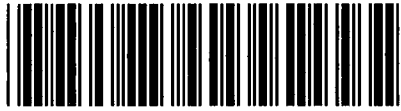




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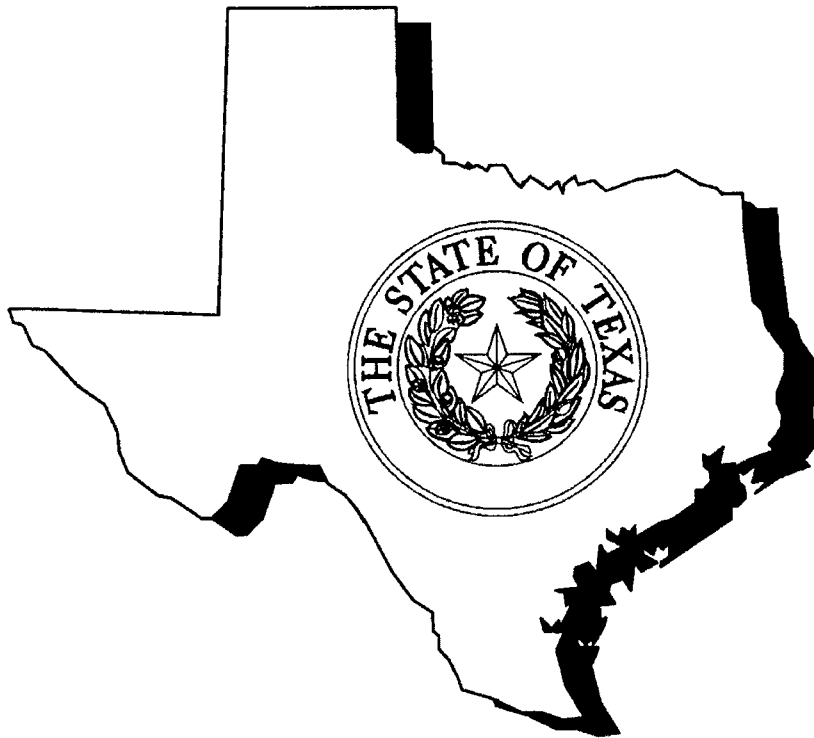
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2021 MAY -5 PM 3:07

RATEPAYERS APPEAL OF THE
DECISION BY WINDERMERE OAKS
WATER SUPPLY CORPORATION TO
CHANGE WATER AND SEWER RATES

§
§
§
§
§

BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS



DIRECT TESTIMONY OF HEIDI GRAHAM
INFRASTRUCTURE DIVISION
PUBLIC UTILITY COMMISSION OF TEXAS
MAY 5, 2021

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Attachments

Attachment HG-1	List of Previous Testimonies
Attachment HG-2	Resume
Attachment HG-3	Windermere Oaks Water Supply Corporation's response to Commission Staff's Request for Information 2-7(i)

I. PROFESSIONAL QUALIFICATIONS

Q. Please state your name and business address.

A. Heidi Graham, Public Utility Commission of Texas, 1701 N. Congress Avenue, Austin, Texas 78711-3326.

Q. By whom are you currently employed and in what capacity?

A. I have been employed by the Public Utility Commission of Texas (Commission) since September 1, 2014. I am a Lead Engineering Specialist in the Engineering Section of the Infrastructure Division.

Q. What are your principal responsibilities at the Commission?

A. My responsibilities include reviewing applications to obtain or amend certificates of convenience and necessity; reviewing applications to obtain or amend rates; providing testimony and participating in settlement negotiations for contested cases; and participating in rulemakings and form development.

Q. Please state your educational background and professional experience.

A. I have provided a summary of my educational background and professional regulatory experience in Attachment HG-2 to my direct testimony.

Q. Are you a registered professional engineer?

A. No.

Q. Have you testified as an expert before the Commission or the State Office of Administrative Hearings (SOAH)?

A. Yes. Attachment HG-1 provides a summary of the dockets in which I have filed direct testimony or memoranda in lieu of testimony.

1 **Q. On whose behalf are you testifying?**

2 A. I am testifying on behalf of the Staff of the Public Utility Commission of Texas (Staff).

3
4 **II. PURPOSE AND SCOPE OF TESTIMONY**

5 **Q. What is the purpose of your testimony in this proceeding?**

6 A. The purpose of my testimony is to present Staff's recommendation regarding the operations
7 contract that Windermere Oaks Water Supply Corporation (Windermere) has with Water
8 Management, Inc. and the insurance included in Windermere's 2019 budget. Water
9 Management, Inc. subcontracts with Corix Utilities, Inc. (Corix) for the plant operations of
10 the public water and wastewater systems.

11
12 **Q. What issues identified by the Commission in the Preliminary Order for this docket**
13 **will you address?**

14 A. In my testimony, I will address the following issues identified in the preliminary order
15 issued on July 16, 2020:

16 6. What information was available to Windermere at the time it made its
17 decision to increase the water and sewer utility service rates under Texas
18 Water Code (TWC) § 13.043(e)?

19 9. What are the reasonable expenses incurred by Windermere in this
20 proceeding under TWC § 13.043(e) and 16 Texas Administrative Code
21 (TAC) § 24.101(e)(2) and (5)? Specifically, should the Commission allow
22 recovery of these reasonable expenses and if so, what is the appropriate
23 recovery mechanism?¹
24

25 **Q. What have you relied upon in making your evaluation and arriving at your**
26 **conclusions and recommendations in the present proceeding?**

27 A. I reviewed the rate appeal filed by the Ratepayers, the direct testimony and exhibits filed

¹ Preliminary Order at 4-5 (Jul. 16, 2020).

by Windermere and the Ratepayers, and the responses to discovery requests.

Q. If you do not address an issue or position in your testimony, should that be interpreted as Staff supporting Windermere's or the Ratepayers' position on that issue?

A. No. The fact that I do not address an issue or position in my testimony should not be construed as agreeing with, endorsing, or consenting to any position taken by another party.

Q. Have you prepared any attachments to your testimony?

A. Yes. Attachments HG-1, HG-2, and HG-3 were prepared by me.

III. ANALYSIS

Q. What tasks are included in the operating fee of \$ [REDACTED] per month for "Regular Services" under the operations contract that Water Management, Inc. has with Corix?

A. The tasks that are included are:²

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

² Direct Testimony of George Burriss on behalf of Windermere Oaks Water Supply Corporation, Confidential Attachment GB-2 at Schedule A – Scope of Services (Mar. 10, 2021) (Burriss Direct).

Row	Bar Length (approx. %)
1	65
2	85
3	100
4	15
5	55
6	100
7	55
8	100
9	35
10	100
11	25
12	100
13	60

1 The monthly operating fee does not include [REDACTED]
2 [REDACTED]
3 [REDACTED]
17 [REDACTED] It has been my experience that these categories of items are not
18 typically included in the monthly operating fee when a retail public utility contracts for
19 operations and maintenance.

1 **Q. Is the \$[REDACTED] monthly operating fee³ for Regular Services in the operations contract**
2 **Water Management, Inc. has with Corix reasonable?**

3 A. Yes. The TCEQ's rule, 30 TAC § 290.46(e)(6)(C), requires that each surface water
4 treatment plant have at least one Class C or higher surface water operator on duty at the
5 plant when it is in operation or that the plant be equipped with continuous turbidity and
6 disinfectant residual monitors with automatic plant shutdown and alarms to summon
7 operators so as to ensure that the water produced continues to meet TCEQ's drinking water
8 standards during periods when the plant is not staffed.⁴ Per the direct testimony of
9 Windermere's witness George Burriss, Corix provides qualified, licensed operators to
10 perform operational duties seven days a week and emergency response personnel on a 24-
11 hour basis.⁵ According to Mike Nelson's testimony, the TRWA rate analysis used
12 Windermere's 2019 year-end financials and determined the rates using 253 customers. Mr.
13 Nelson stated that the analysis should have used 271 customers instead of 253 customers.⁶
14 On a monthly basis, using 271 connections, the base amount charged to each customer is
15 \$[REDACTED] for both the water and wastewater plants. Using a 60% allocation for water and
16 40% for sewer, results in a monthly base amount charged to each customer for water of
17 \$[REDACTED] and \$[REDACTED] for sewer, both of which are reasonable, based on my experience,
18 considering the amount of services that are included in the monthly operating fee.⁷

19
20 **Q. Was the operations contract Water Management, Inc. has with Corix available to**
21 **Windermere at the time it made its decision to increase the water and sewer utility**

³ *Id.*, Confidential Attachment GB-2 at Schedule B – Fees.

⁴ <https://www.tceq.texas.gov/assets/public/response/chapter-290-subchapter-D.pdf> (last viewed Apr. 29, 2021).

⁵ Burriss Direct at 4.

⁶ Direct Testimony of Mike Nelson, Attachment MN-2 (Mar. 10, 2021).

⁷ *Id.*

1 service rates?

2 A. Yes. Mr. Burriss states in his testimony that his company, Water Management, Inc.,
3 contracts with Corix, in order to operate the systems.⁸ In a letter dated January 9, 2019,
4 which was included in Attachment GB-2, Corix proposes to extend the contract with Water
5 Management, Inc. until [REDACTED] at the increased monthly fee of \$ [REDACTED]. Therefore,
6 the operations contract included the most current fee that was available when Windermere
7 made its decision to increase the water and sewer utility service rates.

8
9 **Q. How much did Windermere include in its budget for insurance?**

10 A. Windermere's budget included \$14,160⁹ for insurance.

11
12 **Q. Is the annual expense amount of \$14,160 for insurance that was included in the budget**
13 **reasonable?**

14 A. Yes. The detail of the insurance policy was provided in Windermere's response to
15 Commission Staff's Request For Information (RFI) 2-7(i).¹⁰ Windermere's response to
16 Commission Staff's RFI 2-7(i) is attached to my testimony as HG-3. If I divide \$14,160 by
17 12 months, the property insurance comes out to be \$1,180 per month. If I then divide \$1,180
18 by 271 connections the result is \$4.35 per connection per month, which is reasonable based
19 on my experience.¹¹

⁸ *Id.*

⁹ Direct Testimony of Mike Nelson on behalf of Windermere Oaks Water Supply Corporation, Attachment MN-1 (Mar. 10, 2021).

¹⁰ Windermere Oaks Water Supply Corporation's Response to Commission Staff's Second Request for Information, Staff 2-7(i) at 11 (Feb. 8, 2021).

¹¹ Direct Testimony of Mike Nelson, Attachment MN-2 (Mar. 10, 2021).

1 **Q. Was the insurance policy provided in response to RFI Staff 2-7(i) available to**
2 **Windermere at the time it made its decision to increase the water and sewer utility**
3 **service rates?**

4 A. Yes. The insurance policy included in Windermere's response to Commission Staff's RFI
5 2-7(i) had a policy period from March 17, 2019 to March 17, 2020.¹² Therefore, the policy
6 included the most current pricing for insurance that was available when Windermere made
7 its decision to increase the water and sewer utility service rates.

8
9 **IV. RECOMMENDATION**

10 **Q. Please summarize your recommendations.**

11 A. I recommend that the monthly amount of [REDACTED] for contract operations with Corix, and
12 \$1,180 for insurance be found reasonable.

