

EXHIBIT D

IRFFNC BUILDING AND PERSONAL PROPERTY COVERAGE FORM

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

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Interlocal Risk Financing Fund of North Carolina (IRFFNC) providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section I. COMMERCIAL PROPERTY – COVERAGE, H. DEFINITIONS, III. COMMERCIAL PROPERTY – CAUSES OF LOSS – SPECIAL FORM, F. DEFINITIONS and V. COMMERCIAL PROPERTY - EXTRA EXPENSE, E. DEFINITIONS.

I. COMMERCIAL PROPERTY - COVERAGE

A. COVERAGE

We will pay for direct physical loss of or damage to Covered Property at the premises described in the most recent Commercial Property Schedule on file with IRFFNC for which location values are shown and included in the Limits of Insurance shown in the Declarations caused by or resulting from any Covered Cause of Loss.

1. Covered Property

Covered Property, as used in this Coverage Part, means the type of property described in this Section, **A.1.**, and limited in **A.2.**, Property Not Covered, if a Limit of Insurance is shown in the Commercial Property Schedule for that type of property.

a. **Building**, meaning the building or structure described in the Declarations, including:

- (1) Completed additions;
- (2) Permanently installed fixtures, machinery and equipment;
- (3) Outdoor fixtures;
- (4) Personal property owned by you that is used to maintain or service the building or structure or its premises, including:
 - (a) Fire extinguishing equipment;
 - (b) Outdoor furniture;
 - (c) Floor coverings; and
 - (d) Appliances used for refrigerating, ventilating, cooking, dishwashing, or laundering;
- (5) If not covered by other insurance:
 - (a) Additions under construction, alterations and repairs to the building or structure;
 - (b) Materials, equipment, supplies and temporary structures, on or within 500 feet of the described premises, used for making additions, alterations or repairs to the building or structure.

b. **Your Business Personal Property** located in or on the building described in the Property Schedule or in the open (or in a vehicle) within 500 feet of the described premises, consisting of the following unless otherwise specified in the Property Schedule:

- (1) Furniture and fixtures;
- (2) Machinery and equipment;
- (3) "Stock";

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- (4) All other personal property owned by you and used in your business;
- (5) Labor, materials or services furnished or arranged by you on personal property of others;
- (6) Your use interest as tenant in improvements and betterments. Improvements and betterments are fixtures, alterations, installations or additions:
 - (a) Made a part of the building or structure you occupy but do not own; and
 - (b) You acquired or made at your expense but cannot legally remove.
- (7) Leased personal property for which you have a contractual responsibility to insure, unless otherwise provided for under Personal Property of Others.

Your Business Personal Property does not include the following:

- (1) Fine Arts;
- (2) Computer Equipment, which means electronic data processing and word processing computer equipment, telecommunications equipment and integral components used exclusively in your computer and telecommunications operations. The equipment must be property that you own, rent or are legally responsible for.
- (3) Media, which means the material on which data is recorded, such as magnetic tapes, disk packs, drums, paper tapes, cards and programs used in computer processing units.
- (4) "Data", which means information stored on media and includes facts, instructions and "computer programs" converted to a form usable in a data processing operation.
- (5) "Computer programs", which means "data" used to direct computer equipment.

c. Personal Property of Others for which you are legally liable that is:

- (1) In your care, custody or control; and
- (2) Located in or on the building described in the Property schedule or in the open (or in a vehicle) within 500 feet of the described premises.

However, our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

Personal Property of Others does not include the following:

- (1) Fine Arts;
- (2) Computer Equipment, which means electronic data processing and word processing computer equipment, telecommunications equipment and integral components used exclusively in your computer and telecommunications operations. The equipment must be property that you own, rent or are legally responsible for.
- (3) Media, which means the material on which data is recorded, such as magnetic tapes, disk packs, drums, paper tapes, cards and programs used in computer processing units.
- (4) "Data", which means information stored on media and includes facts, instructions and "computer programs" converted to a form usable in a data processing operation.
- (5) "Computer programs", which means "data" used to direct computer equipment.

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2. Property not Covered

Covered Property does not include:

- a. Accounts, bills, currency, deeds, food stamps or other evidences of debt, money, notes or securities. Lottery tickets held for sale are not securities.
- b. Animals, unless owned by others and boarded by you, or if owned by you, only as "stock" while inside of buildings;
- c. Automobiles held for sale;
- d. Dams, levees or dikes and the related structures that regulate or direct the flow of water, including but not limited to the drain valve, intake area, spillway conduit, penstock and tunnel, flues, and grills;
- e. Bridges (except for pedestrian-only bridges), walks, patios, roadways or other paved surfaces;
- f. Contraband, or property in the course of illegal transportation or trade;
- g. The cost of excavations, grading, backfilling or filling;
- h. Foundations of building, structures, machinery or boilers if their foundations are below:
 - (1) The lowest basement floor; or
 - (2) The surface of the ground, if there is no basement;However, structures, machinery and equipment in connection with water or sewer treatment operations shall be considered covered property.
- i. Land (including land on which the property is located), water, growing crops or lawns;
- j. Personal property while airborne or waterborne;
- k. Bulkheads, pilings or wharves;
 - l. Piers, boardwalks or docks unless listed on the Property schedule;
- m. Property that is covered under another coverage form of this or any other policy in which it is more specifically described, except for the excess of the amount due (whether you can collect on it or not) from that other insurance;
- n. Retaining walls that are not part of a building;
- o. Underground pipes, flues or drains, unless within the fenced area of a covered water or sewer treatment plant.
- p. The cost to research, replace or restore the information on valuable papers and records, including those which exist on electronic or magnetic media, except as provided in the Coverage Extensions. Valuable papers and records include but are not limited to books of account, manuscripts, abstracts, drawings and card index systems. But valuable papers and records do not include computer software or electronic data.
- q. Vehicles or self-propelled machines (including aircraft or watercraft) that:
 - (1) Are licensed for use on public roads; or
 - (2) Are operated principally away from the described premises.

This paragraph does not apply to:

- (a) Vehicles or self-propelled machines or autos you manufacture, process or warehouse;
- (b) Vehicles or self-propelled machines, other than autos, you hold for sale;

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- (c) Rowboats or canoes out of water at the described premises; or
- (d) Trailers, but only to the extent provided for in the Coverage Extension for Non-Owned Detached Trailers.
- r. The following property while outside of buildings:
 - (1) Grain, hay, straw or other crops;
 - (2) Fences (unless listed on the Property Schedule), , trees, shrubs or plants, all except as provided in the Coverage Extensions.
- s. Fine Arts;
- t. Computer Equipment, Media and Data.

3. Covered Causes Of Loss

See Section III, Commercial Property - Causes of Loss.

4. Additional Coverages

a. Debris Removal

- (1) We will pay your expense to remove debris of Covered Property caused by or resulting from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the date of direct physical loss or damage.
- (2) Debris Removal does not apply to costs to:
 - (a) Extract "pollutants" from land or water; or
 - (b) Remove, restore, or replace polluted land or water.
- (3) We will pay up to an additional \$10,000 for debris removal expense, for each location, in any one occurrence of physical loss or damage to Covered Property, if one or both of the following circumstances apply:
 - (a) The total of the actual debris removal expense plus the amount we pay for direct physical loss or damage exceeds the Limit of Insurance on the Covered Property that has sustained loss or damage.
 - (b) The actual debris removal expense exceeds 25% of the sum of the deductible plus the amount that we pay for direct physical loss or damage to the Covered Property that has sustained loss or damage.

Therefore, if (3) (a) and/or (3) (b) apply, our total payment for direct physical loss or damage and debris removal expense may reach but will never exceed the Limit of Insurance on the Covered Property that has sustained loss or damage, plus \$10,000.

b. Preservation of Property

If it is necessary to move Covered Property from the described premises to preserve it from loss or damage by a Covered Cause of Loss, we will pay for any direct physical loss or damage to that property:

- (1) While it is being moved or while temporarily stored at another location; and
- (2) Only if the loss or damage occurs within 30 days after the property is first moved.

