

## GENERAL CONDITIONS PART (PROPERTY COVERAGE)

### AGREEMENT

In return for your payment of the required premium, we provide the Property Coverage described in this policy during the policy period. The Property Coverage is subject to the terms of this form and to the:

- Property Coverage Declarations.
- Coverage Parts.
- Perils Parts.
- Policy terms that relate to cancellation, changes made to the policy, examination of books and records, inspections and surveys, and assignment or transfer rights or duties.
- Other forms indicated in the Declarations.

### DEFINITIONS

The words "you" and "your" mean the named insured.

The words "we", "us" and "our" mean the company providing this insurance.

"Terms" means the conditions, definitions, exclusions, limitations and provisions.

Other definitions are included in the Property Coverage Forms.

### COVERAGES

See the Coverage Parts shown in the Declarations.

### PERILS

See the Perils Parts shown in the Declarations.

### INSURABLE INTEREST

We do not cover more than your insurable interest in any property.

### VALUATION OF PROPERTY

The valuation of property shall be the actual cash value at the time of the loss with deduction for depreciation, except as provided below.

**Glass** – Glass will be valued at the cost of safety glazing material where required by code, ordinance or law.

**Merchandise Sold** – Merchandise that you have sold but not delivered will be valued at the selling price less all discount and unincurred expenses.

**Replacement Cost** – When replacement cost is indicated in the declarations for property coverage, the valuation shall be the replacement cost without any deduction for depreciation.

This replacement cost provision does not apply to: objects of art, rarity or antiquity, or property of others.

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

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

**Valuable Papers and Records** – The valuation of valuable papers and records is the cost of blank materials.

This valuation applies to abstracts, account books, bills, card index systems, data processing media and programs, deeds, drawings, evidences of debt, manuscripts and other records.

### VALUATION OF PROPERTY LOSSES

The valuation of property losses shall be based upon the actual cash value, except as provided in the Valuation of Property section, subject to the following provisions.

**Rebuilding, Repairing or Replacing** – The valuation of losses is limited to the cost to rebuild, repair or replace with property of equivalent kind and quality, to the extent practicable.

**Tenant's Improvements** – Tenant's improvements losses will be valued at actual cash value if repaired or replaced at your expense within a reasonable time.

Tenant's improvements losses are not covered if repaired or replaced at another's expense.

Tenant's improvements losses will be valued at a portion of your original cost if not repaired or replaced within a reasonable time. This portion is the ratio between the time remaining on your lease and the time between the installation or acquisition of the improvements and the end of your lease. Any renewal options in your lease are to be considered in valuation of your loss.

#### Example:

Tenant's improvements installed at the beginning of a five year lease with a five year extension. The value of the damaged or destroyed property after three years is 70 percent of the original cost if not repaired or replaced.

**Pair or Set** – Loss to an article which is part of a pair or set will be a reasonable proportion of the value of the entire pair or set. The loss is not considered a total loss of the pair or set.

## HOW MUCH WE PAY

The loss payment will be determined based upon the Insurable Interest, Valuation of Property and Valuation of Property Losses provisions in the previous sections and all of the following provisions, subject to all of the Property Coverage Terms.

You must have complied with the policy terms.

**Deductible** – We pay only that part of your loss over the deductible amount stated in the declarations in any one occurrence. The deductible applies to the loss before application of any coinsurance or reporting provision.

**Coinsurance – Actual Cash Value (Minimum Insurance Requirement)** – The Property Coverage requires that you will maintain a minimum limit of insurance when a coinsurance percentage is shown. This minimum limit of insurance is the actual cash value of the insured property at the time of loss multiplied by the coinsurance percentage, when Replacement Cost does not apply.

If the limit of this insurance at the time of loss is less than this minimum limit of insurance, we will only pay a part of the loss. Our part of the loss will be determined by dividing the limit of insurance on the property by the minimum limit of insurance required.