13
14 **V. CONCLUSION**

15 **Q. Does this conclude your direct testimony?**

16 A. Yes.

¹² *Id*

Heidi Graham
Public Utility Commission of Texas (PUCT)
List of Previous Testimonies

Testimonies for TCEQ Staff

Docket	Company	Application Type
SOAH 582-08-4354	James Maib dba H2O Systems Plus	Rate application - Water
SOAH 582-08-2863	Lower Colorado River Authority	Rate Appeal - Water
SOAH 582-08-4353	Interim-La Ventana	Sale, Transfer, Merger - Water
SOAH 582-09-0660	North San Saba WSC	Rate Appeal - Water
SOAH 582-09-0592	City of Nixon	CCN Amendment - Water
SOAH 582-10-3422	Denton Co. WCID No. 1	Rate Appeal - Water
SOAH 582-10-5999	City of Kerrville	CCN Amendment - Water
SOAH 582-13-4616	HHJ dba Decker Utilities	Rate Application - Water and Sewer
SOAH 582-13-4616	M.E.N. WSC	Cost of Service Appeal - Water

Testimonies for PUCT Staff

PUC Docket	SOAH Docket	Company	Application Type
42858	473-14-0366	SJWTX, Inc.	Rate Application - Water
42857	473-14-5138	City of Austin	Wholesale Appeal
42866	473-14-5144.WS	West Travis County PUA	Wholesale Appeal
42862	473-14-5139	Town of Woodloch	Rate Appeal – Water and Sewer
42860	473-14-5140	Douglas Utility Company	Rate Settlement – Water and Sewer
42864	473-14-5146	Enchanted Harbor	Rate Application - Water
42919	473-15-0372	Double Diamond	Rate Application - Water
42924	473-15-0371	Crystal Springs Water Co. Inc.	CCN Amendment - Water
42942	473-15-0623.WS	Castle Water, Inc.	Rate Application - Water
43554	473-15-1230.WS	Mansions of Turkey Creek	Rate Appeal – Water and Sewer
44046	473-15-4390.WS	Laguna Vista/Laguna Tres	Sale Transfer Merger
44657	473-16-0927.WS	Interim-La Ventana	Sale Transfer Merger
43076	473-16-2094.WS	Consumers Water, Inc.	Rate Application - Water
45570	473-16-2873.WS	Monarch Utilities I, LP	Rate Application – Water and Sewer
46256	473-17-1641.WS	Liberty Utilities	Rate Application –Sewer
46662	473-17-4964.WS	North Texas MWD	Wholesale Appeal
47814	473-18-1344.WS	City of Forney	Wholesale Appeal
50944	473-20-4709.WS	Monarch Utilities I, LP	Rate Application – Water and Sewer

Heidi Graham
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512-936-7139
heidi.graham@puc.texas.gov

Work Experience

Program Specialist VII, Lead Engineering Specialist

4/2020 – Present, Public Utility Commission of Texas, Austin, Texas

Review applications to obtain or amend certificates of convenience and necessity (CCN); review applications to increase rates; provide testimony for contested cases, participating in negotiating settlements for those cases; and participate in rulemakings and application and form development.

Program Specialist VII, Director of the Water Utility Engineering Section

5/2016 – 4/2020, Public Utility Commission of Texas, Austin, Texas

Lead a team of experts who review applications to obtain or amend certificates of convenience and necessity (CCN); review applications to increase rates; provide testimony for contested cases and participating in negotiating settlements for those cases; and participate in rulemakings and application and form development.

Engineering Specialist V

9/2014 – 5/2016, Public Utility Commission, Austin, Texas

Process Convenience and Necessity (CCN) applications. Perform depreciation studies, quality of service evaluations, design rates for rate applications and testify in hearings.

Engineering Specialist V

12/2006 – 8/2014, Texas Commission on Environmental Quality, Austin, Texas

Review plans, specifications, and engineering reports for new or modified public water systems to ensure compliance with Federal and State standards. Process Convenience and Necessity (CCN) applications. Perform depreciation studies, quality of service evaluations, design rates for rate applications and testify in hearings.

Education

8/1983 - 5/1988, University of Missouri, Rolla, Missouri

Bachelor's Degree in Mechanical Engineering

SOAH DOCKET NO. 473-20-4071.WS
PUC DOCKET NO. 50788

WOWSC'S RESPONSE TO STAFF'S SECOND RFI

- Staff 2-7** Where insurance claims for legal expenses were filed, please provide:
- i. a copy of the insurance policy;
 - ii. the clause under which coverage was claimed;
 - iii. the amount of coverage requested;
 - iv. the amount of coverage provided, and
 - v. for each instance where a claim was not fully covered, please provide documentation explaining the reason for partial coverage or denial of coverage.

RESPONSE:

- i. WOWSC has provided copies of all insurance policies in voluminous Attachment Staff 2-7(i), being provided in electronic file-format on CD.
- ii. Coverage A. Insuring Agreement—Liability for Monetary Damages; Coverage B. Insuring Agreement—Defense Expenses for Injunctive Relief. Please see Attachment Staff 2-7(ii).
- iii. Requesting full coverage, though there is not a specific amount yet as the claim is still being litigated.
- iv. None.
- v. WOWSC is currently challenging its denial of insurance coverage. Attachment Staff 2-7(ii) outlines each of the insurer's claimed exclusions, along with an explanation as to why these do not apply.

Prepared by: Joe Gimenez
Sponsored by: Joe Gimenez



PACKAGE POLICY





NOTICE TO POLICYHOLDER

Allied Public Risk, LLC, in conjunction with our carrier partner, Allied World Assurance Company (U.S.) Inc. or affiliate company, is committed to helping you prevent general liability and commercial auto liability losses and control insurance related costs. As your partner in risk control and accident reduction, the following services are available to you:

- Risk control education and safety training materials
- On-site evaluations to identify hazards and help you minimize claims
- Annual loss information regarding your business and auto policy

At your request, we will provide the following additional services:

- Research and evaluate your company's liability and commercial auto experience and make recommendations help you reduce losses
- Conduct on-site liability safety surveys to detect physical hazards and make recommendations to control those hazards
- Help you develop effective accident investigation procedures
- Review written safety programs and help you establish necessary written procedures

We use a tailored approach to meet your particular needs or situation. To find out more about our services please contact us at:

Allied Public Risk LLC
4507 North Front Street
Suite 200
Harrisburg, PA 17110
415-297-6478
sbryant@alliedpublicrisk.com



A FAIRFAX Company

Allied World Specialty Insurance Company
 1690 New Britain Ave, Suite 101
 Farmington, CT 06032
 (860) 284-1300

Common Policy DECLARATIONS

WATERPLUS

POLICY NUMBER: 5105-0560-06	POLICY PERIOD: From 3/17/2019 to 3/17/2020
Replacement Number: N/A	at 12:01 a.m. Standard Time at the mailing address below

NAMED INSURED AND MAILING ADDRESS:	PROGRAM MANAGER NAME AND ADDRESS:
Windermere Oaks Water Supply Corporation 424 Coventry Road Spicewood, TX 78669	Allied Public Risk, LLC 4507 North Front Street, Suite 200 Harrisburg, PA 17110

BUSINESS DESCRIPTION: Special District

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS AND CONDITIONS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

THIS POLICY CONSISTS OF THE FOLLOWING COVERAGE PARTS FOR WHICH A PREMIUM IS INDICATED. THIS PREMIUM MAY BE SUBJECT TO ADJUSTMENT.

	PREMIUM
Property Coverage Form \$	7,778.00
Commercial Crime Coverage Form \$	288.00
Commercial General Liability Coverage Form \$	4,667.00
Public Officials and Management Liability Coverage Form \$	875.00
Terrorism \$	107.00
TOTAL PREMIUM: \$	13,715.00

FORMS APPLICABLE TO ALL COVERAGE PARTS SHOWN BELOW:

WA-IL 00002 00 (07/15), FORMS LOB 02 10, WA-IL 00003 00 (03/12), WA-IL 00004 42 (03/12), WA-IL 00005 00 (02/15), WA-IL 00006 00 (03/12), WA-IL 00007 00 (03/12), WA-IL 00008 00 (02/15), WA-IL 00010 00 (03/12), WA-IL 00010 00 (03/12), WA-IL 00010 00 (03/12), WA-IL 00024 42 (07/15), WA-PR 00002 00 (07/15), WA-PR 00003 00 (03/12), WA-PR 00005 00 (03/12), WA-PR 00008 00 (02/15), WA-PR 00016 00 (03/12), WA-PR 00017 00 (03/12), WA-PR 00029 42 (03/12), WA-CR 00002 00 (07/15), WA-CR 00003 00 (03/12), WA-CR 00004 00 (03/12), WA-GL 00002 00 (07/15), WA-GL 00003 00 (03/12), WA-GL 00005 42 (03/12), WA-GL 00006 00 (03/12), WA-GL 00013 00 (03/12), WA-GL 00014 00 (03/12), WA-GL 00022 00 (02/15), WA-GL 00041 42 (07/15), WA-GL 00051 00 (08/16), WA-PO 00004 00

WA-IL 00002 00 (07/15)

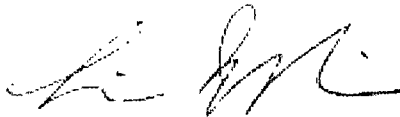
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Page 1 of 2

(07/15), WA-PO 00006 00 (03/12), WA-PO 00014 00 (03/12), WA-PO 00028 00 (08/16), WA-PO 00030 00 (08/16)

THESE DECLARATIONS TOGETHER WITH THE COMMON POLICY CONDITIONS, COVERAGE FORM DECLARATIONS, COVERAGE FORMS, AND FORMS AND ENDORSEMENTS, IF ANY, ISSUED TO FORM A PART THEREOF, COMPLETE THE ABOVE NUMBERED POLICY.

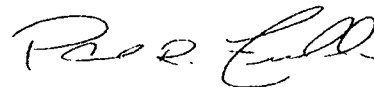
In Witness Whereof, the Insurer has caused this policy to be executed and attested, but this policy shall not be valid unless countersigned by a duly authorized representative of the Insurer.



