competent and disinterested appraiser. Each party will notify the other of the identity of its appraiser within thirty (30) days of the written demand for appraisal.

2. The two (2) appraisers will choose a competent and disinterested umpire. If the appraisers are unable to agree on an umpire within fifteen (15) days, **you** or **we** may petition a judge of a court of record in the state where the **covered loss** happened, to select an umpire.

3. The appraisers will then set the amount of the loss or damage. If the appraisers submit a written report of an agreement to **you** and **us**, the amount they agree on will be the amount of **our** payment for the loss or damage. If the appraisers fail to agree within a reasonable time, they will submit their differences to the umpire. Written agreement signed by any two (2) of these three (3) will set the amount of loss or damage.

4. Each appraiser will be paid by the party that selects him or her. Other expenses of the appraisal and compensation of the umpire will be paid equally by **you** and **us**.

C. Assignment

Your assignment of this policy will not be valid except with **our** written consent.

D. Brands and Labels

In the event of a **covered loss** to branded or labeled merchandise, **we** may choose to take title to all or any part of that merchandise, at the value established by the terms of this policy. **You** may, at **your** expense:

1. Stamp "salvage" on the merchandise or its containers; or

2. Remove or obliterate the brands or labels if such removal or obliteration will not physically damage the merchandise. **You** must re-label the merchandise or containers in compliance with the requirements of law.

E. Breach of Condition

A breach of any condition of this policy at any **covered location** will not affect coverage at any other **covered location** where, at the time of loss or damage, no breach exists.

F. Cancellation

1. **You** may cancel this policy by mailing or delivering to **us** advance written notice of cancellation.

2. If this policy has been in effect for less than sixty (60) days and is not a renewal of a policy **we** issued, **we** may cancel this policy for any reason by giving **you** written notice of cancellation at least:

a. Ten (10) days before the date of cancellation if **we** cancel for nonpayment of premium; or

SAMPLE

Copyright 2008, Liberty Mutual Group of Companies - all rights reserved.

b. Sixty (60) days before the date of cancellation if **we** cancel for any other reason.

3. If this policy has been in effect for sixty (60) days or more or is a renewal of a policy **we** issued, **we** may cancel this policy by giving **you** written notice of cancellation at least:

a. Ten (10) days before the date of cancellation if **we** cancel for one (1) or more of the following reasons:

(1) Nonpayment of premium;

(2) Conviction of a crime arising out of acts increasing the likelihood of a **covered loss**;

(3) Discovery of fraud or material misrepresentation by **you** in obtaining this policy or in pursuing a claim under this policy;

(4) Discovery of any willful or reckless act or omission by **you** increasing the likelihood of a **covered loss**; or

(5) A determination by the Commissioner of Insurance that continuation of the policy would violate or place **us** in violation of the law.

b. Sixty (60) days before the date of cancellation if **we** cancel for one (1) or more of the following reasons:

(1) Physical changes in the property, which increase the likelihood of a **covered loss**;

(2) A material increase in the likelihood of a **covered loss**; or

(3) Loss or decrease of **our** reinsurance covering the insurance provided by this policy.

4. If **we** cancel for nonpayment of premium, **you** may continue the coverage and avoid cancellation by making full payment any time prior to the date of cancellation.

5. Notice of Cancellation will be delivered or sent by;

a. Registered mail;

b. Certified mail; or

c. First-Class mail.

We will mail or deliver the notice to **your** last mailing address known to **us**.

6. Notice of cancellation will state the reason for cancellation, and the effective date of cancellation. The **policy period** will end on that date.

7. If this policy is canceled, **we** will send to **you** any premium refund due. If **we** cancel, the refund will be pro rata. If **you** cancel, the refund will be 90% of pro rata. The cancellation will be effective even if **we** have not yet made or offered a refund.

8. If notice is mailed, proof of mailing will be sufficient evidence of notice.

G. Change of Terms

The terms of this insurance will not be waived, changed, or modified except by written endorsement issued by **us** and which becomes a part of this policy.

SAMPLE

CONDITIONS (Continued)

H. Collection from Others

Payment to **you** for a **covered loss** will be reduced to the extent **you** have collected that loss from others.