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c. Fire Department Service Charge

When the fire department is called to save or protect Covered Property from a Covered Cause of Loss, we will pay up to \$2,500 for your liability for fire department service charges:

- (1) Assumed by contract or agreement prior to loss; or
- (2) Required by local ordinance.

No deductible applies to this additional coverage.

d. Pollutant Cleanup and Removal

We will pay your expense to extract "pollutants" from land or water at the described premises if the release, discharge, dispersal, seepage, migration or escape of the "pollutants" is caused by or results from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the date on which the Covered Cause of Loss occurs.

This Additional Coverage does not apply to costs to test for, monitor or assess the existence, concentration or effects of "pollutants". But we will pay for testing which is performed in the course of extracting the "pollutants" from the land or water.

The most we will pay under this Additional Coverage for each described premises is \$25,000 for the sum of all such covered expenses arising out of Covered Causes of Loss occurring during each separate 12-month period of this policy.

5. Coverage Extensions

Except as otherwise provided, the following Extensions apply to property located in or on the building described in the Property Schedule or in the open (or in a vehicle) within 500 feet of the described premises:

a. Newly Acquired or Constructed Property

(1) Buildings

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

- (a) Your new buildings while being built on the described premises; and
- (b) Buildings you acquire at locations, other than the described premises, intended for:
 - (i) Similar use as the building described in the Property schedule; or
 - (ii) Use as a warehouse.

The most we will pay for loss or damage under this Extension is \$1,000,000 at each building.

(2) Your Business Personal Property

- (a) If this policy covers Your Business Personal Property, you may extend that insurance to apply to:
 - (i) Business personal property, including such property that you newly acquire, at any location you acquire other than at fairs, trade shows or exhibitions;
 - (ii) Business personal property, including such property that you newly acquire, located at your newly constructed or acquired buildings at the location described in the Property Schedule; or
 - (iii) Business personal property that you newly acquire, located at the described premises.

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

(b) This Extension does not apply to:

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

(3) Period of Coverage

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

- (a) This policy expires;
- (b) 30 days expire after you acquire the property or begin construction of that part of the building that would qualify as covered property; or
- (c) You report values to us.

We will charge you additional premium for values reported from the date you acquire the property or begin construction of that part of the building that would qualify as covered property.

b. Personal Effects and Property of Others

You may extend the insurance that applies to Your Business Personal Property to apply to:

- (1) Personal effects owned by you, your officers or your employees. This extension does not apply to loss or damage by theft.
- (2) Personal property of others in your care, custody or control.

The most we will pay for loss or damage for items (1) and (2) above is \$25,000 at each described premises. Our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

- (3) Personal property of volunteer firefighters and rescue workers at a non-scheduled location involving an emergency response on behalf of the insured. The most we will pay is \$500 per volunteer.

c. Valuable Papers and Records - Cost of Research

You may extend the insurance that applies to Your Business Personal Property to apply to your costs to research, replace or restore the lost information on lost or damaged valuable papers and records for which duplicates do not exist. But this Extension does not apply to valuable papers and records which exist as electronic data.

Valuable papers and records include but are not limited to books of account, manuscripts, abstracts, drawings and card index systems. Valuable papers and records do not include prepackaged software programs or electronic data existing on film, tape, drum, cell, or other data processing, recording or storage media.

The most we will pay under this Extension is \$100,000 in any one occurrence.

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d. Property Off - Premises

- (1) You may extend the insurance provided by this Coverage Form to apply to your Covered Property, while it is away from the described premises, if it is:
 - (a) Temporarily at a location you do not own, lease or operate;
 - (b) In storage at a location you lease, provided the lease was executed after the beginning of the current policy term; or
 - (c) At any fair, trade show or exhibition.
- (2) This Extension does not apply to property:
 - (a) In or on a vehicle; or
 - (b) In the care, custody or control of your salesperson, unless the property is in such care, custody or control at a fair, trade show or exhibition.

The most we will pay for loss or damage under this Extension is \$50,000.

This Extension applies only if loss or damage is caused by a Covered Cause of Loss.

e. Outdoor Property

- (1) You may extend the insurance provided by this Coverage Form to apply to trees, shrubs and plants, including debris removal expense, caused by or resulting from any of the following causes of loss if they are Covered Causes of Loss:
 - (a) Fire;
 - (b) Lightning;
 - (c) Explosion;
 - (d) Riot or Civil Commotion;
 - (e) Aircraft;

The most we will pay for loss or damage under this extension for trees, shrubs, and plants is \$2,500 per occurrence and the coverage is a covered cause of loss. This limit applies to any one occurrence, regardless of the types or number of items lost or damaged in that occurrence.

- (2) You may extend the insurance provided by this Coverage Form to apply to your outdoor fences and signs (other than signs attached to buildings), including debris removal expense, caused by or resulting from any of the Covered Causes of Loss. Outdoor fences and signs do not have to be within 500 feet of the described premises for extension 5.e.(2) to apply.

The most we will pay for loss or damage under this Extension is \$50,000. This limit applies to any one occurrence, regardless of the types or number of fences or signs lost or damaged in that occurrence.

- (3) You may extend the insurance provided by this Coverage Form to apply to your fire hydrants, including debris removal expense, caused by or resulting from any of the Covered Cause of Loss.

The most we will pay for any loss or damage under this Extension is \$5,000. This limit applies to any one occurrence, regardless of the types of fire hydrants lost or damaged in that occurrence.

f. Non-Owned Detached Trailers

- (1) You may extend the insurance that applies to Your Business Personal Property to apply to loss or damage to trailers that you do not own, provided that:

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- (a) The trailer is used in your business;
 - (b) The trailer is in your care, custody or control at the premises described in the Property schedule; and
 - (c) You have a contractual responsibility to pay for loss or damage to the trailer.
- (2) We will not pay for any loss or damage that occurs:
- (a) While the trailer is attached to any motor vehicle or motorized conveyance, whether or not the motor vehicle or motorized conveyance is in motion;
 - (b) During hitching or unhitching operations, or when a trailer becomes accidentally unhitched from a motor vehicle or motorized conveyance.
- (3) The most we will pay for loss or damage under this Extension is \$5,000.
- (4) This insurance is excess over the amount due (whether you can collect on it or not) from any other insurance covering such property.

g. Accounts Receivable.

(1) Coverage:

We will pay:

- (a) All Amounts due from your customers that you were unable to collect;
 - (b) Interest charges on any loan required to offset amounts you are unable to collect pending our payment of these amounts;
 - (c) Collection expenses in excess of your normal collection expenses that are made necessary by the loss; and
 - (d) Other reasonable expenses that you incur to reestablish your records of account receivable;
- that results from Covered Causes of Loss to your records of accounts receivable.
- (2) Determination of receivables - If you cannot accurately establish the amount of accounts receivable outstanding as of the time of loss, the following method will be used:
- (a) Determine the total of the average monthly amounts of accounts receivable for the 12 months immediately preceding the month in which the loss occurs; and
 - (b) Adjust that total for any normal fluctuations in the amount of accounts receivable for the month in which the loss occurred or for any demonstrated variance from the average for that month.
- (3) Reduction of receivables - The following will be deducted from the total amount of accounts receivable:
- (a) The amount of accounts for which there is no loss;
 - (b) The amount of the accounts that you are able to reestablish or collect; and
 - (c) An amount to allow for probable bad debts that you are normally unable to collect; and
 - (d) All unearned interest and service charges.

The most we will pay for an accidental loss or damage in any one occurrence is \$100,000.

h. Unscheduled Covered Property

- (1) You may extend the insurance provided by this Coverage Form to apply to unscheduled Covered Property at the premises described in the most recent Commercial Property

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Schedule on file with IRFFNC caused by or resulting from any Covered Cause of Loss.