President



Secretary



AUTHORIZED REPRESENTATIVE

Schedule of Forms

Named Insured: Windermere Oaks Water Supply Corporation

Policy No: 5105-0560-06

Allied World Specialty Insurance Company

Water Plus Package

Form Name	Form Number
Texas LC Letter	
COMMON POLICY DECLARATIONS	WA-IL 00002 00 (07/15)
SCHEDULE OF FORMS LOB	FORMS LOB 02 10
Common Policy Conditions	WA-IL 00003 00 (03/12)
TX Changes Canc and Nonrenew Casualty and Package	WA-IL 00004 42 (03/12)
Disclosure Pursuant To Terrorism Risk Insurance Act	WA-IL 00005 00 (02/15)
Nuclear Energy Liability Exclusion	WA-IL 00006 00 (03/12)
Anti-Stacking of Limits	WA-IL 00007 00 (03/12)
Terrorism	WA-IL 00008 00 (02/15)
General Change Endorsement 25k	WA-IL 00010 00 (03/12)
General Change Endorsement Flood AE	WA-IL 00010 00 (03/12)
General Change Endorsement - Clarify RC vs. ACV for Mobile Equipment	WA-IL 00010 00 (03/12)
TX IMPORTANT NOTICE	WA-IL 00024 42 (07/15)

Property

Form Name	Form Number
PROPERTY COVERAGE FORM SUPPLEMENTAL DECLARATIONS	WA-PR 00002 00 (07/15)
Property Coverage Form	WA-PR 00003 00 (03/12)
Loss Payable Provisions	WA-PR 00005 00 (03/12)
Cap on Losses from Certified Acts of Terrorism	WA-PR 00008 00 (02/15)
Flood Endt	WA-PR 00016 00 (03/12)
Earthquake Endt	WA-PR 00017 00 (03/12)
TX Changes	WA-PR 00029 42 (03/12)

Crime

Form Name	Form Number
COMMERCIAL CRIME COVERAGE FORM SUPPLEMENTAL DECLARATIONS	WA-CR 00002 00 (07/15)
Crime Coverage Form	WA-CR 00003 00 (03/12)
Faithful Performance	WA-CR 00004 00 (03/12)

General Liability

Form Name	Form Number
Commercial General Liability Coverage Form Supplemental Declarations	WA-GL 00002 00 (07/15)
General Liability Coverage Form	WA-GL 00003 00 (03-12)
TX Changes	WA-GL 00005 42 (03/12)
Blanket A I	WA-GL 00006 00 (03/12)
Fellow Employee Endorsement	WA-GL 00013 00 (03/12)
Per Location Aggregate Limit Endorsement	WA-GL 00014 00 (03/12)
Terrorism GL Cap on Losses from Cert Acts	WA-GL 00022 00 (02/15)
TEXAS DISCLOSURE FORM	WA-GL 00041 42 (07/15)
Exclusion – Access to or Disclosure of Confidential or Personal Information, Data-Related Liability and Internet	WA-GL 00051 00 (08/16)

Attachment HG-3

Public Officials Management Liability

Form Name	Form Number
PUBLIC OFFICIALS AND MANAGEMENT LIABILITY WITH EMPLOYMENT PRACTICES AND EMPLOYEE BENEFITS COVERAGE FORM (CLAIMS-MADE) SUPPLEMENTAL DECLARATIONS	WA-PO 00004 00 (07/15)
Public Officials Claims Made Coverage Form	WA-PO 00006 00 (03/12)
Employment Practices Exclusion	WA-PO 00014 00 (03/12)
Privacy Liability and Network Risk Coverage	WA-PO 00028 00 (08/16)
Schedule of Services (PRIV)	WA-PO 00030 00 (08/16)

COMMON POLICY CONDITIONS

WATER PLUS

**THE FOLLOWING CONDITIONS ARE INCLUDED UNDER EACH COVERAGE FORM
WHICH IS PART OF THE POLICY, UNLESS OTHERWISE STATED.**

A. Cancellation

1. The first Named Insured may cancel this policy or any of its individual coverages at any time by sending us a written request or by returning the policy and stating when thereafter cancellation is to take effect.
2. We may cancel this policy or any of its individual coverages at any time by sending to the first Named Insured written notice of cancellation at least:
 - a. 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
 - b. 60 days before the effective date of cancellation if we cancel for any other reason.
3. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.
4. Notice of cancellation will state the effective date of the cancellation. The policy period will end on that date.
5. If this policy is cancelled, we will send the first Named Insured any premium refund due. The earned premium will be computed on a pro rata basis. Any unearned premium will be returned as soon as practicable.
6. If notice of cancellation is mailed, proof of mailing will be sufficient proof of notice.

B. Changes

This policy can only be changed by a written endorsement that becomes part of this policy. The endorsement must be signed by one of our authorized representatives.

C. Compliance By Insureds

We have no duty to provide coverage under this policy unless you and any other involved insured have fully complied with all of the terms and conditions of the policy.

D. Compliance with Applicable Trade Sanctions

This insurance does not apply to the extent that trade or economic sanctions or other laws or regulations prohibit us from providing insurance.

E. Conformance

Any terms of this insurance which are in conflict with the applicable statutes of the State in which this policy is issued are amended to conform to such statutes.

F. Examination of Your Books and Records

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

G. First Named Insured

The person or organization first named in the Declarations is primarily responsible for payment of all premiums. The first Named Insured will act on behalf of all other Named Insureds for the giving and receiving of notice of cancellation or non-renewal and the receiving of any return premiums that become payable under this policy.

H. Inspections and Surveys

We may:

1. make inspections and surveys at any time;
2. give you reports on the conditions we find; and
3. recommend changes.

Any inspections, surveys, reports or recommendations relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for health or safety of workers or the public. And we do not warrant that conditions:

1. are safe or healthful; or
2. comply with laws, regulations, codes or standards.

This condition applies not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations for us.

I. Titles of Paragraphs

The titles of the various paragraphs of this policy and endorsements, if any, attached to this policy are inserted solely for convenience or reference and are not to be deemed in any way to limit or affect the provisions to which they relate.

J. Transfer of Rights and Duties

Your rights and duties under this insurance may not be transferred without our written consent. However, if you die, then your rights and duties will be transferred to your legal representative, but only while acting within the scope of duties as your legal representative, or to anyone having temporary custody of your property until your legal representative has been appointed.

K. When We Do Not Renew

If we decide not to renew this policy, we will mail or deliver to the first Named Insured stated in the Declarations written notice of the non-renewal not less than 60 days before the expiration date. If notice of non-renewal is mailed, proof of mailing will be sufficient proof of notice.

L. Deductible Waiver

If a covered loss involves multiple policies, Coverage Forms or Coverages within a Coverage Form issued to you by us, only one deductible, the largest, will be applied. The deductible under the other policies or Coverage Forms will be waived.

TEXAS CHANGES – CANCELLATION AND NONRENEWAL PROVISIONS FOR CASUALTY LINES AND COMMERCIAL PACKAGE POLICIES

THIS ENDORSEMENT CHANGES THE POLICY.

PLEASE READ IT CAREFULLY.

THIS ENDORSEMENT MODIFIES THE FOLLOWING FORM:

COMMON POLICY CONDITIONS

Paragraph 2. of the **Cancellation** Common Policy Condition is replaced by the following:

2. We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation, stating the reason for cancellation, at least 10 days before the effective date of cancellation.

However if this policy covers a condominium association, and the condominium property contains at least one residence or the condominium declarations conform with the Texas Uniform Condominium Act, then the notice of cancellation, as described above, will be provided to the First Named Insured 30 days before the effective date of cancellation. We will also provide 30 days' written notice to each unit-owner to whom we issued a certificate or memorandum of insurance, by mailing or delivering the notice to each last mailing address known to us

The permissible reasons for cancellation are as follows:

- a. If this policy has been in effect for 60 days or less, we may cancel for any reason except, that under the provisions of the Texas Insurance Code, we may not cancel this policy solely because the policyholder is an elected official.
- b. If this policy has been in effect for more than 60 days, or if it is a renewal or continuation of a policy issued by us, we may cancel only for one or more of the following reasons.
 - (1) Fraud in obtaining coverage;
 - (2) Failure to pay premiums when due;
 - (3) An increase in hazard within the control of the insured which would produce an increase in rate;
 - (4) Loss of our reinsurance covering all or part of the risk covered by the policy; or
 - (5) If we have been placed in supervision, conservatorship or receivership and the cancellation is approved or directed by the supervisor, conservator or receiver.

The following condition is added and supersedes any provision to the contrary:

NONRENEWAL

1. We may elect not to renew this policy except, that under the provisions of the Texas Insurance Code, we may not refuse to renew this policy solely because the policyholder is an elected official.
2. This Paragraph, 2., applies unless the policy qualifies under Paragraph 3. below

If we elect not to renew this policy, we may do so by mailing or delivering to the first Named Insured, at the last mailing address known to us, written notice of nonrenewal, stating the reason for nonrenewal, at least 60 days before the expiration date. If notice is mailed or delivered less than 60 days before the expiration date, this policy will remain in effect until the 61st day after the date on which the notice is mailed or delivered. Earned premium for any period of coverage that extends beyond the expiration date will be computed pro rata based on the previous year's premium.

3. If this policy covers a condominium association, and the condominium property contains at least one residence or the condominium declarations conform with the Texas Uniform Condominium Act, then we will mail or deliver written notice of nonrenewal, at least 30 days before the expiration or anniversary date of the policy, to:
 - a. The first Named Insured; and

- b. Each unit-owner to whom we issued a certificate or memorandum of insurance.
We will mail or deliver such notice to each last mailing address known to us.
- 4. If notice is mailed, proof of mailing will be sufficient proof of notice.
- 5. The transfer of a policyholder between admitted companies within the same insurance group is not considered a refusal to renew.

DISCLOSURE PURSUANT TO TERRORISM RISK INSURANCE ACT

**THIS ENDORSEMENT IS ATTACHED TO AND MADE PART OF YOUR POLICY IN
RESPONSE TO THE DISCLOSURE REQUIREMENTS OF THE TERRORISM RISK
INSURANCE ACT.**

**THIS ENDORSEMENT DOES NOT GRANT ANY COVERAGE OR CHANGE THE TERMS
AND CONDITIONS OF ANY COVERAGE UNDER THE POLICY.**

SCHEDULE**Terrorism Premium (Certified Acts) \$107**

This premium is the total Certified Acts premium attributable to the following Coverage Part(s), Coverage Form(s) and/or Policy(s):

Additional information, if any, concerning the terrorism premium:

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

A. Disclosure Of Premium

In accordance with the federal Terrorism Risk Insurance Act, as amended, (the "Act"), we are required to provide you with a notice disclosing the portion of your premium, if any, attributable to coverage for terrorist acts certified under the Terrorism Risk Insurance Act, as defined in Section 102(1) of the Act. The portion of your premium attributable to such coverage is shown in the Schedule of this endorsement or in the policy Declarations.

B. Disclosure Of Federal Participation In Payment Of Terrorism Losses

The United States Government, Department of the Treasury, will pay a share of terrorism losses for losses caused by a Certified Act of Terrorism under a formula established by federal law. However, your policy may contain other exclusions that might affect coverage, such as an exclusion for nuclear events. Under the formula, the United States Government will generally reimburse 85% through 2015; 84% beginning on January 1, 2016; 83% beginning on January 1, 2017; 82% beginning on January 1, 2018; 81% beginning on January 1, 2019; and 80% beginning on January 1, 2020, of covered terrorism losses exceeding the statutorily established deductible that must be met by the Company, and which deductible is based on a percentage of the Company's direct earned premiums for the year preceding the Certified Act of Terrorism. However, if aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a Calendar Year, the Treasury shall not make any payment for any portion of the amount of such losses that exceeds \$100 billion.

C. Cap On Insurer Participation In Payment Of Terrorism Losses

If aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a Calendar Year and we have met our insurer deductible under the Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

NUCLEAR ENERGY LIABILITY EXCLUSION (BROAD FORM)

THIS ENDORSEMENT CHANGES THE POLICY.

PLEASE READ IT CAREFULLY.

The following Exclusion is added:

A. Nuclear Energy

The insurance does not apply:

1. Under any Liability Coverage, to "bodily injury", "property damage", "injury" or "liability":
 - a. With respect to which an "insured" under the policy is also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters, Nuclear Insurance Association of Canada or any of their successors, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability; or
 - b. Resulting from the "hazardous properties" of "nuclear material" and with respect to which (a) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (b) the "insured" is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization.
2. Under any Medical Payments coverage, to expenses incurred with respect to "bodily injury" resulting from the "hazardous properties" of "nuclear material" and arising out of the operation of a "nuclear facility" by any person or organization.
3. Under any Liability Coverage, to "bodily injury", "property damage", "injury" or "liability" resulting from "hazardous properties" of "nuclear material", if:
 - a. The "nuclear material" (a) is at any "nuclear facility" owned by, or operated by or on behalf of, an "insured" or (b) has been discharged or dispersed therefrom;
 - b. The "nuclear material" is contained in "spent fuel" or "waste" at any time possessed, handled, used, processed, stored, transported or disposed of, by or on behalf of an "insured"; or
 - c. The "bodily injury" or "property damage" arises out of the furnishing by an "insured" of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any "nuclear facility", but if such facility is located within the United States of America, its territories or possessions or Canada, this exclusion (3) applies only to "property damage" to such "nuclear facility" and any property thereat.