I. Concealment, Misrepresentation or Fraud

This entire policy is void, if with the actual intent to deceive

1. **You**;

2. **Your** representatives; or

3. any insured;

commit fraud or conceal or misrepresent a fact or circumstance concerning

1. This policy;

2. The **covered property**;

3. **Your** interest in the **covered property**; or

4. A claim under this policy.

J. Inspection

1. During the period of this policy, **we** will be permitted, but not obligated, to inspect the **covered property**. Neither **our** right to make inspections, nor making them, nor any report of them, will imply for **you** or others, nor constitute an undertaking, that the **covered property** is safe, healthful, or in compliance with laws, regulations, codes or standards.

2. This condition does not apply to any inspections, surveys, reports or recommendations **we** may make relative to certification, under state or municipal statutes, ordinances or regulations, of boilers, pressure vessels or elevators.

We will have no liability to **you** or others because of any inspection or failure to inspect.

K. Liberalization

If, during the **policy period** or forty-five (45) days prior to the **policy period**, a filing of **ours** to a state insurance department would broaden this insurance without requiring any additional premium, then the terms and coverage of that filing will apply to **covered locations** and **covered property** within that state, effective on the dates specified within the filing.

L. Loss Payee

In the event of a **covered loss** to property in which both **you** and a loss payee shown on the SCHEDULE OF MORTGAGE HOLDERS OR LOSS PAYEES, Form RM1102, have an insurable interest, **we** will:

1. Adjust the **covered loss** with **you**; and

2. Make payment for the **covered loss** to **you** and the loss payee jointly, as their interests may appear.

SAMPLE

CONDITIONS (Continued)

M. Mortgage Holders

1. **We** will pay for **covered loss** to buildings or structures to each mortgage holder shown on the SCHEDULE OF MORTGAGE HOLDERS OR LOSS PAYEES, Form RM1102, as their interests may appear.

2. A mortgage holder has the right to receive loss payment even if the mortgage holder has started foreclosure or similar action on the building or structure.

3. If **we** deny **your** claim because of **your** acts or because **you** have failed to comply with the terms of this policy, the mortgage holder will still have the right to receive loss payment, up to the amount of their insurable interest, but in no event more than the applicable **limit of liability**, if the mortgage holder:

   a. Pays any premium due under this policy at **our** request;

   b. Submits a signed, sworn proof of loss within sixty (60) days after receiving notice from **us** of **your** failure to do so; and

   c. Has notified **us** of any change in ownership, occupancy, or substantial change in risk known to the mortgage holder.

   All terms and conditions of this policy will then apply directly to the mortgage holder.

4. If **we** pay the mortgage holder for any **covered loss** and deny payment to **you** because **you** have failed to comply with the terms of this policy:

   a. The mortgage holder's rights under the mortgage will be transferred to **us** to the extent of the amount **we** pay; and

   b. The mortgage holder's right to recover the full amount of the mortgage claim will not be impaired.

   In the event of a **covered loss**, **we** will, at **our** option, pay the mortgage holder the whole principal of **your** mortgage plus any accrued interest. In that event, **your** mortgage and note will be transferred to **us**, and **you** will pay **your** remaining mortgage debt to **us**.

5. If **we** cancel or nonrenew this policy, **we** will give the mortgage holder the same notice **we** give to **you**.

6. The term "mortgage holder" includes trustee.

N. No Benefit to Bailee

No person or organization, having custody of **your covered property**, will benefit from this policy.

O. No Reduction by Loss

Except for those coverages written with an annual aggregate **limit of liability** or sublimits of liability, **we** will pay for a **covered loss** without reducing any other applicable **limit of liability** or sublimits of liability.

P. Nonrenewal

1. If **we** decide not to renew this policy, **we** will mail or deliver a written notice of nonrenewal to **you** at least sixty (60) days before the expiration date of this policy. Notice will be sent to **your** last mailing address known to **us**. **We** will state the reason for nonrenewal.

SAMPLE

CONDITIONS (Continued)

2. This notice will be delivered or sent by:

a. Registered mail;

b. Certified mail; or

c. First-Class mail.

3. If notice is mailed, proof of mailing will be sufficient evidence of notice.

Q. Other Insurance

1. If there is any other insurance that would apply in the absence of this policy, **we** will pay for a **covered loss** only after the limits of all other applicable insurance are exhausted.