- (2) Covered Property, as used in this Coverage Part means the type of property described in IRFFNC Building and Personal Property Coverage Form, Section **A.1.**, and limited in **A.2.**, Property Not Covered.
- (3) This extension applies to property located in or on the building described in the Property Schedule or in the open (or in a vehicle) within 500 feet of the described premises:

The most we will pay for loss or damage under this Extension is \$250,000 per occurrence and annual aggregate and coverage will only be extended after all other means of recovery have been exhausted.

i. Spoilage

We will pay for loss of or damage to your “perishable goods”, caused by a power outage, meaning change in temperature or humidity resulting from complete or partial interruption of electrical power, either on or off the described premises, due to conditions beyond your control.

- a. The following Exclusions are applicable to this Coverage Extension:

- (1) Earth Movement;
- (2) Government Action;
- (3) Nuclear Hazard;
- (4) War and Military Action; and
- (5) Water

In addition, we will not pay for loss or damage caused by or resulting from:

- (1) The disconnection of any refrigerating, cooling or humidity control system from the source of power.
 - (2) The deactivation of electrical power caused by the manipulation of any switch or other device used to control the flow of electrical power or current.
 - (3) The ability of an Electrical Utility Company or other power source to provide sufficient power due to
 - (a) Lack of fuel; or
 - (b) Governmental order.
 - (4) The inability of a power source at the described premises to provide sufficient power due to lack of generating capacity to meet demand.
 - (5) Breaking of any glass that is a permanent part of any refrigerating, cooling or humidity control unit.
- b. The most we will pay for loss or damage under this Coverage Extension is \$25,000 in any one occurrence

Each of these Extensions is additional insurance.

B. EXCLUSIONS AND LIMITATIONS

See Section III, Commercial Property - Causes of Loss.

C. LIMITS OF INSURANCE

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We will pay for all loss or damage to scheduled property less any applicable deductible. If the total amount of the loss exceeds the Limit of Insurance shown in the Declarations, the limit will be amended and an additional premium will be charged.

The limits applicable to the Coverage Extensions and the Fire Department Service Charge Additional Coverage are in addition to the Limits of Insurance.

Payments under the Preservation of Property Additional Coverages will not increase the applicable Limit of Insurance.

D. DEDUCTIBLE

If the adjusted amount of loss is less than or equal to the Deductible, we will not pay for that loss. If the adjusted amount of loss exceeds the Deductible, we will then subtract the Deductible from the adjusted amount of loss, and will pay the resulting amount or the Limits of Insurance, whichever is less.

When the occurrence involves loss to more than one item of Covered Property and separate Limits of Insurance apply, the losses will not be combined in determining application of the Deductible. But the Deductible will be applied only once per occurrence.

The deductible amount shall be subtracted from the total amount of money damages and claim expenses including 1) loss payments and 2) investigation, adjustment, defense and/or appeal expenses, whether or not loss payment is made, resulting from each occurrence. IRFFNC shall be liable only for the amount in excess of the Deductible stated in the Declarations.

Where coverage for loss or damage to Covered Property, caused by a single occurrence, is provided under the IRFFNC Building and Personal Property Coverage Form, IRFFNC Fine Arts Coverage Form and/or IRFFNC Computer Equipment and Media Coverage Form, the deductible applied to the covered loss shall be the greater of the applicable deductibles under all of the aforementioned forms.

If this policy is endorsed to cover Flood under the Flood Coverage Endorsement (or if you have a flood insurance policy), a separate Flood Deductible applies to loss or damage attributable to Flood, in accordance with the terms of that endorsement or policy.

If this policy is endorsed to cover earthquake and volcanic eruption under the Earthquake and Volcanic Eruption Endorsement (or if you have an earthquake insurance policy), a separate Earthquake and Volcanic Eruption Deductible applies to loss or damage to earthquake and volcanic eruption, in accordance with the terms of that endorsement or policy.

In the event of any recovery or salvage on a loss which has been paid hereunder, such recovery or salvage shall accrue entirely to the benefit of IRFFNC until the sum paid by IRFFNC has been recovered.

E. LOSS CONDITIONS

The following conditions apply in addition to the IRFFNC Common Coverage Conditions and the Commercial Property Conditions.

1. Abandonment

There can be no abandonment of any property to us.

2. Appraisal

If we and you disagree on the value of the property or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. You and we must notify the other of the appraiser selected within 20 days of the written demand for appraisal. The two appraisers will select an umpire. If the appraisers do not agree on the selection of an umpire within 15 days, they must request selection of an umpire by a judge of a

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court having jurisdiction. The appraisers will state separately the value of the property and amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be the appraised value of the property or amount of loss. If you make a written demand for an appraisal of the loss, each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expenses of the appraisal and umpire equally.

If we submit to an appraisal, we will retain our right to deny the claim.

3. Duties In The Event Of Loss Or Damage

a. You must see that the following are done in the event of loss or damage to Covered Property:

- (1) Notify the police if a law may have been broken.
- (2) Give us prompt notice of the loss or damage. Include a description of the property involved.
- (3) As soon as possible, give us a description of how, when and where the loss or damage occurred.
- (4) Take all reasonable steps to protect the Covered Property from further damage and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the Limit of Insurance. However, we will not pay for any subsequent loss or damage resulting from a cause of loss that is not a Covered Cause of Loss. Also, if feasible, set the damaged property aside and in the best possible order for examination.
- (5) At our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.
- (6) As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records.

Also permit us to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.

- (7) Send us a signed, sworn statement of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.
- (8) Cooperate with us in the investigation or settlement of the claim.

b. We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required, about any matter relating to this insurance or the claim, including a insured's books and records. In the event of an examination, a insured's answers must be signed.

4. Loss Payment

a. In the event of loss or damage covered by this Coverage Form, at our option, we will either:

- (1) Pay the value of lost or damaged property;
- (2) Pay the cost of repairing or replacing the lost or damaged property;
- (3) Take all or part of the property at an agreed or appraised value; or
- (4) Repair, rebuild or replace the property with other property of like kind and quality.

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We will determine the value of lost or damaged property, or the cost of its repair or replacement, in accordance with the applicable terms of the Valuation Condition in this Coverage Form or any applicable provision which amends or superseded the Valuation Condition.

- b. We will not pay you more than your financial interest in the Covered Property.
- c. We will give notice of our intentions within 30 days after we receive the sworn proof of loss.
- d. We may adjust losses with the owners of lost or damaged property if other than you. If we pay the owners, such payments will satisfy your claims against us for the owners' property. We will not pay the owners more than their financial interest in the Covered Property.
- e. We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.
- f. We will pay for covered loss or damage within 30 days after we receive the sworn proof of loss, if you have complied with all of the terms of this Coverage Part; and
 - (1) We have reached agreement with you on the amount of loss; or
 - (2) An appraisal award has been made.

5. Recovered Property

If either you or we recover any property after loss settlement, that party must give the other prompt notice. At your option, the property will be returned to you. You must then return to us the amount we paid to you for the property. We will pay recovery expenses and the expenses to repair the recovered property, subject to the Limit of Insurance.

Any salvage value of property so acquired which may be sold or utilized by the insured upon resumption of normal operations shall be taken into consideration in the adjustment of any loss hereunder.

6. Vacancy

a. Description of Terms

- (1) As used in this Vacancy Condition, the term building and the term vacant have the meanings set forth in (1)(a) and (1)(b) below:
 - (a) When this policy is issued to a tenant, and with respect to that tenant's interest in Covered Property, building means the unit or space rented or leased to the tenant. Such building is vacant when it does not contain enough business personal property to conduct its customary operations.
 - (b) When this policy is issued to the owner or general lessee of a building, building means the entire building. Such building is vacant unless at least 31% of its total square footage is:
 - (i) Rented to a lessee or sub-lessee and used by the lessee or sub-lessee to conduct its customary operations; and/or
 - (ii) Used by the building owner to conduct its customary operations.
- (2) Buildings under active and on-going construction or renovation are not considered vacant.

b. Vacancy Provisions

If the building where loss or damage occurs has been vacant for more than 60 consecutive days before that loss or damage occurs:

- (1) We will not pay for any loss or damage caused by any of the following:
 - (a) Vandalism;

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- (b) Sprinkler leakage, unless you have protected the system against freezing;
 - (c) Building glass breakage;
 - (d) Water damage;
 - (e) Theft; or
 - (f) Attempted theft.
- (2) With respect to Covered Causes of Loss other than those listed in **b.(1)(a)** through **b.(1)(f)** above, we will reduce the amount we would otherwise pay for the loss or damage by 15%.