As used in this endorsement:

1. "**Hazardous properties**" includes radioactive, toxic or explosive properties.
2. "**Nuclear material**" means "source material", "special nuclear material" or "by-product material".
3. "**Source material**", "special nuclear material", and "by-product material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof.
4. "**Spent fuel**" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a "nuclear reactor".

5. **"Waste"** means any waste material **(a)** containing "by-product material" other than the tailings or wastes produced by the extraction or concentration of uranium or thorium from any ore processed primarily for its "source material" content, and **(b)** resulting from the operation by any person or organization of any "nuclear facility" included under the first two paragraphs of the definition of "nuclear facility"
6. **"Nuclear facility"** means:
 - a. Any "nuclear reactor";
 - b. Any equipment or device designed or used for
 - (1) separating the isotopes of uranium or plutonium,
 - (2) processing or utilizing "spent fuel", or
 - (3) handling, processing or packaging "waste";
 - c. Any equipment or device used for the processing, fabricating or alloying of "special nuclear material" if at any time the total amount of such material in the custody of the "insured" at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235;
 - d. Any structure, basin, excavation, premises or place prepared or used for the storage or disposal of "waste";and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations.
7. **"Nuclear reactor"** means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material.
8. **"Property damage"** includes all forms of radioactive contamination of property

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

ANTI-STACKING OF LIMITS
THIS ENDORSEMENT CHANGES THE POLICY.
PLEASE READ IT CAREFULLY.

If any claim and / or suit gives rise to coverage under this Coverage Form, and / or any other Coverage Form(s) or Policy(ies) issued by the company or any of its affiliates; the maximum limit of liability for all loss under this Coverage Form and / or the other Coverage Form(s) or Policy(ies) combined shall not exceed the largest single applicable limit of liability under any of the Coverage Form(s) or Policy(ies). The Limits of Liability under this Coverage Form shall be reduced, and may be exhausted, by payments under this Coverage Form and / or payments under the other Coverage Form(s) or Policy(ies).

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

TERRORISM**THIS ENDORSEMENT CHANGES THE POLICY.****PLEASE READ IT CAREFULLY.****THIS ENDORSEMENT MODIFIES INSURANCE PROVIDED UNDER THE FOLLOWING:****PROPERTY COVERAGE FORM****COMMERCIAL GENERAL LIABILITY COVERAGE FORM**

Your policy contains coverage for certain losses caused by terrorism. We are required to notify you of the portion of the premium, if any, attributable to the coverage for terrorist acts certified under the Terrorism Risk Insurance Act, as amended (hereinafter "The Act"). The Act also requires us to provide disclosure of federal participation in payment of terrorism losses resulting from an "act of terrorism" as defined by **Section 102(1)** of the Act.

Section 102(1) of the Terrorism Risk Insurance Act defines the term "act of terrorism" as any act that is certified by the Secretary of the Treasury of the United States – in consultation with the Secretary of Homeland Security and the Attorney General of the United States – to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion. Please be advised that the actual coverage provided by your Policy for acts of terrorism, as is true for all coverages, is limited by terms, conditions, exclusions, limits, other provisions of your Policy, any endorsements to the Policy and generally applicable rules of law.

YOU SHOULD KNOW THAT WHERE COVERAGE IS PROVIDED BY THIS POLICY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM SUCH LOSSES MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. UNDER THIS FORMULA, THE UNITED STATES GOVERNMENT GENERALLY REIMBUSES 85% THROUGH 2015; 84% BEGINNING ON JANUARY 1, 2016; 83% BEGINNING ON JANUARY 1, 2017; 82% BEGINNING ON JANUARY 1, 2018; 81% BEGINNING ON JANUARY 1, 2019; AND 80% BEGINNING ON JANUARY 1, 2020, OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE THAT MUST BE MET BY THE COMPANY, AND WHICH DEDUCTIBLE IS BASED ON A PERCENTAGE OF THE COMPANY'S DIRECT EARNED PREMIUMS FOR THE YEAR PRECEDING THE CERTIFIED ACT OF TERRORISM. THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

YOU SHOULD ALSO KNOW THAT THE TERRORISM RISK INSURANCE ACT, AS AMENDED, CONTAINS A \$100 BILLION CAP THAT LIMITS U.S. GOVERNMENT REIMBURSEMENT AS WELL AS INSURERS' LIABILITY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM WHEN THE AMOUNT OF SUCH LOSSES IN ANY ONE CALENDAR YEAR EXCEEDS \$100 BILLION, YOUR COVERAGE MAY BE REDUCED.

The Additional Premium for coverage for Terrorist Acts certified under the Act is Included

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

GENERAL CHANGE**THIS ENDORSEMENT CHANGES THE POLICY.****PLEASE READ IT CAREFULLY.****PREMIUM CHARGE: \$ N/A****COVERAGE PARTS AFFECTED: Property Coverage Form****DESCRIPTION OF CHANGE(S): Stipulating the deductible that applies to WA-PR 00017 00 (03-12), Earthquake Endorsement/Earth Movement Clarification per Proposal****FORMS ADDED: N/A****FORMS DELETED: N/A****FORMS AMENDED: WA-PR 00002 00, Property Coverage Form Supplemental Declarations.**

Earthquake Deductible = \$25,000 (per occurrence). Earth movement associated with non-seismic activity is hereby excluded.

Countersigned: 3/19/2019
Date

By: 
Authorized Representative

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

GENERAL CHANGE
THIS ENDORSEMENT CHANGES THE POLICY.
PLEASE READ IT CAREFULLY.

PREMIUM CHARGE: \$ Incl

COVERAGE PARTS AFFECTED: Property Coverage Form

DESCRIPTION OF CHANGE(S): Offer Limited Flood Coverage for Zone AE.

FORMS ADDED: N/A

FORMS DELETED: N/A

FORMS AMENDED: WA-PR 00002 00 (7/15), WA-PR 00016 00 (03/12).

The following flood limit(s)/deductible(s) applies to scheduled locations in Zone AE:

Flood Limit of Insurance – Each Occurrence:	\$1,000,000
Flood Limit of Insurance – Annual Aggregate:	\$1,000,000
*Flood Deductible \$:	\$25,000 (Per Occurrence)
*Flood Deductible %:	5% (Per Damaged Structure/Per Occurrence)

***The greater of the deductibles will be applied.**

Countersigned: _____
Date


By: _____
Authorized Representative

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

GENERAL CHANGE**THIS ENDORSEMENT CHANGES THE POLICY.****PLEASE READ IT CAREFULLY.****PREMIUM CHARGE:****COVERAGE PARTS AFFECTED:** Property Coverage Form**DESCRIPTION OF CHANGE(S):** Clarifying RC vs. ACV for Mobile Equipment (Same Insured)**FORMS ADDED:** N/A**FORMS DELETED:** N/A**FORMS AMENDED:** WA-PR 00003 00 (03-12) – Property Coverage Form.**Replacement Cost Valuation applies to Mobile Equipment when requested on ACORD or Mobile Equipment Statement of Values. Otherwise, valuation is Actual Cash Value.****Countersigned:****By:****Date****Authorized Representative****ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.**

IMPORTANT NOTICE

To obtain information or make a complaint:

You may contact Timothy Curry, Deputy General Counsel, U.S. Insurance Operations at (860) 284-1366.

You may call Allied World Specialty Insurance Company's toll-free telephone number for information or to make a complaint at:

1-877-873-6374

You may also write to Allied World Specialty Insurance Company at:

Allied World Specialty Insurance Company
1690 New Britain Ave, Suite 101
Farmington, Connecticut 06032
Attn: Timothy Curry

You may contact the Texas Department of Insurance to obtain information on companies, coverages, rights or complaints at

1-800-252-3439

You may write the Texas Department of Insurance

P.O. Box 149104

Austin, TX 78714-9104

FAX # (512) 475-1771

Web: <http://www.tdi.state.tx.us>

E-mail: ConsumerProtection@tdi.state.tx.us

PREMIUM OR CLAIM DISPUTES: Should you have a dispute concerning your premium or about a claim you should contact the company first. If the dispute is not resolved, you may contact the Texas Department of Insurance.

ATTACH THIS NOTICE TO YOUR POLICY:

This notice is for information only and does not become a part or condition of the attached document.

AVISO IMPORTANTE

Para obtener informacion o para someter una queja:

Puede comunicarse con su Timothy Curry, Deputy General Counsel, U.S. Insurance Operations al (860) 284-1366.

Usted puede llamar al numero de telefono gratis de Allied World Specialty Insurance Company's para informacion o para someter una queja al:

1-877-873-6374

Usted tambien puede escribir a Allied World Specialty Insurance Company:

Allied World Specialty Insurance Company
1690 New Britain Ave, Suite 101
Farmington, Connecticut 06032
Attn: Timothy Curry

Puede comunicarse con el Departamento de Seguros de Texas para obtener informacion acerca de companias, coberturas, derechos o quejas al

1-800-252-3439

Puede escribir al Departamento de Seguros de Texas

P.O. Box 149104

Austin, TX 78714-9104

FAX # (512) 475-1771

Web: <http://www.tdi.state.tx.us>

E-mail: ConsumerProtection@tdi.state.tx.us

DISPUTAS SOBRE PRIMAS O RECLAMOS:

Si tiene una disputa concerniente a su prima o a un reclamo, debe comunicarse con el la compania primero. Si no se resuelve la disputa, puede entonces comunicarse con el departamento (TDI)

UNA ESTE AVISO A SU POLIZA:

Este aviso es solo para proposito de informacion y no se convierte en parte o condicion del documento adjunto.



Allied World Specialty Insurance Company
1690 New Britain Ave, Suite 101
Farmington, CT 06032
(860) 284-1300

PROPERTY COVERAGE FORM SUPPLEMENTAL DECLARATIONS

NAMED INSURED: Windermere Oaks Water Supply Corporation	POLICY NUMBER: 5105-0560-06
	EFFECTIVE DATE: 3/17/2019

Real Property & Business Personal Property Blanket Limit	\$ 2,260,000
Coverage Extension Blanket Limit	\$ 750,000
Mobile Equipment Limit (Scheduled – Per SOV on File with Company)	\$ 90,000
Mobile Equipment Limit (Unscheduled - \$10,000 Max Item)	\$ 50,000
Mobile Equipment Limit (Borrowed, Rented & Leased)	\$ 100,000
Policy Deductible	\$ 1,000
Mobile Equipment Deductible	500
Equipment Breakdown Deductible (above ground and less than 50 feet below ground)	\$ 1,000
Equipment Breakdown Deductible (greater than 50 feet below ground)	\$ 2,500

DESCRIPTION OF PREMISES AND COVERAGES PROVIDED: THE REAL PROPERTY & BUSINESS PERSONAL PROPERTY BLANKET LIMIT ABOVE ONLY APPLIES AT THE DESCRIBED PREMISES FOR WHICH AN ENTRY IS MAKE BELOW. THIS BLANKET LIMIT HAS BEEN ARRIVED AT BY A SCHEDULE ON FILE WITH THE COMPANY. SPECIAL CAUSES OF LOSS APPLIES.

Premise Number	Building Number	DESIGNATED PREMISES (Address, City, State, Zip Code)
		Per SOV on file with Company.