If there is more than one limit of insurance on your property, these minimum insurance requirement provisions apply separately to the property covered by each limit.

### Example (Underinsurance):

|                                   |           |
|-----------------------------------|-----------|
| Actual Cash Value                 | \$100,000 |
| Coinsurance                       | 80%       |
| Limit of Insurance (this example) | \$ 60,000 |
| Loss (after deductible)           | \$ 20,000 |

The minimum limit of insurance required is \$80,000 (\$100,000 actual cash value x 80% coinsurance percentage)

Our part of the loss is 75% (\$60,000 limit of insurance ÷ \$80,000 minimum limit of insurance required).

The loss payment is \$15,000 (\$20,000 loss x 75% our part of the loss).

The uninsured loss is \$5,000 plus the deductible amount.

**Coinsurance – Replacement Cost (Minimum Insurance Requirement)** – The Property Coverage requires that you will maintain a minimum limit of insurance when a coinsurance percentage is shown. This minimum limit of insurance is the sum of the replacement cost of property insured on a replacement cost basis and the actual cash value of property that is not on a replacement cost basis multiplied by the coinsurance percentage, when Replacement Cost applies.

If the limit of this insurance at the time of loss is less than this minimum limit of insurance, we will only pay a part of the loss. Our part of the loss will be determined by dividing the limit of insurance on the property by the minimum limit of insurance required.

If there is more than one limit of insurance on your property, these minimum insurance requirement provisions apply separately to the property covered by each limit.

**Limit of Insurance** – We will not pay more than our limit of insurance for any loss.

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

**Insurance Under More Than One Policy** – If there is any other insurance which applies to a loss, we pay only for the excess of the amount due from such other insurance, whether collectible or not.

**Benefit To Others** – Insurance under the Property Coverage shall not directly or indirectly benefit anyone having custody of your property.

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

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

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

The appraisers will also determine the actual cash value of covered property items at the time of the loss, if requested. The appraisers will also determine any income or expense amounts, if requested.

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

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

## LOSS PAYMENT

**Our Options** – We have the following options:

- pay the loss;

- rebuild, repair or replace with property of equivalent kind and quality, to the extent practicable, within a reasonable time;
- take all or any part of the damaged property at the agreed or appraised value

Any property paid for or replaced shall become our property.

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

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

**Property of Others** – Losses to property of others may be adjusted with you. We reserve the right to adjust with and pay to the owners. Payment to the owners satisfies our obligation to you for loss to this property. We may also choose to defend any suits arising from the owners.

#### WHAT YOU MUST DO IN CASE OF LOSS

**Notice** – In case of loss you must promptly notify us or our agent (in writing, if requested). You must notify the police if the loss is a result of a violation of a law.

**Protect Property** – In case of loss, you must take all reasonable steps to protect the covered property from further damage.

**Right of Recovery** – We are not liable for a loss if you do anything after the loss occurs to impair our right to recover, except for waivers permitted in the Other Property Coverage Conditions section.

If we make a payment under this coverage, we may require that you assign to us your right of recovery against any person for the loss to the extent of the payment for the loss. You must do everything necessary to make this assignment and secure our rights.

**Proof of Loss** – In case of loss, you must send us a statement of loss (under oath, if requested) within 60 days after the loss. This must include the following information:

- the time, place and circumstances of the loss;
- other policies of insurance that may cover the loss;
- your interest and the interests of all others in the property involved, including all mortgages and liens;
- changes in title or occupancy of the property covered during the policy period;
- detailed estimates for repair or replacement of covered property;
- available plans and specifications of buildings or structures;

- detailed estimates of any covered loss of income and expenses; and
- an inventory of damaged and undamaged covered personal property showing in detail the quantity, description, cost, actual cash value and amount of the loss. You must attach to the inventory copies of all bills, receipts and related documents that substantiate the inventory. An inventory of undamaged personal property is not required if the total claim for a loss is less than \$10,000 and less than five percent of the total limit of insurance.