2. If this policy is deemed by law to contribute to a loss with other insurance, **we** will pay only **our** proportionate share of the loss, up to the applicable **limit of liability**. **Our** share will be the proportion that the applicable **limit of liability** of this policy bears to the total applicable **limits of liability** available from all insurance.

3. **You** are permitted to have other insurance over any limits or sublimits of liability specified in this policy.

4. The existence of such insurance will not reduce any limit or sublimit of liability in this policy.

5. To the extent this policy replaces another policy, coverage under this policy shall not become effective until such other policy has terminated.

R. **Our** Options

At **our** option, **we** will repair, rebuild or replace damaged **covered property** with other property of like kind and quality within a reasonable period of time. If **we** elect to repair or replace the **covered property**, **we** will notify **you** of that decision within sixty (60) days of **our** receipt of **your** proof of loss. **We** will, at **our** option, take title to all or any part of the damaged or destroyed property at the agreed or appraised value.

S. Pair, Set or Parts

In the event of a **covered loss** to an article that is part of a pair or set, **our** payment for that loss will be:

1. The cost to repair or replace any part to restore the pair or set to its value before the **covered loss**; or

2. The difference between the value of the pair or set before and after the **covered loss**.

In no event will the loss of part of a pair or set be regarded as a total loss of the pair or set.

When **covered property** consists of several parts, **we** will pay only for the lost or damaged part.

T. Payment of Loss

We will pay the **covered loss** within thirty (30) days after **we** receive and accept the signed, sworn Proof of Loss, if:

1. **You** have complied with all the terms of this policy;

SAMPLE

CONDITIONS (Continued)

2. **We** have reached agreement with **you** on the amount of **covered loss**, or

3. An appraisal award is made as provided for in Condition **B.** Appraisal.

U. **Policy Period** and Territory

We will only pay for direct physical loss or damage to **covered property** of the type insured by this policy as the result of a **peril insured against** during the **policy period** shown on the DECLARATIONS, Form RM1000, while the **covered property** is:

1. Within the continental United States of America, Hawaii and Puerto Rico;

2. Being moved on land or in the air within or between the continental United States of America and Canada; or moved on land or in the air within Hawaii or Puerto Rico; or

3. Being moved on inland waters and intercoastal waterways of the continental United States of America, or on any of the Great Lakes.

V. Recovered Property

1. If either **you** or **we** recover any **covered property** after **we** have paid for its loss, that party must give the other prompt written notice of the recovery.

2. If **we** recover the **covered property**, **we** will return it to **you**, if **you** so request. **You** must then return the amount **we** paid to **you** for it.

3. If **you** recover the **covered property**, **you** may either keep it or surrender it to **us**. If **you** choose to keep it, **you** must return the amount **we** paid to **you** for it.

W. Right to Adjust with Owner

1. **Covered losses** will be adjusted with **you** except as provided in Condition **M.** Mortgage Holders.

2. If a claim is made for damage to **covered property** of others, **we** will have the right to adjust that loss or damage with the owners of that property. **Our** payment to the owners will fully satisfy any claim of **yours** for damage to that property.

X. Subrogation

1. If **we** make payment for a loss, **you** will assign to **us** all **your** rights of recovery against any party for that loss. **We** will not acquire any rights of recovery **you** have waived prior to the loss. **You** agree to cooperate and not to waive, prejudice, settle or compromise any claim against any party after the loss has occurred.

2. **You** will be paid any recovery, in the proportion that **your** deductible and any provable uninsured loss bears to the total loss less **your** proportion of fees and expenses.

Y. Suit

No suit or other legal proceeding shall be brought against **us** unless there has been full compliance with all the policy terms and conditions. Any suit against **us** must be brought within two (2) years after the date on which the direct physical loss or damage occurred, or the shortest time permitted by law, whichever is greater.

SAMPLE

CONDITIONS (Continued)

Z. Suspension

If Equipment Breakdown is marked with an "X" in **B.** Coverages of the DECLARATIONS, Form RM1000, and **we** discover a dangerous condition relating to an **object**, **we** may immediately suspend the insurance provided by this coverage for that covered equipment by written notice mailed or delivered to **you** either at **your** address or at the location of any **object**. Suspended insurance may be reinstated by **us**, but only by an endorsement issued as part of this policy. **You** will be credited for the unearned portion of the premium paid for the suspended insurance, pro rata, for the period of suspension. The suspension will be effective even if **we** have not yet made or offered a refund.