DESCRIPTION OF PREMISES AND COVERAGES PROVIDED:

Coverages included in the coverage extension blanket limit of insurance:

The following coverages are included and limited to the Coverage Extension Blanket Limit listed above:

- | | |
|------------------------------|-------------------------------------|
| ➤ “Business Income” | ➤ “Tenants Leasehold Interest Loss” |
| ➤ Extended “Business Income” | ➤ “Electronic Data” |
| ➤ “Extra Expense” | ➤ Preservation of Property |
| ➤ Civil Authority | ➤ “Commandeered Property” |

ADDITIONAL COVERAGES:

The following is only a summary of the Limits of Insurance and Additional Coverages provided by the Property Coverage Form attached to this policy. This is provided only for your reference and convenience. For the Limits of Insurance and the Additional Coverages provided by the Property Coverage Form, read the Provisions and the Coverage Forms.

<u>Property Coverages</u>	<u>Limit of Insurance</u>
Property in Transit	\$ 100,000
Pollution Remediation Expenses (Specified Cause of Loss)	\$ 250,000
Limited Coverage for "Fungus", Wet Rot or Dry Rot	\$ 25,000
"SCADA" Upgrades	\$ 100,000
New Locations or Newly Constructed Property	\$ 1,000,000
Fire Department Service Charge	\$ 5,000
"Dependent Business Premises"	\$ 250,000
Property at Other Locations	\$ 250,000
Tools and Equipment Owned by Your Employees	\$ 5,000
"Personal Effects" and Property of Others	\$ 5,000
"Outdoor Property"	\$ 25,000
Trees, Shrubs, and Plants	\$ 25,000
Non-owned Detached Trailers	\$ 5,000
Accounts Receivable	\$ 500,000
"Valuable Papers and Records"	\$ 500,000
Fire Protection Devices	\$ 2,500
Cost of Inventory or Adjustment	\$ 5,000
Utility Services – Direct Damage	\$ 250,000
Utility Services – "Business Income" and "Extra Expense"	\$ 250,000
Unintentional Errors	\$ 100,000
Contract Penalties	\$ 100,000
Arson Reward	\$ 10,000
Indoor and Outdoor Signs	\$ 25,000
"Fine Arts"	\$ 25,000
Contamination	\$ 100,000
Business Personal Property at New Locations	\$ 1,000,000
Pollution Remediation Expense (Covered Cause of Loss)	\$ 100,000
Backup/Overflow of Water from Sewer, Drain, Sump	\$ 100,000
Patterns/Dies/Molds/Forms	\$ 2,500
Ordinance or Law Provision	25% of Scheduled Limit
Debris Removal	25% of Scheduled Limit

THE COVERAGES LISTED IN THE SUMMARY ABOVE ARE PROVIDED AS EXTENSIONS OR ADDITIONS TO YOUR INSURANCE PROGRAM. OUR PAYMENT FOR LOSS OR DAMAGE UNDER THESE EXTENSIONS AND ADDITIONS IS SUBJECT TO THE DEDUCTIBLE STATED ABOVE UNLESS OTHERWISE STATED IN THE PROPERTY COVERAGE FORM.

ENDORSEMENTS ATTACHED TO THIS POLICY:

WA-PR 00002 00 (07/15)
 WA-PR 00003 00 (03/12)
 WA-PR 00005 00 (03/12)
 WA-PR 00008 00 (02/15)
 WA-PR 00016 00 (03/12)
 WA-PR 00017 00 (03/12)
 WA-PR 00029 42 (03/12)

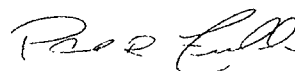
In Witness Whereof, the Insurer has caused this policy to be executed and attested, but this policy shall not be valid unless countersigned by a duly authorized representative of the Insurer.



President



Secretary



AUTHORIZED REPRESENTATIVE

PROPERTY COVERAGE FORM

PLEASE READ THIS COVERAGE FORM CAREFULLY.

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

Throughout this Coverage Form, the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us", and "our" refer to the Company stated in the Declarations as providing this insurance.

Other words and phrases that appear in quotation marks have special meanings. Refer to **SECTION VIII – DEFINITIONS** and other provisions of this Coverage Form for such meanings.

SECTION I – COVERAGES

A. Property Covered

We will pay for direct physical loss of or damage to "real property" and "business personal property" caused by or resulting from a peril not otherwise excluded, not to exceed the applicable Blanket Limit of Insurance for "real property" and "business personal property" described in the Declarations caused by or resulting from any Covered Cause of Loss.

The loss or damage to "real property" or "business personal property" must occur at, or within 1000 feet of, the premises shown in the Declarations, unless otherwise stated. This coverage applies only at those premises shown in the Declarations.

B. Property Not Covered

1. Accounts, bills, currency, food stamps or evidences of debt, "money", notes or "securities" (lottery tickets held for sale are not "securities");
2. Aircraft;
3. Animals;
4. Automobiles;
5. Bridges greater than 50 feet in length,
6. Canals, ditches, flumes or aqueducts;
7. Contraband or property in the course of illegal transportation or trade;
8. Cost of excavations, grading, backfilling or filling;
9. Cost to replace or restore the information on "valuable papers and records", including those which exist as "electronic data", except as provided for in the Coverage Extensions in **SECTION III** of this Coverage Form;
10. Dams, locks, levees, or reservoirs;
11. Electric utility power transmission and distribution lines, poles and related equipment;
12. "Electronic data", except as provided for in the Coverage Extensions in **SECTION III** of this Coverage Form;
13. Land (including land on which the property is located);
14. Lawns;
15. Foundations of buildings, structures, machinery or boilers if their foundations are below the lowest basement floor or the surface of the ground, if there is no basement;

16. 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;
17. Pump motors and engines exceeding 1000 horsepower capacity;
18. Retaining walls that are not part of a building except as provided for in the Additional Coverages in **SECTION III** of this Coverage Form;
19. Radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers while outside of buildings all except as provided for in the Additional Coverages in **SECTION III** of this Coverage Form;
20. Roadways;
21. Saltwater piers, docks, and wharves;
22. Trees, shrubs, and plants except as described in the Additional Coverages in **SECTION III** of this Coverage Form;
23. Underground flues, drains or well structures;
24. Underground piping located more than 1000 feet from premises described in the Declarations;
25. "Watercraft" greater than 50 feet in length;
26. Water

C. Covered Causes of Loss

1. When Special is shown in the Declarations, Covered Causes of Loss means risks of direct physical loss unless the loss is excluded or limited by this Coverage Form.
2. "Equipment Breakdown" is added as an additional Covered Cause of Loss for direct physical loss to covered property

SECTION II – EXCLUSIONS AND LIMITATIONS

Unless otherwise stated, these Exclusions and Limitations apply to all coverages provided in this Coverage Form, including those listed in **SECTION III – COVERAGES SPECIFIC TO WATER RELATED ENTITIES, COVERAGE EXTENSIONS, AND ADDITIONAL COVERAGES**, and to **Endorsements attached to this Coverage Form**.

- A.** 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.

1. Earth Movement

- a. Earthquake, including any earth sinking, rising or shifting related to such event; and
- b. Landslide, including any earth sinking, rising or shifting related to such event;
- c. Mine subsidence, meaning subsidence of a man-made mine, whether or not mining activity has ceased;
- d. 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 **A.1.a.** through **A.1.d.** above, results in fire or explosion, we will pay for the loss or damage caused by that fire or explosion

- e. 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".

2. 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 Form.

3. Nuclear Hazard

Nuclear reaction or radiation, or radioactive contaminations, 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

4. War and Military Action

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

5. Water

- a. Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;
- b. Mudslide or mudflow;
- c. Water under the ground surface pressing on, or flowing or seeping through:
 - (1) Foundations, walls, ceilings, floors or paved surfaces;
 - (2) Basements, whether paved or not, or
 - (3) Doors, windows or other openings.

But if water, as described in **5.a.** through **5.c.** above, results in fire, explosion, sprinkler leakage, or "equipment breakdown", we will pay for the loss or damage caused by that fire, explosion, sprinkler leakage, or "equipment breakdown".

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

- 1. Delay, loss of use or loss of market;
- 2. Smoke, vapor or gas from agricultural smudging or industrial operations;
- 3. Wear and tear,
- 4. Rust, corrosion, fungus, decay, deterioration, hidden or latent defect of any quality in property that causes it to damage or destroy itself;
- 5. Smog;
- 6. Settling, cracking, shrinking or expansion;
- 7. Nesting or infestation, or discharge or release of waste products or secretions, by insects, birds, rodents or other animals;
- 8. The following causes of loss:

- 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 **B.1.** through **B.8.** above results from 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.

- 9. 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:
 - a. You do your best to maintain heat in the building or structure; or
 - b. You drain the equipment and shut off the supply if heat is not maintained.
- 10. 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
- 11. Rain, snow, ice or sleet to "business personal property" in the open.
- 12. Collapse, except as provided for in Additional Coverages under **SECTION III** of this Coverage Form. But if collapse results from a Covered Cause of Loss at the described premises, we will pay for the loss or damage caused by that Covered Cause of Loss.
- 13. "Pollution Conditions", except as provided for in Coverages Specific to Water Related Entities under **SECTION III**. This exclusion does not apply to damage to glass caused by chemicals applied to the glass.
- 14. "Remediation Expenses", except as provided for in Coverages Specific to Water Related Entities under **SECTION III**.
- 15. Neglect of an insured to use all reasonable means to save and preserve property from further damage at and after the time of loss
- 16. Virus, bacterium or other microorganism that induces or is capable of inducing physical distress, illness or disease. However, this exclusion does not apply to loss or damage caused by or resulting from "fungus", wet rot or dry rot. Such loss or damage is addressed in a separate exclusion in this Coverage Form.
- 17. The presence, growth, proliferation, spread or any activity of "fungus" or wet rot or dry rot including loss, damage or "remediation expenses" resulting from any of these. But if "fungus", wet rot, or dry rot 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:
 - a. When "fungus", wet rot or dry rot results from fire or lightning; or
 - b. To the extent coverage is provided for in Coverages Specific to Water Related Entities under **SECTION III**.
- C. We will not pay for loss or damage caused by or resulting from any of the following. But if loss or damage results from a Covered Cause of Loss, we will pay for the resulting loss or damage.
 - 1. Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded above to produce the loss or damage.
 - 2. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.
 - 3. Faulty, inadequate or defective:
 - a. Planning, zoning, development, surveying, siting,

- b. Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
 - c. Materials used in repair, construction, renovation or remodeling; or
 - d. Maintenance;
- of part or all of any property on or off the described premises.

D. "Business Income" and "Extra Expense" Exclusions

We will not pay for:

1. 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 loss that affects your "business income" during the "period of restoration" in accordance with the terms of the Coverage Extensions in **SECTION III** of this Coverage Form.
2. Any "extra expense" caused by or resulting from "suspension", lapse or cancellation of any license, lease or contract beyond the "period of restoration".
3. Any other consequential loss

E. LIMITATIONS

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. 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.
 - b. Property that has been transferred to a person or place outside the described premises on the basis of unauthorized instructions.
 - c. Fragile articles such as statuary, marbles, chinaware and porcelains, if broken. This restriction does not apply to:
 - (1) Glass;
 - (2) Containers or property held for sale, or
 - (3) Photographic or scientific instrument lenses.
2. We will pay for loss or damage due to theft of the following types of property:
 - 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.
3. We will pay no more than **\$100,000** in any one occurrence for loss or damage caused directly or indirectly by water that backs up or overflows from a sewer, drain or sump.
4. We will pay no more than **\$100,000** in any one occurrence for loss or damage to "real property" or "business personal property" because of "contamination" as a result of a Covered Cause of Loss.