**Examination** – In case of loss, you must submit to examination under oath in matters connected with the loss as often as we reasonably request and give us a sworn statement of your answers.

**Records** – In case of loss, you must produce records, including tax returns and bank microfilms of all cancelled checks, relating to value, loss and expense and permit copies and extracts to be made of them as often as we reasonably request.

**Damaged Property** – In case of loss, you must exhibit the damaged property as often as we reasonably request.

**Volunteer Payments** – In case of loss, you must not, except at your own expense, voluntarily make any payments, assume any obligations, pay or offer any rewards, or incur any other expenses except as respects protecting property from further damage.

**Abandonment of Property** – In case of loss, we do not have to accept any abandonment of property.

**Cooperation** – In case of loss, you must cooperate in performing all acts required by the Property Coverage.

#### OTHER PROPERTY COVERAGE CONDITIONS

In addition to the policy terms which are contained in other sections of the Property Coverage, the following conditions apply.

**Conformity With Statute** – Terms of the Property Coverage, in conflict with the statutes of the state where the premises described are located, are amended to conform to such statutes.

**Control of Property** – The Property Coverage is not affected by any act or neglect beyond your control.

**Death of an Individual Named Insured** – If you die, your rights and duties under the Property Coverage pass to your legal representative or other person having proper temporary custody of your property.

**Liberalization** – If we adopt a revision of forms during a policy period which broadens coverage under the Property Coverage without additional premium, the broadened coverage will automatically apply to this policy. This also applies if we adopt the revision within 60 days before this policy is effective.

**Misrepresentation, Concealment or Fraud** – The Property Coverage is void if, whether before or after a loss:

- you have willfully concealed or misrepresented any material fact or circumstance concerning the subject of insurance, or your interest therein; or
- there has been fraud or false swearing by you regarding a matter relating to insurance or the subject thereof.

**Mortgage Provisions** – If a mortgagee (mortgage holder) is named in this policy, loss to buildings shall be paid to the mortgagee and you as interest appears. If more than one mortgagee is named, they shall be paid in order of precedence.

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

We will also notify the mortgagee if we cancel the policy. The cancellation conditions apply to the mortgagee.

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

If we pay the mortgagee for a loss where your insurance may be void, the mortgagee's rights to collect that portion of the mortgage debt from you then belongs to us. This does not affect the mortgagee's right to collect the remainder of the mortgage debt from you. As an alternative, we may pay the mortgagee the remaining principal and accrued interest in return for a full assignment of the mortgagee's interest and any instruments given as security for the mortgage debt.

**Policy Period** – We cover losses occurring between 12:01 a.m. standard time on the inception date and 12:01 a.m. standard time on the expiration date at the location of the property involved.

**Recoveries** – If we pay you for loss under the Property Coverage and lost or damaged property is recovered, or payment is made by those responsible for the loss, the following provisions apply:

- You must notify us promptly if you recover property or receive payment.
- We must notify you promptly if we recover property or receive payment.
- Any recovery expenses incurred by either are reimbursed first.

**Restoration of Limit of Insurance** – Any loss we pay under the Property Coverage does not reduce the limits of insurance applying to a later loss.

**Subrogation** – See Right of Recovery and Waiver of Right of Recovery.

**Suit Against Us** – No suit to recover any loss may be brought against us unless:

- the terms of the Property Coverage have been fully complied with; and
- the suit is commenced within one year after the loss.

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

**Territorial Limits** – We only cover losses occurring within the 50 states of the United States, District of Columbia, Puerto Rico and Canada.

**Waiver of Right of Recovery** – You may waive your right of recovery in writing before a loss without voiding the coverage.

You may waive your right of recovery in writing after a loss only to the following parties:

- someone insured by this policy;
- your tenant;
- a business firm owned or controlled by you; or
- a business firm which owns or controls your business.