7. Valuation

Property not included on the most recent Commercial Property Schedule is not covered. We will determine the value of Covered Property in the event of loss or damage as follows:

- a. Except as provided in b., c., d., e. and f. below, we will determine the value of Covered Property as Actual Cash Value as of the time of loss or damage, and we will not pay more for loss or damage on an actual cash value basis than the least of the following amounts:
 - (1) The actual cash value of the lost or damaged property at the time of the loss or damage;
 - (2) The amount actually spent that is necessary to repair or replace the lost or damaged property, less the applicable deductibles;
 - (3) The cost to repair or replace the property with similar kind or quality using readily available materials and workmanship, less applicable deductibles;
 - (4) The "reproduction cost" to repair or replace the lost or damaged property, less applicable deductibles;
 - (5) The Actual Cash Value of the property involved, as shown on the most recent Commercial Property Schedule on file with IRFFNC, less applicable deductibles; or
 - (6) The Limits of Insurance as shown in the Declarations or endorsed onto this policy.
- b. If the Limit of Insurance shown on the most recent Commercial Property Schedule on file with IRFFNC for the location is equal to at least the Actual Cash Value of the property at the time of loss, and the cost to repair or replace the damaged building property is \$2,500 or less, we will pay the cost of building repairs or replacement.
- c. "Stock" you have sold but not delivered at the selling price less discounts and expense you otherwise would have had.
- d. Glass at the cost of replacement with safety glazing material if required by law.
- e. Tenant's Improvements and Betterments at:
 - (1) Actual cash value of the lost or damaged property if you make repairs promptly.
 - (2) A proportion of your original cost if you do not make repairs promptly. We will determine the proportionate value as follows:
 - (a) Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and
 - (b) Divide the amount determined in (a) above by the number of days from the installation of improvement to the expiration of the lease.

If your lease contains a renewal option, the expiration of the renewal option period will replace the expiration of the lease in this procedure.

- (3) Nothing if others pay for repairs or replacement.

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- f. Valuable Papers and Records, including those which exist on electronic or magnetic media (other than prepackaged software programs) at the cost of:
- (1) Blank materials for reproducing the records; and
 - (2) Labor to transcribe or copy the records when there is a duplicate.

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F. ADDITIONAL CONDITIONS

The following conditions apply in addition to the Common Coverage Conditions and the Commercial Property Conditions.

1. Mortgageholders

- a. The term mortgageholder includes trustee.
- b. We will pay for covered loss of or damage to buildings or structures to each mortgageholder shown in the Mortgageholders Schedule in their order of precedence, as interests may appear.
- c. The mortgageholder has the right to receive loss payment even if the mortgageholder has started foreclosure or similar action on the building or structure.
- d. If we deny your claim because of your acts or because you have failed to comply with the terms of this Coverage Part the mortgageholder will still have the right to receive loss payment if the mortgageholder:
 - (1) Pays any premium due under this Coverage Part at our request if you have failed to do so;
 - (2) Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so; and
 - (3) Has notified us of any changes in ownership, occupancy or substantial change in risk known to the mortgageholder.

All of the terms of this Coverage Part will then apply directly to the mortgageholder.

- e. If we pay the mortgageholder for any loss or damage and deny payment to you because of your acts or because you have failed to comply with the terms of this Coverage Part:
 - (1) The mortgageholder's rights under the mortgage will be transferred to us to the extent of the amount we pay; and
 - (2) The mortgageholder's right to recover the full amount of the mortgage holder's claim will not be impaired.
- At our option, we may pay to the mortgageholder the whole principal on the mortgage plus any accrued interest. In this event, your mortgage and note will be transferred to us and you will pay your remaining mortgage debt to us.
- f. If we cancel this policy, we will give written notice to the mortgage holder at least:
 - (1) 15 days before the effective date of cancellation if we cancel for your nonpayment of premium; or
 - (2) 30 days before the effective date of cancellation if we cancel for any other reason.

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

2. Per Occurrence Limit

The amount of coverage shown as Limits of Insurance in the Declarations, or endorsed onto this policy, is a Per Occurrence Limit.

You agree that the statement of values on file with IRFFNC shall be adjusted annually by IRFFNC to reflect the limit for each location and shall be the values used in determining the premium charged for this optional coverage.

Location shall mean premises described in the most recent Property Schedule on file with IRFFNC for which location values are shown.

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G. OPTIONAL COVERAGE – REPLACEMENT COST

This optional coverage applies only to property shown as covered for Replacement Cost on the most recent Commercial Property Schedule on file with IRFFNC. Property not included on the most recent Commercial Property Schedule is not covered.

1. Replacement Cost replaces Actual Cash Value in the Loss Condition, Valuation, of this Coverage Form. Replacement Cost means the cost to replace or rebuild the covered property to the condition of the property prior to the loss or damage occurrence without deduction for depreciation. For Covered Property that is considered to be "historic property," replacement cost will be valued at the "reproduction cost" of the property at the time and place where the damage occurs.
2. This Optional Coverage does not apply to:
 - (a) Personal property of others
 - (b) Contents of a residence;
 - (c) Manuscripts;
 - (d) Works of art, antiques or rare articles, including etchings, pictures, statuary, marbles, bronzes, porcelains and bric-a-brac; or
 - (e) "Stock," unless the Including "Stock" option is shown in the Declarations.

Under the terms of this Replacement Cost Optional Coverage, tenants' improvements and betterments are not considered to be the personal property of others.

3. You may make a claim for loss or damage covered by this insurance on an actual cash value basis instead of on a replacement cost basis. In the event you elect to have loss or damage settled on an actual cash value basis, you may still make a claim for the additional coverage this Optional Coverage provides if you notify us of your intent to do so within 180 days after the loss or damage.
4. We will not pay on a replacement cost or "reproduction cost" basis for any loss or damage:
 - (a) Until the lost or damaged property is actually repaired or replaced:
 - (1) on the described premises; or
 - (2) at some other location in the State of North Carolina; and
 - (b) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage.

With respect to tenants' improvements and betterments, the following also apply:

- (c) If the conditions in d.(1) and d.(2) above are not met, the value of tenants' improvements and betterments will be determined as a proportion of your original cost, as set forth in the Valuation Condition of this Coverage Form; and
 - (d) We will not pay for loss or damage to tenants' improvements and betterments if others pay for repairs or replacement.
5. We will not pay more for loss or damage on a replacement cost basis than the least of:
 - (a) The Limit of Insurance applicable to the lost or damaged property;
 - (b) The cost to replace the lost or damaged property with other property
 - (1) Of similar kind using readily available material and workmanship; and
 - (2) Used for the same purpose;
 - (c) The "reproduction cost" to replace or repair the lost or damaged property; or

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(d) The amount actually spent that is necessary to repair or replace the lost or damaged property.

If a building is rebuilt at a new premises, the cost described in 5.b. above is limited to the cost which would have been incurred if the building had been rebuilt at the original premises.

H. DEFINITIONS

1. **"Actual cash value"** means the cost to replace or rebuild the property using readily available materials and workmanship less normal depreciation for age, use, occupancy and the condition of the property prior to the loss or damage occurrence. This does not include use of the same materials as were present in the original construction or production, nor does it include employment or workmanship or craftsmanship skills which either no longer exist or are not locally available.
2. **"Historic Property"** means any property listed in a Federal, State, County or Municipal Historic Register or otherwise designated by the member to be historic property. "Historic Property" shall also mean any property constructed or produced if it has "Historic Value" to the community in which it is situated.
3. **"Historic Value"** means that the property depicts or represents a designated period of history of human activity in the community where the property is situated, and that such property was originally built or produced during the period that it depicts or represents. Later representations built or produced to depict or represent such a period are not considered to have "Historic Value" and will not be considered as "Historic Property."
4. **"Pollutants"** means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.
5. **"Reproduction Cost"** means the cost to rebuild, replace or repair the damaged or destroyed "Historic Property" so that it will look and function as the original. Such rebuilding, replacing or repair will be done using readily available materials and workmanship. "Reproduction Cost" does not include use of the same materials as were present in the original construction or production, nor does it include employment or workmanship or craftsmanship skills which either no longer exist or are not locally available.
6. **"Stock"** means merchandise held in storage or for sale, raw materials and in-process or finished goods, including supplies used in their packing or shipping.