SECTION III – COVERAGES SPECIFIC TO WATER RELATED ENTITIES, COVERAGE EXTENSIONS AND ADDITIONAL COVERAGES

A. COVERAGES SPECIFIC TO WATER RELATED ENTITIES

1. Property in Transit

- a. You may extend the insurance provided by this Coverage Form to apply to the direct physical loss or damage to "business personal property" while in transit more than 1000 feet from the described premises. The direct physical loss or damage must result from a Covered Cause of Loss.
- b. We will not pay for loss or damage:
 - (1) When you are acting as a carrier for hire,
 - (2) If you have purchased separate ocean marine insurance that covers any property in transit;
 - (3) To shipment by mail, unless registered;
 - (4) To electronic data processing property; or
 - (5) To "fine arts".
- c. The most we will pay for direct loss or damage caused by this Coverage Specific to Water Related Entities is **\$100,000**.

2. "Mobile Equipment"

- a. We will pay for direct physical loss or damage to owned, borrowed, rented or leased "mobile equipment" while at any premises or in transit, caused by or resulting from a Covered Cause of Loss.
- b. In addition to the exclusions in this Coverage Form, the following exclusions apply to "mobile equipment":
 - (1) Collapse or collision of booms or jibs
 - (2) Electrical breakdown
 - (3) Mechanical breakdown
 - (4) Weight load
- c. The following Exclusions under **SECTION II – EXCLUSIONS AND LIMITATIONS** do not apply to this Coverage Specific to Water Related Entities:
 - (1) **A.1. Earth Movement**
 - (2) **A.5. Water**
- d. The most we will pay for direct loss or damage caused by this Coverage Specific to Water Related Entities is the Limit of Insurance shown in the Declarations.

3. Pollution "Remediation Expenses"

- a. We will pay "remediation expenses" you incur as a result of the actual, alleged, or threatened presence of "pollution conditions" at a premise described in the Declarations, but only if the "pollution conditions" result from a Covered Cause of Loss occurring during the policy period. However, we will not pay for any expense related to the removal of "fungus", wet rot, dry rot, virus, bacteria or asbestos.
 - (1) You must notify us within 180 days after the date of the Covered Cause of Loss.
 - (2) The most we will pay under paragraph a. of this extension in any policy period is **\$100,000**.
- b. We will pay "remediation expenses" you incur as a result of the actual, alleged, or threatened presence of "pollution conditions" at a premise described in the Declarations, but only if the

"pollution conditions" result from a "specified cause of loss" occurring during the policy period. However, we will not pay for any expense related to the removal of "fungus", wet rot, dry rot, virus, bacteria or asbestos.

- (1) You must notify us within 180 days after the date of the "specified cause of loss".
- (2) Subject to paragraph a. (2) the most we will pay under paragraph a. and paragraph b. of this extension in any policy period is **\$250,000**.

4. Limited Coverage for "Fungus", Wet Rot or Dry Rot

- a. The coverage described in 4.b. and 4.e. of this extension applies only when the "fungus", wet rot or dry rot is the result of one or more of the following causes that occurs during the policy period and only if all reasonable means were used to save and preserve the property from further damage at the time of and after that occurrence:

- (1) A "specified cause of loss" other than fire or lightning; or
- (2) Flood, but only if the optional Flood Coverage endorsement is attached.

- b. We will pay for loss or damage by "fungus", wet rot or dry rot. As used in this extension, the term loss or damage means:

- (1) Direct physical loss or damage to covered "real property" or covered "business personal property" caused by "fungus", wet rot or dry rot including the cost of removal of the "fungus", wet rot or dry rot;
- (2) The cost to tear out and replace any part of the "real property" or other property as needed to gain access to the "fungus", wet rot or dry rot; and
- (3) The cost of testing performed after removal, repair, replacement or restoration of the damaged property is completed, provided there is reason to believe that "fungus", wet rot or dry rot are present.

- c. The coverage described under 4.b. of this extension is limited to **\$25,000**. Regardless of the number of claims, this limit is the most we will pay for the total of all loss or damage arising out of all occurrences of "specified causes of loss" (other than fire or lightning) and flood (if the optional Flood Coverage endorsement is attached) which take place in a 12-month period (starting with the beginning of the present annual policy period). With respect to a particular occurrence of loss which results in "fungus", wet rot or dry rot, we will not pay more than a total of **\$25,000** even if the "fungus", wet rot or dry rot continues to be present or active, or recurs, in a later policy period
- d. The coverage provided under this extension does not increase the applicable Blanket Limit of Insurance on any covered "real property" or covered "business personal property". If a particular occurrence results in loss or damage by "fungus", wet rot or dry rot, and other loss or damage, we will not pay more, for the total of all loss or damage, than the applicable Blanket Limit of Insurance on the affected covered "real property" or covered "business personal property".

If there is covered loss or damage to covered "real property" or covered "business personal property" not caused by "fungus", wet rot or dry rot, loss payment will not be limited by the terms of this extension, except to the extent that "fungus", wet rot or dry rot causes an increase in the loss. Any such increase in the loss will be subject to the terms of this extension.

- e. **"Business Income" or "Extra Expense":**

- (1) If the loss which resulted in "fungus", wet rot or dry rot does not in itself necessitate an interruption of "operations", but such interruption is necessary due to loss or damage to property caused by "fungus", wet rot or dry rot, then our payment under "business income" and / or "extra expense" is limited to the amount of "business income" and / or "extra expense" sustained in a period of not more than 30 days. The days need not be consecutive.

- (2) If a covered interruption of "operations" was caused by loss or damage other than "fungus", wet rot or dry rot but remediation of "fungus", wet rot or dry rot prolongs the "period of restoration", we will pay for "business income" and / or "extra expense" sustained during the delay (regardless of when such a delay occurs during the "period of restoration"), but such coverage is limited to 30 days. The days need not be consecutive.

5. "SCADA" Upgrades

We will determine the amount payable for the total of all costs attributable to "SCADA" Upgrades as follows:

- (1) Determine the amount otherwise payable for scheduled "SCADA" system due to direct physical loss from a Covered Cause of Loss, excluding any increased cost attributable to the coverage that would be provided under this extension.
- (2) Add the amount of the applicable deductible to the amount determined in Paragraph (1), and multiply the sum by the 25%;
- (3) We will pay the least of the following amounts for the total of all costs attributable to "SCADA" Upgrades:
 - (a) The actual cost of covered "SCADA" Upgrades as determined in accordance with all applicable provisions of this extension;
 - (b) The amount determined in Paragraph (2); or
 - (c) **\$100,000**

Covered "SCADA" upgrades under this extension include:

- (1) The cost to upgrade to wireless systems;
- (2) The cost to upgrade to ENERGY STAR certified systems;
- (3) The cost to replace undamaged telemetry units with units compatible with new control system.

The following costs are excluded under this extension:

- (1) Security cameras;
- (2) Replacement of undamaged sensors;
- (3) The cost to move permanently installed undamaged equipment;
- (4) Any property or cost covered elsewhere in this policy.

"SCADA" means the Supervisory Control And Data Acquisition system used in water and wastewater treatment and distribution to monitor leaks, waterflow, water analysis, and other measurable items necessary to maintain operations.

B. COVERAGE EXTENSIONS

1. "Business Income"

- a. We will pay for the actual loss of "business income" you sustain due to the necessary "suspension" of your "operations" during the "period of restoration". The "suspension" must be caused by direct physical loss of or damage to covered property at the described premises in the open (or in a vehicle) within 1000 feet, caused by or resulting from any Covered Cause of Loss.

If you are a tenant, your premises is the portion of the buildings which you rent, lease, or occupy, including all routes within the building to gain access to the described premises; and your covered property in the open (or in a vehicle) within 1000 feet.

- b. We will only pay for loss of "business income" that occurs within twelve (12) consecutive months after the date of direct physical loss or damage.

- c. We will pay "ordinary payroll expenses" for up to 60 days following the date of direct physical damage or loss.
- d. The most we will pay for loss under this Coverage Extension is the Coverage Extension Blanket Limit listed in the Declarations.

No Deductible applies to this Coverage Extension.

2. Extended "Business Income"

- a. If the necessary "suspension" of your "operations" produces a "business income" loss payable by this Coverage Form, we will also pay for the actual loss of "business income" you incur during the period that:
 - (1) begins on the date property except finished "stock" held in storage or for sale is actually repaired, rebuilt or replaced and "operations" are resumed; and
 - (2) ends the earlier of the date you could restore your "operations" with reasonable speed, to the level which would generate the "business income" amount that would have existed if no direct physical loss or damage had occurred; or three hundred sixty (360) consecutive days after the date determined in (1) above.
- b. However, Extended "Business Income" does not apply to loss of "business income" incurred as a result of unfavorable business conditions caused by the impact of the Covered Cause of Loss in the area where the described premises are located. Loss of "business income" must be caused by direct physical loss or damage at the described premises caused by and resulting from any Covered Cause of Loss.
- c. The most we will pay for loss under this Coverage Extension is the Coverage Extension Blanket Limit listed in the Declarations.

No Deductible applies to this Coverage Extension.

3. "Extra Expense"

- a. We will pay necessary "extra expense" 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 at the described premises, including covered property in the open (or in a vehicle) within 1000 feet, caused by or resulting from a Covered Cause of Loss.
- b. We will only pay for "extra expense" that occurs within twelve (12) consecutive months after the date of direct physical loss or damage.
- c. The most we will pay for loss under this Coverage Extension is the Coverage Extension Blanket Limit listed in the Declarations.

No Deductible applies to this Coverage Extension.

4. Civil Authority

- a. We will pay for the necessary "extra expense" 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. The coverage for necessary "extra expense" will begin immediately after the time of that action and ends on the date access is returned or no later than 3 weeks after the denial of access.
- b. The most we will pay for loss under this Coverage Extension is the Coverage Extension Blanket Limit listed in the Declarations.

No Deductible applies to this Coverage Extension.

5. "Tenants Leasehold Interest Loss"

- a. If you are a tenant under lease at the described premises, we will pay for the "Tenants Leasehold Interest Loss" you sustain due to the cancellation of your lease. The cancellation must result from direct physical loss of or damage to property at the premises described in the Declarations caused by or resulting from any Covered Cause of Loss.
- b. The most we will pay for loss under this Coverage Extension is the Coverage Extension Blanket Limit listed in the Declarations.

6. "Electronic Data"

- a. Subject to the provisions of this Coverage Extension, we will pay for the cost to replace or restore "electronic data" which has been destroyed or corrupted by a Covered Cause of Loss. To the extent that "electronic data" is not replaced or restored, the loss will be valued at the cost of replacement of the media on which the "electronic data" was stored, with blank media of substantially identical type.
- b. The Covered Causes of Loss applicable to your "business personal property" apply to this Coverage Extension, subject to the following:
 - (1) Coverage provided for this Coverage Extension, "Electronic Data", includes collapse.
 - (2) A virus, harmful code or similar instruction introduced into or enacted on a computer system (including "electronic data") or a network to which it is connected, designed to damage or destroy any part of the system or disrupt its normal operation is included as a Covered Cause of Loss, but only with respect to the coverage provided by this Coverage Extension. There is no coverage for loss or damage caused by or resulting from manipulation of a computer system (including "electronic data") by any employee, including a temporary or leased employee, or by an entity retained by you or for you to inspect, design, install, modify, maintain, repair or replace that system.
 - (3) The most we will pay for this Coverage Extension is the Coverage Extension Blanket Limit listed in the Declarations for loss or damage sustained in any one Coverage Period, regardless of the number of occurrences of loss or damage or the number of premises, locations or computer systems involved. If loss payment on the first occurrence does not exhaust this amount, then the balance is available for subsequent loss or damage sustained in but not after that Coverage Period. With respect to an occurrence which begins in one Coverage Period and continues or results in additional loss or damage in a subsequent Coverage Period, all loss or damage is deemed to be sustained in the Coverage Period in which the occurrence began.