A.A. Titles of Paragraphs

The titles of the paragraphs of this policy and of any endorsements attached to it are only for reference. They do not affect the terms to which they relate.

B.B. Vacancy

If, at anytime during the **policy period**, any of **your real property** becomes vacant, it is a requirement of this policy that **you**:

1. Notify **us** immediately, in writing, of the existing vacancy; and

2. Maintain in complete working order the protective safeguards currently present at the **real property** that has become vacant. Protective safeguards include, but are not limited to:

a. Automatic sprinkler systems;

b. Fire alarm systems;

c. Guard or watchman services;

d. Burglary systems; and

e. Monitoring systems.

3. If your **real property** remains vacant for more than sixty (60) consecutive days, then in addition to the other terms, conditions, limitations and exclusions in this policy **we** will not pay for any loss or damage caused by or resulting from any of the following, regardless of any other cause or event, including a **peril insured against**, that contributes to the loss at the same time or in any other sequence, for as long as **your real property** remains vacant:

a. Breakage of building glass;

b. **Fungus** (including **fungus** cleanup);

c. Sprinkler leakage, unless the system has been protected against freezing;

d. Theft or attempted theft;

e. Vandalism;

f. Malicious mischief; or

g. Water damage.

If a loss to **covered property** by fire or explosion ensues, **we** will pay for that loss.

SAMPLE

CONDITIONS (Continued)

4. **Real property** is considered vacant unless at least thirty (30) percent of the square footage of the building is:

   a. Being used by **you** to conduct **your** customary operations; or

   b. Rented by **you** to a tenant or sub-tenant and is being used by them to conduct their customary operations.

5. **Real property** is not considered vacant during its ongoing construction or renovation.

C.C. **Your** Duties After a Loss

In case of loss **you** will:

1. Give **us** immediate written notice of the loss;

2. Give notice of such loss to the proper authorities if the loss may be due to a violation of the law;

3. As soon as possible, give **us** a description of the property involved and how, when and where the loss happened;

4. Take all reasonable steps to protect the **covered property** from further damage;

5. Promptly separate the damaged property from the undamaged property, and keep it in the best possible order for examination;

6. Furnish a complete inventory of the lost, damaged and destroyed property, showing in detail the quantity, and amount of loss claimed under the valuation provision of the policy;

7. Keep an accurate record of all repair costs;

8. Keep all bills, receipts and related documents that establish the amount of loss;

9. As often as may reasonably be required:

   a. Permit **us** to inspect the damaged property and take samples for inspection, testing and analysis.

   b. Produce for inspection and copying, all of **your** books of account, business records, bills and invoices.

   c. Permit **us** to question, under oath, **you** and any of **your** agents, employees, or representatives involved in the purchase of this insurance or the preparation of **your** claim, including any public adjusters and any of their agents, employees or representatives, and verify **your** answers with a signed acknowledgment.

10. Submit to **us**, within ninety (90) days from the date of loss, unless **we** extend the time in writing, a signed, sworn Proof of Loss that states to the best of **your** knowledge and belief:

    a. The time and cause of the loss;

    b. **Your** interest and the interest of all others in the property involved;

    c. Any other policies of insurance that may provide coverage for the loss;

    d. Any changes in title or occupancy of the property during the **policy period**; and

    e. The amount of **your** claimed loss.

SAMPLE

CONDITIONS (Continued)

You shall also submit with the Proof of Loss:

a. The inventory referred to in **C.C. 6.**;

b. The records specified in **C.C. 7.** and **C.C. 8.**;

c. Specifications for any damaged building; and

d. Detailed estimates and invoices for the repair of any damage.

11. Cooperate with **us** in the investigation and adjustment of the loss.

SAMPLE

DEFINITIONS

A. **Accident** means a sudden, fortuitous event that causes direct physical damage to an **object(s)**, which requires that the **object(s)** be repaired or replaced, in whole or in part.