II. COMMERCIAL PROPERTY - CONDITIONS

A. CONCEALMENT, MISREPRESENTATION OR FRAUD

This Coverage Part is void in any case of fraud by you as it relates to this Coverage Part at any time. It is also void if you or any other insured, at any time, intentionally conceal or misrepresent a material fact concerning:

1. This Coverage Part;
2. The Covered Property; or
3. Your interest in the Covered Property.
4. A claim under this Coverage Part.

B. CONTROL OF PROPERTY

Any act or neglect of any person other than you beyond your direction or control will not affect this insurance.

The breach of any condition of this Coverage Part at any one or more locations will not affect coverage at any location where, at the time of loss or damage, the breach of condition does not exist.

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C. INSURANCE UNDER TWO OR MORE COVERAGE PARTS

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

D. LEGAL ACTION AGAINST US

No one may bring a legal action against us under this policy unless:

1. There has been full compliance with all of the terms of this policy; and
2. The action is brought within 3 years after the date on which the direct physical loss or damage occurred.

E. LIBERALIZATION

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

F. NO BENEFIT TO BAILEE

No person or organization, other than you, having custody of Covered Property will benefit from this insurance.

G. OTHER INSURANCE

1. You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this policy. If you do, we will pay our share of the covered loss or damage. Our share is the proportion that the applicable Limit of Insurance under this policy bears to the Limits of Insurance of all insurance covering on the same basis.
2. If there is other insurance covering the same loss or damage, other than that described in 1. above, we will pay only for the amount of covered loss or damage in excess of the amount due from that other insurance, whether you can collect on it or not. But we will not pay more than the applicable Limit of Insurance.

H. POLICY PERIOD, COVERAGE TERRITORY

Under this Coverage Part:

1. We cover loss or damage commencing:
 - a. During the policy period shown in the Declarations; and
 - b. Within the coverage territory.
2. The coverage territory is:
 - a. The United States of America (including its territories and possessions);
 - b. Puerto Rico; and
 - c. Canada.

I. TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US

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

1. Prior to a loss to your Covered Property or Covered Income.

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2. After a loss to your Covered Property or Covered Income only if, at time of loss, that party is one of the following:
 - a. Someone covered by this Coverage Part;
 - b. Your tenant.

This will not restrict your insurance.

III. COMMERCIAL PROPERTY - CAUSES OF LOSS – SPECIAL FORM

A. COVERED CAUSES OF LOSS

Covered Causes of Loss means RISKS OF DIRECT PHYSICAL LOSS unless the loss is:

1. Excluded in Section B, Exclusions; or
 2. Limited in Section C., Limitations;
- that follow.

B. EXCLUSIONS

1. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

a. Governmental Action

Seizure or destruction of property by order of governmental authority.

But we will pay for loss or damage caused by or resulting from acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread, if the fire would be covered under this Coverage Part.

b. Nuclear Hazard

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

But if nuclear reaction or radiation or radioactive contamination, results in fire, we will pay for the loss or damage caused by that fire.

c. Utility Services

The failure of power or other utility service supplied to the described premises, however caused, if the failure occurs away from the described premises.

But if the failure of power or other utility service results in a Covered Cause of Loss, we will pay for that resulting loss or damage caused by that Covered Cause of Loss.

d. War and Military Action

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

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e. Water

- (1) Flood, surface water, rising water, waves, tidal waves, tsunamis, tides, tidal water, storm surge, overflow of any body of water, or spray from any of these, all whether or not driven by wind (including storm surge);
- (2) Mudslide or mudflow which are caused by flooding. A mudslide or mudflow involves a river of liquid and flowing mud on the surface of normally dry land areas as when earth is carried by a current of water and deposited along the path of the current;
- (3) Water that backs up or overflows or is otherwise discharged from a sewer, drain, sump, sump pump or related equipment;
- (4) Water under the ground surface pressing on, or flowing or seeping through:
 - (a) Foundations, walls, floors or paved surfaces;
 - (b) Basements, whether paved or not; or
 - (c) Doors, windows or other openings; or
- (5) Waterborne material carried or otherwise moved by any of the water referred to in Paragraph (1), (3) or (4), or material carried or otherwise moved by mudslide or mudflow;
- (6) The rising, overflowing or breaking of boundaries of natural or man-made bodies of water;
- (7) The release of water held by a dam, levee or dike or by a water or flood control device;
- (8) The release of water caused by the Acts, Errors or Omissions by you or others in the design, specifications, workmanship, repair, construction, or renovation of all or any part of a water or flood control device, levee, dam or dike; or
- (9) Inundation of normally dry land by natural or man-made cause of at least two or more acres.

This exclusion applies regardless of whether any of the above, in paragraphs e.(1) through (9), is caused by an act of nature or is otherwise caused. An example of a situation to which this exclusion applies is the situation where a dam, levee, seawall or other boundary or containment system fails in whole or in part, for any reason, to contain the water.

But if Water, as described in e.(1) through (9) above, results in fire, explosion or sprinkler leakage, we will pay for the loss or damage caused by that fire, explosion or sprinkler leakage.

f. Earth Movement

- (1) Earthquake, including any earth sinking, rising or shifting related to such event;
- (2) Landslide, including any earth sinking, rising or shifting related to such event;
- (3) Mine subsidence, meaning subsidence of a man-made mine, whether or not mining activity has ceased;
- (4) Earth sinking (other than sinkhole collapse), rising or shifting including soil conditions which cause settling, cracking or other disarrangement of foundations or other parts of realty. Soil conditions include contraction, expansion, freezing, thawing, erosion, improperly compacted soil and the action of water under the ground surface.

But if Earth Movement, as described in f.(1) through (4) above, results in fire or explosion, we will pay for the loss or damage caused by that fire or explosion.

- (5) Volcanic eruption, explosion or effusion. But if volcanic eruption, explosion or effusion results in fire, building glass breakage or Volcanic Action, we will pay for the loss or damage caused by that fire, building glass breakage or Volcanic Action.

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Volcanic action means direct loss or damage resulting from the eruption of a volcano when the loss or damage is caused by:

- (a) Airborne volcanic blast or airborne shock waves;
- (b) Ash, dust or particulate matter; or
- (c) Lava flow.

All volcanic eruptions that occur within any 168 hour period will constitute a single occurrence.

Volcanic action does not include the cost to remove ash, dust or particulate matter that does not cause direct physical loss or damage to the described property.

Exclusions B.1.a. through B.1.f. apply whether or not the loss event results in widespread damage or affects a substantial area.

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

- a. Artificially generated electric current, including electric arcing, that disturbs electrical devices, appliances or wires.

But if artificially generated electrical current results in fire, we will pay for the loss or damage caused by that fire.

- b. Delay, loss of use or loss of market.
- c. Smoke, vapor or gas from agricultural smudging or industrial operations.
- d. (1) Wear and tear;
 - (2) Rust, corrosion, fungus, decay, deterioration, hidden or latent defect or any quality in property that causes it to damage or destroy itself;
 - (3) Smog;
 - (4) Settling, cracking, shrinking or expansion;
 - (5) Nesting or infestation, or discharge or release of waste products or secretions, by insects, birds, rodents or other animals;
 - (6) Mechanical breakdown including rupture or bursting caused by centrifugal force. But if mechanical breakdown results in elevator collision, we will pay for the loss or damage caused by that elevator collision;
 - (7) The following causes of loss to personal property:
 - (a) Dampness or dryness of atmosphere;
 - (b) Changes in or extremes of temperature; or
 - (c) Marring or scratching.