7. Preservation of Property

- a. 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 Covered Cause of Loss or damage to that property while it is being moved or while temporarily stored at another location but only if the loss or damage occurs within 90 days after the property is first moved.
- b. The most we will pay for loss or damage under this Coverage Extension is the Coverage Extension Blanket Limit listed in the Declarations.

8. "Commandeered Property"

- a. At your request, we will pay for direct physical loss or damage to "commandeered property" caused by or resulting from any Covered Cause of Loss. "Commandeered property" means property belonging to someone else that you commandeer, seize, borrow or take over for official use to manage an "emergency situation".
- b. Coverage for direct physical loss or damage to commandeered property applies only for the time you officially use the "commandeered property" to manage an emergency situation plus the reasonable time necessary to return the property. This extension will not apply to direct physical loss or damage occurring after the policy period.

- c. The most we will pay under this extension in any one occurrence is the least of "replacement cost" of the "commandeered property", plus loss of use covered by this extension, or the Coverage Extension Blanket Limit listed in the Declarations.

"Emergency situation" means an unexpected situation demanding an immediate official action by your entity during an emergency response.

C. ADDITIONAL COVERAGES

1. New Locations or Newly Constructed Property

We will pay for direct physical loss or damage caused by a Covered Cause of Loss to:

a. "Real Property"

- (1) Your new "real property" while being built on or off described premises and intended for use in your operations; and
- (2) "Real property" you acquire, lease or operate at locations other than the described premises, intended for:
 - (a) Similar use as the "real property" described in the Declarations
- (3) The most we will pay for direct physical loss or damage under this Additional Coverage is **\$1,000,000** at each premise.

b. "Business Personal Property"

- (1) Located at a new premise as defined in **C.1.a.** above.
- (2) The most we will pay for direct physical loss or damage under this Additional Coverage is **\$1,000,000** at each premise.

c. Insurance provided for under this Additional Coverage will end when any of the following first occurs:

- (1) This Coverage Form expires;
- (2) One-hundred and eighty (180) days expire after you acquire or begin construction at the new premise; or
- (3) You report the values to us.

d. We will charge you additional premium for values reported from the date you acquire the premises or begin construction.

2. Debris Removal

- a. 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 Coverage Period. The expenses will be paid only if they are reported to us in writing within one-hundred and eighty (180) days of the date of direct physical loss or damage.
- b. Debris Removal does not apply to costs to extract "pollutants" from land or water, or remove, restore or replace polluted land or water.
- c. Subject to the exceptions in Paragraph **d.** below, the following provisions apply:
 - (1) The most we will pay for the total of direct physical loss or damage plus debris removal expense is the Limit of Insurance applicable to the covered property that has sustained loss or damage.
 - (2) Subject to **a.** above, the amount we will pay for debris removal expense is limited to twenty-five percent (**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.

- d. We will pay up to an additional **\$50,000** 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:

- (1) The total of the actual debris removal expenses 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.
- (2) The actual debris removal expense exceeds twenty five percent (**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 **d.(1)** and / or **d.(2)** 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 **\$50,000**.

3. 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 **\$5,000** for your liability for fire department service charges assumed by contract or agreement prior to the loss or required by local ordinance.

No Deductible applies to this Additional Coverage.

4. Collapse

The coverage provided under this provision applies only to an abrupt collapse as described and limited below:

- a. For the purpose of this Additional Coverage – **Collapse**, abrupt collapse means an abrupt falling down or caving in of “real property” or any part of “real property” with the result that the “real property” or part of the “real property” cannot be occupied for its intended purpose.
- b. We will pay for loss or damage caused by or resulting from direct physical loss caused by abrupt collapse of “real property” or any part of “real property” that is insured by this Coverage Form or that contains covered property insured by this Coverage Form, if such collapse is caused by one or more of the following:
 - (1) The “specified causes of loss” or breakage of building glass, all only as insured against in this Coverage Form;
 - (2) Hidden “real property” decay; except with respect to collapse of a well-housing caused by hidden decay.
 - (3) Hidden insect or vermin damage.
 - (4) Weight of people or “business personal property”;
 - (5) Weight of rain that collects on a roof;
 - (6) Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of construction, remodeling or renovation.
- c. We will not pay for loss of or damage to the following types of property otherwise covered in this Coverage Form, under items **4.b.(2)** through **4.b.(6)** unless the loss or damage is a direct result of the collapse of “real property”.
 - (1) Awnings;
 - (2) Gutters and down spouts;
 - (3) Yard fixtures;
 - (4) Outdoor swimming pools;
 - (5) Piers, wharves and docks;

- (6) Beach or diving platforms or appurtenances;
- (7) Retaining walls; and
- (8) Walks, roadways, and other paved surfaces.

- d. This Additional Coverage does not apply to settling, cracking, shrinkage, bulging or expansion.
- e. This Additional Coverage does not increase the Blanket Limit of Insurance applying to the damaged property.

5. "Water Damage", Other Liquids, Powder or Molten Material Damage

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

- a. You do your best to maintain heat in the buildings or structure; or
- b. You drain the equipment and shut off the supply if heat is not maintained.

However, we will 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 water, liquid, or other substance escapes.

We will not cover the cost to repair the system or appliance that caused the damage, but we will pay the cost to repair or replace damage of extinguishing equipment if the damage:

- (1) results in discharge of any substance from an automatic fire protection system; or
- (2) is directly caused by freezing.

- c. This Additional Coverage does not increase the Blanket Limit of Insurance applying to the damaged property.

6. "Dependent Business Premises"

- a. We will pay for the actual "business income" loss you incur due to the actual impairment of your "operations"; and the "extra expense" you incur due to the actual or potential impairment of your "operations" during the "period of restoration".
- b. This actual or potential impairment of "operations" must be caused by or result from direct physical loss or damage from a Covered Cause of Loss to "real property" or "business personal property" of a "dependent business premises" at a "dependent business premises."
- c. The most we will pay for loss under this Additional Coverage is **\$250,000**.

7. Property at Other Locations

a. "Real Property"

- (1) Coverage provided applies to property included in the definition of "real property" in this Coverage Form while it is off premises to be cleaned, repaired, rebuilt or restored.
- (2) The most we will pay for loss or damage under this Additional Coverage is **\$250,000**.

b. "Business Personal Property"

- (1) Coverage provided applies to "business personal property" at any location you do not own, lease or operate, including but not limited to, while at exhibitions, fairs, trade shows, and conferences.
- (2) The most we will pay for direct physical damage or loss under this Additional Coverage is **\$250,000**.

8. Tools and Equipment Owned by Your Employees

- a. We will pay for direct physical loss or damage to tools and equipment owned by your employees or volunteers while at any premises or in transit, caused by or resulting from a Covered Cause of Loss provided the loss or damage occurs during the course of your "operations". If other insurance coverage is available to the owner of the tools and equipment, then this coverage will only apply to the deductible of such other coverage.
- b. The most we will pay for loss or damage under this Additional Coverage is **\$5,000**.
- c. No deductible will apply under this extension.

9. "Personal Effects" and Property of Others

- a. At your request, this insurance that applies to "business personal property" is extended to apply to:
 - (1) "Personal effects" owned by your officers, your partners, members, managers or employees; and
 - (2) Personal property of others in your care, custody or control;
- b. The most we will pay for loss or damage under this Additional Coverage is **\$5,000**

10. "Outdoor Property"

- a. The insurance provided by this Coverage Form applies to your "outdoor property" that are outside covered "real property" when the loss is caused by or results from any of the following Covered Causes of Loss:
 - (1) Fire;
 - (2) Lightning;
 - (3) Explosion;
 - (4) Riot or civil commotion;
 - (5) Aircraft;
 - (6) Smoke;
 - (7) Vehicles;
 - (8) Vandalism or malicious mischief.
- b. The most we will pay for direct physical loss or damage under this Additional Coverage is **\$25,000**. This limit applies to any one occurrence, regardless of the types or number of items damaged in that occurrence.

11. Trees, Shrubs, and Plants

- a. The insurance provided by this Coverage Form applies to your trees, shrubs, and plants that are outside covered "real property" when the loss is caused by or results from any of the following:
 - (1) Fire;
 - (2) Lightning;
 - (3) Explosion;
 - (4) Riot or Civil Commotion;
 - (5) Aircraft;
 - (6) Smoke;
 - (7) Vehicles;
 - (8) Vandalism or Malicious Mischief.

- b. The most we will pay for direct physical loss or damage under this Additional Coverage is \$25,000, but not to exceed more than \$1,000 for any one tree, shrub or plant. These limits apply to any one occurrence, regardless of the types or number of items damaged in that occurrence.

12. Non-Owned Detached Trailers

- a. The insurance provided by this Coverage Form applies to loss or damage to trailers that you do not own, provided that:
 - (1) The trailer is used in your business;
 - (2) The trailer is in your care, custody or control at the premises described in the Declarations; and
 - (3) You have the contractual responsibility to pay for loss or damage to the trailer.
- b. We will not pay for any loss or damage that occurs:
 - (1) While the trailer is attached to any motor vehicle or motorized conveyance, whether or not the motor vehicle or motorized conveyance is in motion.
 - (2) During hitching or unhitching operations, or when a trailer becomes accidentally unhitched from a motor vehicle or motorized conveyance.
- c. The most we will pay for direct physical loss or damage under this Additional Coverage is **\$5,000**.

13. Ordinance or Law Provision

- a. If a Covered Cause of Loss occurs to "real property" described in the Declarations we will pay:
 - (1) For loss or damage to the undamaged portion of such "real property" caused by enforcement of any ordinance or law that:
 - (a) Requires the demolition of parts of the same property not damaged by the Covered Cause of Loss;
 - (b) Regulates the construction or repair of "real property", or establishes zoning or land use requirements at the described premises; and
 - (c) Is in force at the time of the loss.

Coverage extended under (1) above shall not increase any Limits of Insurance provided by this Coverage Form for the "real property" damaged by a Covered Cause of Loss.
 - (2) The cost to demolish and clear the site of undamaged parts of the property caused by the enforcement of the building, zoning and land use law.
 - (3) The increased costs to repair, rebuild or construct the property caused by the enforcement of building, zoning or land use law. When the "real property" is repaired or rebuilt, it must be intended for similar occupancy as the current property, unless otherwise required by zoning or land use law.
- b. We will not pay for the increased construction costs until the property is actually repaired or replaced, at the same premises or elsewhere; and unless the repairs are made as soon as reasonably possible after the loss or damage, not to exceed two (2) years. We may extend this period in writing during the two (2) years.
- c. We will not pay under this provision 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" unless the presence of the "pollutants" is due to "specified causes of loss" and the spill originated during our Coverage Period from a loss originating on the insured premises.

- d. The most we will pay in any one loss for the Additional Coverage in (2) and (3) above for demolition and/or increased cost of construction is twenty-five percent (25%) of the Limit of Insurance shown in the Statement of Values for the scheduled "real property". Coverage provided by this provision is additional insurance and is not part of the "real property" coverage Limit of Insurance shown in the Statement of Values.