Accident, however, does not include any of the following:

1. Fire, including water or other means used to extinguish the fire;

2. Combustion explosion. This includes but is not limited to, a combustion explosion of any steam boiler or other fired vessel;

3. Discharge of molten material from equipment including the heat from such discharged material;

4. Depletion, deterioration, rust, corrosion, erosion, settling or wear and tear or any other gradually developing condition;

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;

6. Lightning;

7. Any loss or damage caused by or resulting from any type of electrical or electronic insulation breakdown test; or

8. Any loss or damage caused by or resulting from any type of hydrostatic, pneumatic or gas pressure test.

B. **Actual cash value** means **replacement cost** less deduction for depreciation.

C. **Average daily value (ADV**) means **your business income** that would have been earned during the period of interruption had no loss happened, divided by the number of working days in that period. The **average daily value (ADV)** applies to the **business income** value of the entire **covered location** whether or not the loss effects the entire **covered location**. If more than one (1) **covered location** is included in the valuation of the loss, the **average daily value (ADV)** will be the combined value of all **covered locations**. The period of interruption may not extend beyond the **period of restoration**.

D. **Business income** means:

Gross earnings, including rental income, plus all other earnings derived from the operation of the business, less all charges and expenses which do not necessarily continue.

For example:

1. Manufacturing operations:

The net sales value of production less the cost of all raw stock, materials and supplies utilized in such production.

2. Mercantile or nonmanufacturing operations:

The net sales less the cost of merchandise sold and materials and supplies consumed in the operations or services rendered by **you**.

SAMPLE

Copyright 2008, Liberty Mutual Group of Companies - all rights reserved.

DEFINITIONS (Continued)

3. Property rental operations:

The total expected gross rental income from tenant occupancy of **your covered location(s)**. This also includes all charges which are the legal obligation of **your** tenants, which would otherwise be **your** obligations, and the fair rental value of any portion of **your covered location(s)** which **you** occupy.

E. **Covered location(s)** means those locations shown on the Schedule of the DECLARATIONS, Form RM1000, or on the Schedule of any endorsement to this policy.

F. **Covered loss** means a loss to **covered property** at a **covered location** resulting from a **peril insured against**.

G. **Covered property** means property insured by this policy.

H. **Data** means any information recorded on **media** and used in **your** processing operations.

I. **Data processing equipment** means processing units, terminals, tape drives, disk drives, controllers, printers, and other equipment capable of receiving, processing, storing or retrieving information.

J. **Earth movement**, whether natural or man-made, includes but is not limited to:

1. Earthquake;

2. Landslide;

3. Mudflow or mudslide; or

4. Sinking, rising or shifting of the earth.

K. **Effective date** means the day and time at which the insurance provided by this policy begins.

L. **Extra expense** means the reasonable and necessary extra costs:

1. Incurred to temporarily continue as nearly normal as practicable the conduct of **your** business; or

2. Of temporarily using property or facilities of **yours** or others.

3. For purposes of applying the above provision "normal" means the condition that would have existed had no **covered loss** happened.

M. **Fine arts** means property of rarity, antiquity, or artistic merit, including but not limited to paintings; etchings; pictures (including their negatives); tapestries; statuary; marbles; bronzes; antique jewelry; antique furniture; antique silver; rare books; porcelains; rare or art glassware; art glass windows; valuable rugs; bric-a-brac and porcelains.

N. **First tier wind Counties and Parishes** means the Counties and Parishes in the States as follows:

Baldwin and Mobile Counties in the State of Alabama;

All Counties in the State of Florida;

Bryan, Camden, Chatham, Glynn, Liberty and McIntosh Counties in the State of Georgia;

SAMPLE

DEFINITIONS (Continued)

The Hawaiian Islands;

Cameron, Iberia, Jefferson, Lafourche, Orleans, Plaquemines, St Bernard, St Mary, St Tammany, Terrebonne and Vermilion Parishes in the State of Louisiana;

Hancock, Harrison, and Jackson Counties in the State of Mississippi;

Beaufort, Bertie, Brunswick, Camden, Carteret, Chowan, Currituck, Dare, Hyde, New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrrell, and Washington Counties in the State of North Carolina;

Beaufort, Charleston, Colleton, Georgetown, Horry and Jasper Counties in the State of South Carolina;

Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Jackson, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Orange, Refugio, San Patricio and Willacy Counties in the State of Texas;

and the Commonwealth of Puerto Rico.

O. Flood means:

1. The release of water from, or the rising, overflowing, or breaking of boundaries of rivers, lakes, streams, ponds, or other natural or man-made bodies of water; or

2. Waves, tides, tidal waves, surface water, rain accumulation or runoff.

Flood includes spray from any of them, all whether driven by **wind** or not.