But if an excluded cause of loss that is listed in 2.d.(1) through (7) results in a "specified cause of loss" or building glass breakage, we will pay for the loss or damage caused by that "specified cause of loss" or building glass breakage.

- e. Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control. But if explosion of steam boilers, steam pipes, steam engines or steam turbines results in fire or combustion explosion, we will pay for the loss or damage caused by that fire or combustion explosion. We will also pay for loss or damage caused by or resulting from the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.

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- f. Continuous or repeated seepage or leakage of water that occurs over a period of 14 days or more.
- g. Water, other liquids, powder or molten material that leaks or flows from plumbing, heating, air conditioning or other equipment (except fire protective systems) caused by or resulting from freezing, unless:
 - (1) You do your best to maintain heat in the building or structure; or
 - (2) You drain the equipment and shut off the water supply if the heat is not maintained.
- h. Dishonest or criminal act by you, any of your partners, managers, employees (including leased employees), directors, trustees, authorized representatives or anyone to whom you entrust the property for any purpose:
 - (1) Acting alone or in collusion with others; or
 - (2) Whether or not occurring during the hours of employment.

This exclusion does not apply to acts of destruction by your employees (including leased employees); but theft by employees (including leased employees) is not covered.
- i. Voluntary parting with any property by you or anyone else to whom you have entrusted the property if induced to do so by any fraudulent scheme, trick, device or false pretense.
- j. Rain, snow, ice or sleet to personal property in the open.
- k. Collapse, except as provided below in the Additional Coverage for Collapse. But if collapse results in a Covered Cause of Loss at the described premises, we will pay for the loss or damage caused by that Covered Cause of Loss.
- l. Neglect of an insured to use all reasonable means to save and preserve property from further damage at and after the time of loss.
- m. Discharge, dispersal, seepage, migration, release or escape of "pollutants" unless the discharge, dispersal, seepage, migration, release or escape is itself caused by any of the "specified causes of loss". But if the discharge, dispersal, seepage, migration, release or escape of "pollutants" results in a "specified cause of loss", we will pay for the loss or damage caused by that "specified cause of loss". This exclusion does not apply to damage to glass caused by chemicals applied to the glass.
- n. Any loss, cost, or expense arising out of any:
 - (1) Request, demand, or order that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize, or in any way respond to or assess the effects of, "pollutants"; or
 - (2) Claim or "suit" by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying, or neutralizing, or in any way responding to or assessing the effects of, "pollutants."

IRFFNC shall have no duty of any kind with respect to any such loss, demand, claim or suit.
- o. Loss, demand, claim or suit arising out of or related in any way to asbestos or asbestos-containing materials.

IRFFNC shall have no duty of any kind with respect to any such loss, demand, claim or suit.
- p. Water pressure, wind-driven water, ice or impact of watercraft to piers, wharves, pilings, boardwalks, docks, bridges or any structures located on piers, wharves, pilings, boardwalks, docks or bridges.

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3. We will not pay for loss or damage caused by or resulting from any of the following, 3.a. through 3.c. But if an excluded cause of loss that is listed in 3.a. through 3.c. results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.
- a. Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in paragraph 1. above to produce the loss or damage.
 - b. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.
 - c. Faulty, inadequate or defective:
 - (1) Planning, zoning, development, surveying, siting;
 - (2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
 - (3) Materials used in repair, construction, renovation or remodeling; or
 - (4) Maintenance;of part or all of any property on or off the described premises.

4. Special Exclusions

The following provisions apply only to the specified Coverage Forms.

- a. Business Income (Without Extra Expense) Coverage Form, Extra Expense Coverage Form or Commercial Property – Extra Expense

We will not pay for:

- (1) Any loss caused directly or indirectly by the failure of power or other utility service supplied to the described premises, however caused, if the failure occurs outside of a covered building.

But if the failure of power or other utility service results in a Covered Cause of Loss, we will pay for the loss resulting from that Covered Cause of Loss.

- (2) Any loss caused by or resulting from:

- (a) Damage or destruction of "finished stock," or
 - (b) The time required to reproduce "finished stock."

This exclusion does not apply to Extra Expense.

- (3) Any increase of loss caused by or resulting from:

- (a) Delay in rebuilding, repairing or replacing the property or resuming "operations," due to interference at the location of the rebuilding, repair or replacement by strikers or other persons; or
 - (b) Suspension, lapse or cancellation of any license, lease or contract. But if the suspension, lapse or cancellation is directly caused by the suspension of "operations," we will cover such a loss that affects your Business Income during the "period of restoration."

- (4) Any Extra Expense directly or indirectly caused by or resulting from suspension, lapse, or cancellation of any license, lease or contract beyond the "period of restoration";

- (5) Any other consequential loss.

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b. Leasehold Interest Coverage Form

- (1) We will not pay for any loss caused by:
- (a) Your cancelling the lease;
 - (b) The suspension, lapse or cancellation of any license; or
 - (c) Any other consequential loss.

c. Legal Liability Coverage Form

- (1) The following Exclusions do not apply to insurance under this Coverage Form:
- (a) Paragraph B.1.a., Governmental Action;
 - (b) Paragraph B.1.b., Nuclear Hazard;
 - (c) Paragraph B.1.c., Utility Services;
 - (d) Paragraph B.1.d., War and Military Action.
- (2) The following additional exclusions apply to insurance under this Coverage Form:
- (a) Contractual Liability

We will not defend any claim or "suit," or pay damages that you are legally liable to pay, solely by reason of your assumption of liability in a contract or agreement. But this exclusion does not apply to a written lease agreement in which you have assumed liability for building damage resulting from an actual or attempted burglary or robbery, provided that:

 - (i) Your assumption of liability was executed prior to the accident; and
 - (ii) The building is Covered Property under this Coverage Form.
 - (b) Nuclear Hazard

We will not defend any claim or "suit," or pay damages, loss, expense or obligation, resulting from nuclear reaction or radiation, or radioactive contamination, however caused.

C. LIMITATIONS

The following limitations apply to all policy forms and endorsements, unless otherwise stated.

1. We will not pay for loss of or damage to property, as described and limited in this section. In addition, we will not pay for any loss that is a consequence of loss or damage as described and limited in this section.
 - a. Steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment. But we will pay for loss of or damage to such equipment caused by or resulting from an explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.
 - b. Hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment, other than an explosion.
 - c. The interior of any building or structure or to personal property in the building or structure, caused by or resulting from rain, snow, sleet, ice, sand or dust, whether driven by wind or not, unless:
 - (1) The building or structure first sustains damage by a Covered Cause of Loss to its roof or walls through which the rain, snow, sleet, ice, sand or dust enters; or

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- (2) The loss or damage is caused by or results from thawing of snow, sleet or ice on the building or structure.
- d. Building materials and supplies not attached as part of the building or structure caused by or resulting from theft. However, this limitation does not apply to Business Income coverage or Extra Expense coverage.
- e. Property that is missing, where the only evidence of the loss or damage is a shortage disclosed on taking inventory, or other instances where there is no physical evidence to show what happened to the property.
- f. Gutters and downspouts caused by or resulting from weight of snow, ice or sleet.
- g. Property that has been transferred to a person or to a place outside the described premises on the basis of unauthorized instructions.
2. We will not pay for loss of or damage to the following types of property unless caused by the "specified causes of loss" or building glass breakage:
- a. Valuable papers and records, such as books of account, manuscripts, abstracts, drawings and card index systems. Valuable papers and records do not include prepackaged software programs or electronic data existing on film, tape, drum, cell, or other data processing, recording or storage media.
- b. Animals, and then only if they are killed or their destruction is made necessary.
- c. Fragile articles such as glassware, statuary, marbles, chinaware and porcelains, if broken. This restriction does not apply to:
- (1) Glass that is part of a building or structure;
- (2) Containers of property held for sale; or
- (3) Photographic or scientific instrument lenses.
- d. Builders' machinery, tools, and equipment owned by you or entrusted to you, provided such property is Covered Property.
- However, this limitation does not apply:
- (1) If the property is located on or within 500 feet of the described premises, unless the premises is insured under the Builders Risk Coverage Form; or
- (2) To Business Income coverage or to Extra Expense coverage.
3. The special limit shown for each category, a. through d., is the total limit for loss of or damage to all property in that category. The special limit applies to any one occurrence of theft, regardless of the types or number of articles that are lost or damaged in that occurrence. The special limits are:
- a. \$2,500 for furs, fur garments and garments trimmed with fur.
- b. \$2,500 for jewelry, watches, watch movements, jewels, pearls, precious and semiprecious stones, bullion, gold, silver, platinum and other precious alloys or metals. This limit does not apply to jewelry and watches worth \$100 or less per item.
- c. \$2,500 for patterns, dies, molds and forms.
- d. \$250 for stamps, tickets, including lottery tickets held for sale and letters of credit.
- These special limits are part of, not in addition to, the Limit of Insurance applicable to the Covered Property.
- This limitation, C.3., does not apply to Business Income coverage or to Extra Expense coverage.