P. Fungus means any of a major group (fungi) of saprophytic and parasitic lower plants that lack chlorophyll and include but are not limited to molds, rusts, mildews, smuts, mushrooms, and yeasts, and any mycotoxins, spores, scents or by-products produced or released by fungi.

Q. Hail means precipitation composed of concentric layers of clear ice and hardened snow in the shape of stones ranging in size from pea to softball or larger.

R. Limit(s) of liability means the maximum amount **we** will pay for a **covered loss**.

S. Media means the medium on which **data** or **software** is stored, such as magnetic tape, perforated paper tape, punch cards, media cards, discs, drums, and other storage devices used in **your data processing equipment**.

T. Miscellaneous location(s) means a location other than:

1. A **covered location**;

2. A **new location**;

3. An **unscheduled location**;

4. A location where **covered property** is at an exhibition, exposition, fair or trade show; or

5. A location for which coverage is found, in whole or in part, elsewhere in this policy including any coverage under errors and omissions.

SAMPLE

DEFINITIONS (Continued)

U. Mobile equipment or tools means **your** mobile or land vehicles, whether self propelled or not, including machinery or apparatus attached to them, which are not licensed or designed for highway use, including but not limited to power cranes, shovels, loaders, scrapers, graders, dozers, pavers, rollers, job trailers, diggers, drills and other road construction equipment, air compressors, pumps, generators, welders, scaffolding and transits. Mobile equipment does not include forklifts while situated at a **covered location**.

V. Named Storm means any storm or weather disturbance that is named by the U.S. National Weather Service. All damage resulting from a single **named storm** that occurs within a continuous seventy-two (72) hour period will be considered a single **occurrence**.

W. New location(s) means **real property you** purchase or rent, including **personal property** at that location, after the **effective date** of this policy.

X. New Madrid means the Counties in the States as follows:

Clay, Craighead, Crittenden, Cross, Greene, Independence, Jackson, Lawrence, Lee, Mississippi, Monroe, Phillips, Poinsett, Randolph, St Francis, White, and Woodruff Counties in the State of Arkansas;

Alexander, Franklin, Gallatin, Hamilton, Hardin, Jackson, Johnson, Massac, Perry, Pope, Pulaski, Randolph, Saline, Union, and Williamson Counties in the State of Illinois;

Ballard, Calloway, Carlisle, Crittenden, Fulton, Graves, Hickman, Livingston, Lyon, Marshall, and Mccracken Counties in the State of Kentucky;

Desoto, Marshall, Tate, and Tunica Counties in the State of Mississippi;

Bollinger, Butler, Cape Girardeau, Carter, Dunklin, Iron, Jefferson, Madison, Mississippi, New Madrid, Perry, Pemiscot, Reynolds, Ripley, St Charles, St Francois, St Louis, Ste Genevieve, Scott, Stoddard, and Wayne Counties in the State of Missouri;

Crockett, Dyer, Fayett, Gibson, Hardeman, Haywood, Henry, Lake, Lauderdale, Madison, Obion, Shelby, Tipton, and Weakley Counties in the State of Tennessee.

Y. Object(s) means the following:

1. Unless specified otherwise in an endorsement to this policy:

a. Equipment at a **covered location** that generates, transmits or utilizes energy including electronic communications and **data processing equipment**.

b. Equipment at a **covered location** which, during normal usage, operates under vacuum or pressure, other than the weight of its contents.

2. Object(s) does not include any of the following:

a. Structure, including but not limited to the structural portions of buildings and towers, scaffolding, and any air supported structure;

b. Foundation;

SAMPLE

c. Cabinet, compartment, conduit or ductwork;

d. Insulating or refractory material;

e. Buried vessels or piping;

f. Waste, drainage or sewer piping;

g. Piping, valves or fittings forming a part of a sprinkler or fire suppression system;

h. Water piping that is not part of a closed loop used to conduct heat or cooling from a boiler of refrigeration or air conditioning system;

i. Vehicle or any equipment mounted on a vehicle;

j. Satellite, spacecraft, or any equipment mounted on a satellite or spacecraft;

k. Dragline, excavation or construction equipment;

l. Equipment manufactured by **you** for sale; or

m. **Data**.