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4. We will not pay the cost to repair any defect to a system or appliance from which water, other liquid, powder or molten material escapes. But we will pay the cost to repair or replace damaged parts of fire extinguishing equipment if the damage:
- a. Results in discharge of any substance from an automatic fire protection system; or
 - b. is directly caused by freezing.

However, this limitation does not apply to Business Income coverage or to Extra Expense coverage.

This Additional Coverage will not increase the Limits of Insurance provided in this Coverage Part.

D. ADDITIONAL COVERAGE - COLLAPSE

The term Covered Cause of Loss includes the Additional Coverage - Collapse as described and limited in D.1. through D.5. below.

1. With respect to buildings:

- a. Collapse means an abrupt falling down or caving in of a building or any part of a building with the result that the building or part of the building cannot be occupied for its intended purpose;
- b. A building or any part of a building that is in danger of falling down or caving in is not considered to be in a state of collapse;
- c. A part of a building that is standing is not considered to be in a state of collapse even if it has separated from another part of the building;
- d. A building that is standing or any part of a building that is standing is not considered to be in a state of collapse even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

2. We will pay for direct physical loss or damage to Covered Property, caused by collapse of a building or any part of a building that is insured under this Coverage Form or that contains Covered Property insured under this Coverage Form, if the collapse is caused by one or more of the following:

- a. The "specified causes of loss" or breakage of building glass, all only as insured against in this Coverage Part;
- b. Decay that is hidden from view, unless the presence of such decay is known to an insured prior to collapse;
- c. Insect or vermin damage that is hidden from view, unless the presence of such damage is known to an insured prior to collapse;
- d. Weight of people or personal property;
- e. Weight of rain that collects on a roof;
- f. Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation. However, if the collapse occurs after construction, remodeling or renovation is complete and is caused in part by a cause of loss listed in **2.a.** through **2.e.**, we will pay for the loss or damage even if use of defective material or methods, in construction, remodeling or renovation, contributes to the collapse.

The criteria set forth in **1.a.** through **1.d.** do not limit the coverage otherwise provided under this Causes of Loss for the causes of loss listed in **2.a.**, **2.d.** and **2.e.**

3. With respect to the following property:

- a. Outdoor radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers;
- b. Awnings, gutters and downspouts;
- c. Yard fixtures;
- d. Outdoor swimming pool;

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- e. Fences;
- f. Piers, wharves and docks;
- g. Beach or diving platforms or appurtenances;
- h. Retaining walls; and
- i. Walks, roadways and other paved surfaces;

if the collapse is caused by a cause of loss listed in **2.b.** through **2.f.**, we will pay for loss or damage to that property only if:

- a. Such loss or damage is a direct result of the collapse of a building insured under this Coverage Form; and
- b. The property is Covered Property under this Coverage Form.

- 4.** If personal property abruptly falls down or caves in and such collapse is not the result of collapse of a building, we will pay for loss or damage to Covered Property caused by such collapse of personal property only if:

- a. The collapse was caused by a Cause of Loss listed in **2.a.** through **2.f.** above;
- b. The personal property which collapses is inside a building; and
- c. The property which collapses is not of a kind listed in **3.** above, regardless of whether that kind of property is considered to be personal property or real property.

The coverage stated in this Paragraph 4. does not apply to personal property if marring and/or scratching is the only damage to that personal property caused by the collapse.

Collapse of personal property does not mean cracking, bulging, sagging, bending, leaning, sewing, shrinkage or expansion.

- 5.** This Additional Coverage, Collapse, will not increase the Limits of Insurance provided in this Coverage Part.

E. ADDITIONAL COVERAGE EXTENSIONS

1. Property in Transit.

This Extension applies only to your personal property to which this form applies.

- a. You may extend the insurance provided by this Coverage Part to apply to your personal property (other than property in the care, custody or control of your salespersons) in transit more than 500 feet from the described premises. Property must be in or on a motor vehicle you own, lease or operate while between points in the coverage territory.
- b. Loss or damage must be caused by or result from one of the following causes of loss:
 - (1) Fire, lightning, explosion, windstorm or hail, riot or civil commotion, or vandalism.
 - (2) Vehicle collision, upset or overturn. Collision means accidental contact of your vehicle with another vehicle or object. It does not mean your vehicle's contact with the road bed.
 - (3) Theft of an entire bale, case or package by forced entry into a securely locked body or compartment of the vehicle. There must be visible marks of the forced entry.
- c. The most we will pay for loss or damage under this Extension is \$50,000.

This Coverage Extension is additional insurance.

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2. Water, Other Liquids, Powder Or Molten Material Damage.

If loss or damage caused by or resulting from a covered water or other liquid, powder or molten material damage loss occurs, we will also pay the cost to tear out and replace any part of the building or structure to repair damage to the system or appliance from which the water or other substance escapes. This Coverage Extension does not increase the Limit of Insurance.

F. DEFINITIONS

1. **"Specified Causes of Loss"** means the following:

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

a. **"Sinkhole collapse"** means the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or dolomite. This cause of loss does not include:

- (1) The cost of filling sinkholes; or
- (2) Sinking or collapse of land into man-made underground cavities.

b. **"Falling objects"** does not include loss or damage to:

- (1) Personal property in the open; or
- (2) The interior of a building or structure, or property inside a building or structure, unless the roof or an outside wall of the building or structure is first damaged by a falling object.

c. **"Water damage"** means accidental discharge or leakage of water or steam as the direct result of the breaking apart or cracking of a plumbing, heating, air conditioning or other system or appliance (other than a sump system including its related equipment and parts), that is located on the described premises and contains water or steam.

2. **"Pollutants"** means any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acid, alkalis, chemicals, and waste. Waste includes material to be recycled, reconditioned, or reclaimed.

IV. COMMERCIAL PROPERTY - ORDINANCE OR LAW

1. If a Covered Cause of Loss occurs to covered building property, we will pay for:

a. The loss in value of the undamaged portion of the building as a consequence of enforcement of any ordinance or law that:

- (1) Requires the demolition of parts of the same property not damaged by a Covered Cause of Loss;
- (2) Regulates the construction or repair of buildings or establishes zoning or land use requirements at the described premises; and
- (3) Is in force at the time of loss.

b. The cost to demolish and clear the site of undamaged parts of the property caused by enforcement of the building, zoning, or land use ordinance or law.

c. The increased cost to:

- (1) Repair or reconstruct damaged portions of that Building property; and/or
- (2) Reconstruct or remodel undamaged portions of that Building property, whether or not demolition is required;

when the increased cost is a consequence of enforcement of building, zoning or land use ordinance or law.

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However:

- (1) This coverage applies only if the restored or remodeled property is intended for similar occupancy as the current property, unless such occupancy is not permitted by zoning or land use ordinance or law.
 - (2) We will not pay for the increased cost of construction if the building is not repaired, reconstructed or remodeled.
2. However, we will not pay under this coverage for the costs associated with the enforcement of any ordinance or law which requires any Insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to or assess the effects of "pollutants."
3. We will not pay for increased construction costs under this coverage.
 - a. Until the property is actually repaired or replaced, at the same premises or elsewhere; and
 - b. Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not to exceed 2 years. We may extend this period in writing during the 2 years.
4. a. If the property is repaired or replaced on the same premises, we will not pay more than the amount you actually spend to:
 - (1) Demolish and clear the site;
 - (2) Repair, rebuild, or construct the property, but not for more than the property of the same height, floor area, and style on the same premises.The most we will pay under 4.a. is 25% of the loss to the property involved.
- b. If the property is not repaired or replaced on the same premises, we will not pay more than:
 - (1) The amount you actually spend to demolish and clear the site of the described premises; and
 - (2) The cost to replace, on the same premises, the damaged or destroyed property with other property:
 - (a) Of comparable material and quality;
 - (b) Of the same height, floor area, and style; and
 - (c) Used for the same purpose.The most we will pay under 4.b. is 25% of the loss to the property involved.
- c. For all loss or damage in any occurrence we will not pay more than the Limit of Insurance applicable to the covered building property.
5. The terms of this Additional Coverage apply separately to each building to which the Additional Coverage applies.
6. Under this Additional Coverage, we will not pay for loss due to any ordinance or law that:
 - a. You were required to comply with before the loss, even if the building was undamaged; and
 - b. You failed to comply with.

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V. COMMERCIAL PROPERTY - EXTRA EXPENSE

A. COVERAGE

We will pay the actual and necessary Extra Expense you sustain due to direct physical loss of or damage to covered property at the premises shown on the property schedule. The loss or damage must be caused by or result from a Covered Cause of Loss. With respect to loss of or damage to personal property in the open or personal property in a vehicle, the described premises include the area within 500 feet of the site at which the described premises are located.

With respect to the requirements set forth in the preceding paragraph, if you occupy only part on the site at which the described premises are located, your premises means:

- a. The portion of the building which you rent, lease or occupy; and
- b. Any area within the building or on the site at which the described premises are located, if that area services, or is used to gain access to, the described premises.

1. Extra Expense

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

- a. To avoid or minimize the suspension of business and to continue "operations":
 - (1) At the described premises; or
 - (2) At replacement premises or at temporary locations, including:
 - (a) Relocation expenses; and
 - (b) Costs to equip and operate the replacement or temporary locations;
- b. To minimize the suspension of business if you cannot continue "operations"; or
- c. (1) To repair or replace any property; or
 - (2) To research, replace or restore the lost information on damaged valuable papers and records; to the extent it reduces the amount of loss that would otherwise have been payable under this Coverage Form.

2. Covered Cause of Loss

See Section III, Commercial Property - Causes of Loss.

3. Additional Coverages

a. Alterations to New Buildings

We will pay for the actual and necessary Extra Expense you incur due to direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss to:

- (1) New buildings or structures, whether complete or under construction;
- (2) Alterations or additions to existing buildings or structures; and
- (3) Machinery, equipment, supplies or building materials located on or within 100 feet of the described premises and:
 - (a) Used in the construction, alterations or additions; or
 - (b) Incidental to the occupancy of new buildings.

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b. Civil Authority

We will pay for the actual and necessary Extra Expense you incur caused by action of civil authority that prohibits access to the described premises due to direct physical loss of or damage to property, other than at the described premises, caused by or resulting from any Covered Cause of Loss. This coverage will apply for a period of up to three consecutive weeks from the date of that action.

4. Coverage Extension

You may extend the coverage provided by this Coverage Part as follows:

Newly Acquired Locations

- a. You may extend your Extra Expense Coverage to apply to property at any location you acquire other than fairs or exhibitions.
- b. The most we will pay for loss under this Extension is \$5000.
- c. Coverage under this extension for each newly acquired location will end when any of the following first occurs:
 - (1) This policy expires.
 - (2) 90 days expire after you acquire the property; or
 - (3) You notify us of how you want this coverage to apply to that location.

We will charge you additional premium from the date you acquire the property.

This Extension is additional insurance.

B. EXCLUSIONS

See Section III, Commercial Property - Causes of Loss.

C. LIMITS OF INSURANCE

The most we will pay for loss in any one occurrence is \$50,000.

The limit applicable to the Coverage Extension is in addition to the Limits of Insurance.

Payments under the following Additional Coverages will not increase the applicable Limit of Insurance:

1. Alterations and New Building; or
2. Civil Authority.

D. LOSS CONDITIONS

The following conditions apply in addition to the IRRFNC Common Coverage Conditions and the Commercial Property - Conditions.

1. Appraisal

If we and you disagree on the amount of loss either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expense of the appraisal and umpire equally.

If we submit to an appraisal, we will still retain our right to deny the claim.

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2. Duties If You Incur Extra Expense

a. You must see that the following are done if you incur Extra Expense:

- (1) Notify the police if a law may have been broken.
- (2) Give us prompt notice of the direct physical loss or damage. Include a description of the property involved.
- (3) As soon as possible, give us a description of how, when and where the direct physical loss or damage occurred.
- (4) Take all reasonable steps to protect the Covered Property from further damage, and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the Limit of Insurance. However, we will not pay for any subsequent loss or damage resulting from a cause of loss that is not a Covered Cause of Loss. Also, if feasible, set the damaged property aside and in the best possible order for examination.
- (5) As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records. Also, permit us to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.
- (6) Send us a signed, sworn statement of loss containing the information we request to settle the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.
- (7) Cooperate with us in the investigation or settlement of the claim.
- (8) Resume all or any part of your "operations" as quickly as possible.

b. We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required, about any matter relating to this insurance or the claim, including your books and records. In the event of an examination, your answers must be signed.

3. Limits on Loss Payment

We will not pay more for Extra Expense than the following percentages: 40% - 80% - 100% times the Limit of Insurance.

When the "period of restoration" is:

- a. 30 days or less, the first percentage applies.
- b. 60 days or less, but more than 30 days, the second percentage applies.
- c. More than 60 days, the third percentage applies.

Example:

The Limit of Insurance is \$50,000.

The percentages are 40% - 80% - 100%.

The "period of restoration" is 45 days.

The amount of Extra Expenses incurred is \$45,000.

We will not pay more than \$50,000 times 80% (the percentage applicable for a "period of restoration" of 31-60 days), or \$40,000. The remaining \$5,000 is not covered.

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4. Loss Determination

a. The amount of Extra Expense will be determined based on:

(1). All expenses that exceed the normal operating expenses that would have been incurred by "operations" during the "period of restoration" if no direct physical loss or damage had occurred. We will deduct from the total of such expenses:

(a) The salvage value that remains of any property bought for temporary use during the "period of restoration" once "operations" are resumed; and

(b) Any Extra Expense that is paid for by other insurance, except for insurance that is written subject to the same plan, terms, conditions and provisions as this insurance; and

(2) All necessary expenses that reduce the Extra Expense otherwise incurred.

b. We will reduce the amount of your Extra Expense loss to the extent you can return "operations" to normal and discontinue such Extra Expense.

c. If you do not resume "operations", or do not resume "operations" as quickly as possible, we will pay based on the length of time it would have taken to resume "operations" as quickly as possible.

5. Loss Payment

We will pay for any loss within 30 days after we receive the statement of loss, if you have complied with all of the terms of this Coverage Part; and

(a) We reach agreement with you on the amount of loss; or

(b) An appraisal award has been made.

E. DEFINITIONS

1. **"Operations"** means the type of your business activities occurring at the described premises.

2. **"Period of Restoration"** means the period of time that:

a. Begins with the date of direct physical loss of damage caused by or resulting from any Covered Cause of Loss at the described premises; and

b. Ends on the earlier of:

(1) The date when the property at the described premises should be repaired, rebuilt or replaced with reasonable speed and similar quality; or

(2) the date when business is resumed at a new permanent location.

"Period of restoration" does not include any increased period required due to the enforcement of any ordinance or law that

(1) Regulates the construction, use or repair, or requires the tearing down of any property; or

(2) Requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants".

The expiration date of this policy will not cut short the "period of restoration."

3. **"Pollutants"** means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

4. **"Suspension"** means the slowdown or cessation of your business activities.