Z. **Occurrence** means all loss or damage attributable directly or indirectly to one (1) cause or series of similar causes. All such loss or damage will be added together, and the total loss or damage will be treated as one (1) **occurrence** irrespective of the amount of time or area over which such loss or damage occurs.

A.A. **Perils insured against** means causes of loss for which this policy provides coverage.

B.B. **Period of restoration** means;

1. For buildings and equipment, the period of time

a. starts at the time of a **covered loss** and,

b. ends when using reasonable speed the building and equipment could be:

(1) repaired or replaced; and

(2) made ready for operations;

under the same or equivalent physical and operating conditions that existed prior to the damage.

2. For buildings in the course of construction:

a. **We** will apply the time period defined in **B.B. 1.** above to the level of business that would have been reasonably achieved after construction and startup would have been completed had no physical damage happened; and

b. **We** will give consideration to the actual experience of the business after completion of the construction and startup.

SAMPLE

DEFINITIONS (Continued)

3. For stock in-process and mercantile stock, including finished goods not manufactured by **you**, the time required using reasonable speed:

a. To restore stock in process to the same state of manufacture which existed at the beginning of the interruption of production or suspension of business operations or services; and

b. To replace physically damaged mercantile stock.

4. For raw materials and supplies, the period of time:

a. Of actual interruption of production or suspension of operation or services which results from **your** inability to obtain suitable replacement raw materials and supplies; but

b. Limited to that period for which the damaged raw materials and supplies would have satisfied operating needs.

5. For **valuable papers and records**, the time required using reasonable speed to copy the physically damaged **valuable papers and records** from backup or from originals of a previous generation. This time does not include research, engineering or any other time necessary to restore or recreate lost information.

6. For **data**, programs, or other **software**, the time required using reasonable speed to restore the physically damaged or destroyed **data**, programs, or other **software** from backup. This time does not include research, engineering or any other time necessary to restore or recreate lost information.

7. The **period of restoration** does not include any additional time due to **your** inability to resume operations for any other reason, including but not limited to:

a. Making changes to equipment.

b. Making changes to the buildings, or structures, except as provided in the Demolition Cost, Increased Construction Cost and Operation of Building Laws provision, if a **limit of liability** is shown in **E. 4. b.**, **E. 4. c.** or **E. 4. d.** of the DECLARATIONS, Form RM1000, attached to this policy.

c. Restaffing or retraining employees.

d. Any law or ordinance that requires testing, monitoring, clean up, removal, decontamination, treatment, detoxification or neutralization of, or any other response to **pollution** or **pollutant(s)**.

8. The expiration of this policy will not terminate the **period of restoration**. In no event will the **period of restoration** exceed twenty-four (24) months from the date of loss.

C.C. **Perishable goods** means any **covered property** subject to deterioration or impairment as a result of a change in conditions including but not limited to temperature, humidity or pressure.

D.D. **Personal property** means **your** tangible things, other than **real property**, including improvements and betterments **you** have made in buildings **you** do not own.

E.E. **Personal property of others** means tangible things **you** do not own, other than **real property**, that are:

1. Sold by **you** that **you** agreed, prior to loss, to insure for the account of the purchaser during delivery;

2. In **your** custody which **you** agreed, prior to loss, to insure; or

3. In **your** care, custody or control, and for which **you** are legally liable, but only to the extent of **your** insurable interest therein.

SAMPLE

DEFINITIONS (Continued)

F.F. **Policy period** means the time during which insurance is provided by this policy.

G.G. **Pollutant(s)** means any solid, liquid, gaseous or thermal irritant or contaminant, including, but not limited to, fiber, smoke, vapor, soot, fumes, acids, alkalis, chemicals, biological, organic or bacterial agents and waste. "Waste" includes, but is not limited to, materials to be recycled, reconditioned or reclaimed. However, **pollutant(s)** does not include ammonia.

H.H. **Pollution** means the presence, discharge, dispersal, seepage, migration, release or escape of any **pollutant(s)**.

I.I. **Puget Sound** means the Counties of Clallam, Island, Jefferson, King, Kitsap, Mason, Pierce, San Juan, Skagit, Snohomish, Thurston, and Whatcom in the State of Washington.

J.J. **Real property** means buildings and any other structure, including:

1. Completed additions, extensions, permanent fittings or fixtures;

2. Machinery and equipment used to service the buildings;

3. Yard fixtures.

K.K. **Replacement cost** means the cost to replace **covered property**:

1. With new materials of like kind and quality and used for the same purpose; and

2. At the location where the loss happened.

But **replacement cost** excludes any increased cost of repair or reconstruction by reason of any law or ordinance regulating construction, repair or use.

L.L. **Second tier wind Counties and Parishes** means the Counties and Parishes in the States as follows:

Clarke, Covington, Escambia, Geneva, Monroe, and Washington Counties in the State of Alabama;

Brantley, Brooks, Bulloch, Charlton, Effingham, Evans, Long, Tattnall, Thomas, and Wayne Counties in the State of Georgia;

Acadia, Assumption, Calcasieu, Iberville, Jefferson Davis, Lafayette, St Charles, St James, St John the Baptist, St Martin, Tangipahoa and Washington Parishes in the State of Louisiana;

George, Pearl River, and Stone Counties in the State of Mississippi;

Bladen, Columbus, Craven, Duplin, Gates, Halifax, Hertford, Jones, Lenoir, Martin, Northampton, Pitt and Sampson Counties in the State of North Carolina;

Bamberg, Berkeley, Dillon, Dorchester, Hampton, Marion and Williamsburg Counties in the State of South Carolina;

Bee, Brooks, Colorado, De Witt, Fort Bend, Goliad, Hardin, Harris, Hidalgo, Jasper, Jim Wells, Lavaca, Liberty, Live Oak, Newton, Tyler, Victoria, and Wharton Counties in the State of Texas.

M.M. **Sinkhole collapse** means loss to **covered property** resulting from the sudden sinking or collapse of any land into naturally occurring underground empty spaces created by the action of water on limestone or similar rock formations. Coverage for **sinkhole collapse** does not include the cost of filling sinkholes.

SAMPLE

DEFINITIONS (Continued)

N.N. **Software** means programs stored on **media** that instruct **data processing equipment** how to process **data**.

O.O. **Specified perils** means direct physical loss or damage caused by or resulting from:

1. Fire;
2. Lightning;
3. Aircraft;
4. Explosion;
5. Riot;
6. Civil commotion;
7. Smoke;
8. Vehicles;
9. **Wind** or **hail**;
10. Malicious mischief;
11. Leakage or accidental discharge from automatic fire protection system;
12. Collapse.

P.P. **Transit** means the conveyance of **your personal property** within the **policy period** and territory as specified in this policy, from the time it leaves the original point of shipment until it arrives at its intended destination.

This period includes:

1. While the property is in the care, custody or control of hired carriers; and
2. Transfers between conveyances.

Transit does not include **personal property** while in the custody of **your** salespeople, or while being conveyed between a **covered location** and the location of an exhibition, exposition, fair or trade show.

Should this policy expire or be canceled after the property leaves the original point of shipment but before it arrives at its intended destination, coverage will continue on this **personal property** until it arrives at its intended destination.

Q.Q. **Unscheduled location(s)** means:

1. **Real property** reported to **us**, but not shown on the Schedule of the DECLARATIONS, Form RM1000, which **you** owned or rented before the **effective date**; and
2. Locations reported to **us**, but not shown on the Schedule of the DECLARATIONS, Form RM1000, at which **you** had **personal property** before the **effective date** other than **new locations**.

R.R. **Valuable papers and records** means written or printed documents or records including books, maps, negatives, drawings, abstracts, deeds, mortgages and manuscripts.

SAMPLE

DEFINITIONS (Continued)

S.S. **Volcanic activity** means direct physical loss or damage to **covered property** directly resulting from:

1. Airborne volcanic blast or shockwave;

2. Ash, dust or particulate matter; or

3. Lava flow.

All **volcanic activity** resulting from volcanic eruptions occurring within any one-hundred sixty-eight (168) hour period will constitute a single **occurrence**.

Volcanic activity does not include the cost to remove ash, dust or particulate matter that does not cause direct physical damage to **covered property**.

T.T. **We**, **us** and **our(s)** means the company issuing this policy, as shown on the DECLARATIONS, Form RM1000.

U.U. **Wind** means the direct action of the movement of air at any velocity including any substance driven by the movement of the air.

V.V. **You** and **your(s)** mean the named insured shown on the DECLARATIONS, Form RM1000.

SAMPLE