14. Accounts Receivable

- a. The insurance provided by this Coverage Form applies to your records of accounts receivable, if:
 - (1) The records are at a described premises, at a safe place away from your described premises, or in or on a vehicle in transit between described premises; and
 - (2) The records are removed from described premises to protect them from the threat of a Covered Cause of Loss.
- b. The most we will pay for direct physical loss or damage under this Additional Coverage is **\$500,000**.
- c. The amount of your accounts receivable loss includes the following as long as they are the result of a Covered Cause of Loss:
 - (1) All amounts due from your customers, clients, tenants, or a funding source that you are unable to collect;
 - (2) Interest charges on any loan required to offset amounts you are unable to collect pending payment of these amounts;
 - (3) Collection expenses in excess of your normal collection expenses that are made necessary by the loss;
 - (4) Other reasonable expenses that you incur to establish your records of accounts receivable.

15. "Valuable Papers and Records"

- a. The insurance provided by this Coverage Form applies to direct physical loss or damage to "valuable papers and records" due to a Covered Cause of Loss if it is:
 - (1) Your property or property of others that is in your care, custody or control; or
 - (2) At a described premises, at a safe place away from your described premises, or in or on a vehicle in transit between described premises.
- b. The most we will pay for direct physical loss or damage under this Additional Coverage is **\$500,000**.

16. Fire Protection Devices

- a. You may extend the insurance provided under this Coverage Form to apply to the reasonable cost to recharge or refill any fire protection devices when they have been discharged as a result of a fire or explosion.
- b. The most we will pay for loss under this Additional Coverage is **\$2,500** for all such devices discharged in any one fire or explosion.
- c. No Deductible applies to this Additional Coverage.

17. Cost of Inventory or Adjustment

- a. You may extend the insurance provided under this Coverage Form to apply to the costs you incur to make an inventory or adjustment in order to prepare your proof of loss after a Covered Cause of Loss occurs.
- b. The most we will pay for loss under this Additional Coverage is **\$5,000** per occurrence.

18. Utility Services – Direct Damage

- a. We will pay for loss of or damage to “real property” and “business personal property” covered by this Coverage Form caused by an interruption in utility service to the described premises. The interruption in utility service must result from direct physical loss or damage by a Covered Cause of Loss to the property described in Paragraph **b.** below.
- b. Utility Services Property covered:
 - (1) Water Supply Services meaning pumping stations and water mains supplying water to the described premises;
 - (2) “Communication Supply Services” including communication transmission lines (not including overhead transmission lines), fiber optic transmission lines, coaxial cables and microwave radio relays (not including satellites).
 - (3) “Power Supply Services” including utility generating plants, switching stations, substations, transformers and transmission lines (not including overhead transmission lines).
- c. Coverage provided by this provision does not apply to loss or damage to “electronic data”, including destruction or corruption of “electronic data”.
- d. The most we will pay for direct physical loss or damage under this Additional Coverage is **\$250,000.**

19. Utility Services – “Business Income” and “Extra Expense”

- a. Your coverage for “business income” and / or “extra expense”, as provided by this Coverage Form applies to a “suspension” of “operations” at covered “real property” and “business personal property” caused by an interruption in utility service to covered premises. The interruption in utility service must result from direct physical loss or damage by a Covered Cause of Loss to the property described in Paragraph **b.** below.
- b. Utility Services Property covered:
 - (1) Water Supply Services meaning pumping stations and water mains supplying water to the described premises;
 - (2) “Communication Supply Services” including communication transmission lines (not including overhead transmission lines), fiber optic transmission lines, coaxial cables and microwave radio relays (not including satellites).
 - (3) “Power Supply Services” including utility generating plants, switching stations, substations, transformers and transmission lines (not including overhead transmission lines).
- c. Coverage provided by this provision does not apply to “business income” loss or “extra expense” related to interruption in utility service which causes loss or damage to “electronic data”, including destruction or corruption of “electronic data”.
- d. The most we will pay for loss or damage under this Additional Coverage is **\$250,000.**

We will only pay for loss you sustain after the first twelve (12) hours following the direct physical loss or damage to the property described above.

20. Contract Penalties

- a. The insurance provided by this Coverage Form applies to the contract penalties you are required to pay due to your failure to deliver your product according to contract terms solely as a result of direct physical loss or damage by a Covered Cause of Loss to Covered Property
- b. The most we will pay for loss under this Additional Coverage is **\$100,000** per occurrence.

21. Arson Reward

- a. The insurance provided by this Coverage Form will provide a reward for information leading to the arrest and conviction of persons responsible for the crime of arson being committed against the insured.
- b. This Additional Coverage only applies when a covered fire is deemed suspicious or to be arson by the fire department, and only when the person responsible is convicted of the crime.
- c. The most we will pay for loss or damage under this Additional Coverage is **\$10,000**.

22. Indoor and Outdoor Signs

- a. The insurance provided by this Coverage Form applies to loss or damage to signs, inside or outside a covered building or structure.
- b. The most we will pay for direct physical loss or damage under this Additional Coverage is **\$25,000**.

23. "Fine Arts"

- a. You may extend the insurance provided under this Coverage Form to apply to "fine arts".
- b. The most we will pay for loss or damage in any one occurrence under this Additional Coverage is the Limit of Insurance listed in the Declarations under Additional Coverages. We will not pay more than **\$25,000** per item.
- c. The following exclusions are added in addition to those exclusions and limitations found in **SECTION II** of this Coverage Form, but only with respects to this Additional Coverage:
 - (1) Any repair, restoration, or retouching of the "fine arts";
 - (2) Dishonest or criminal acts by you, your employees, volunteers, agents, authorized representatives, directors, officers, or trustees, or by anyone else to whom you entrust the "fine arts" for any purpose (except a carrier or other bailee for hire);
 - (3) Delay, loss of use, loss of market, or any other consequential loss;
 - (4) Rust, corrosion, fungus, decay, deterioration, hidden or latent defects, or any quality in the "fine art" that causes it to damage or destroy itself;
 - (5) Voluntarily parting with any "fine art" and entrusting it to another, if induced to do so by any fraudulent scheme, trick, device, or false pretense;
 - (6) "Fine arts" on exhibition at any premises other than those listed in the "Schedule of Locations".
- d. The most we will pay for direct physical loss or damage under this Additional Coverage is **\$25,000** for any one item.

24. Unintentional Errors

- a. Any unintentional error or omission you make in determining or reporting values or in describing the covered property or covered location shall not void or impair coverage provided by this Coverage Form.
- b. You must, however, report such errors or omissions to us in writing as soon as you discover them.
- c. You also agree to pay such additional premiums as may be appropriate.
- d. This provision does not apply to loss or damage caused directly or indirectly by flood, earth movement or property which is otherwise insured.
- e. The most we will pay in any one occurrence is **\$100,000** regardless of the number of errors or omissions involved. This limit is in addition to the Limit of Insurance stated in the Declarations.

SECTION IV – LIMITS OF INSURANCE

- A. The most we will pay for direct physical loss to "Real Property" and "Business Personal Property" is the Blanket Limit of Insurance shown in the Declarations.
- B. The Coverage Extension Blanket Limit of Insurance shown in the Declarations is the most we will pay for all loss arising from:
1. "Business Income"
 2. Extended "Business Income";
 3. "Extra Expense";
 4. Civil Authority;
 5. "Tenants Leasehold Interest";
 6. "Electronic Data";
 7. Preservation of Property; and / or
 8. "Commandeered Property"
- C. The most we will pay for direct physical loss to **"Mobile Equipment"** under coverage provided by **A.2. of SECTION III – COVERAGES SPECIFIC TO WATER RELATED ENTITIES, COVERAGE EXTENSIONS AND ADDITIONAL COVERAGES** of the Property Coverage Form, is the Limit of Insurance shown in the Declarations.
- D. The most we will pay for the **Additional Coverages** provided by the Property Coverage Form is the Limit of Insurance shown for each coverage specified in the **ADDITIONAL COVERAGES** Section of the Declarations.

SECTION V – DEDUCTIBLE

- A. We will not pay for loss or damage in any one occurrence until the amount of the loss exceeds the Deductible shown in the Declarations. We will then pay the amount of loss or damage in excess of the Deductible up to the applicable Limits of Insurance.
- B. No Deductible applies to the following Additional Coverages.
1. Fire Department Service Charge;
 2. "Business Income";
 3. Extended "Business Income";
 4. "Extra Expense";
 5. Civil Authority;
 6. Fire Protection Devices;
 7. Tools and Equipment Owned by Your Employees
- C. **Deductible Waiver**

If a loss covered under this Coverage Form also involves a loss under Business Auto coverage issued to you by us, only one deductible, the largest, will be applied.

The deductible under the other policies or Coverage Forms will be waived.

SECTION VI – LOSS CONDITIONS

The following conditions apply in addition to the Common Policy Conditions and the Commercial Property Conditions:

A. Abandonment

There can be no abandonment of any property to us.

B. 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. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of 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 binding. Each party will:

1. Pay its chosen appraiser; and
2. Bear the other expenses of the appraisal and umpire equally.

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

C. Duties in the Event of Loss or Damage

1. You must see that the following are done in the event of loss or damage to covered property:
 - a. Notify the police if a law may have been broken.
 - b. Give us prompt notice of the loss or damage. Include a description of the property involved.
 - c. As soon as possible, give us a description of how, when and where the loss or damage occurred.
 - d. 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.
 - e. At our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.
 - f. 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.
 - g. Send us a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within sixty (60) days after our request. We will supply you with the necessary forms.
 - h. Cooperate with us in the investigation or settlement of the claim.
2. 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 an insured's books and records. In the event of an examination, an insured's answers must be signed.

D. Loss Payment

1. In the event of loss or damage covered by this Coverage Form, at our option, we will either:
 - a. Pay the value of lost or damaged property;
 - b. Pay the cost of repairing or replacing the lost or damaged property;
 - c. Take all or any part of the property with other property at an agreed or appraised value; or

- d. Repair, rebuild or replace the property with other property of like kind and quality.
- 2. We will give notice of our intentions within thirty (30) days after we receive the sworn proof of loss
- 3. We will not pay you more than your financial interest in the covered property.
- 4. A party wall is a wall that separates and is common to adjoining buildings that are owned by different parties. In settling covered losses involving a party wall, we will pay a proportion of the loss to the party wall based on your interest in the wall in proportion to the interest of the owner of the adjoining building. However, if you elect to repair or replace your building and the owner of the adjoining building elects not to repair or replace that building, we will pay you the full value of the loss to the party wall, subject to all applicable Coverage Form provisions including Limits of Insurance, the Valuation Conditions and all other provisions of this Loss Payment Condition. Our payment under the provisions of this paragraph does not alter any right of subrogation we may have against any entity, including the owner or insurer of the adjoining building, and does not alter the terms of the Transfer Of Rights Of Recovery Against Others To Us Condition.

E. Valuation

- 1. We will pay the value of covered property in the event of loss or damage as follows:
 - a. At replacement cost (without deduction for depreciation) except as provided under b. through g. below.
 - (1) You may make a claim for loss or damage covered by this insurance on an actual cash value basis. In the event you elect to have loss or damage settled on an actual cash value basis, you may still make a claim on a replacement cost basis if you notify us of your intent to do so within one-hundred and eighty (180) days after the loss or damage.
 - (2) We will not pay on a replacement cost basis for any loss or damage.
 - (a) Until the lost or damaged property is actually repaired or replaced; and
 - (b) Unless the repairs or replacement are made within two (2) years after the loss or damage.
 - (3) We will not pay more for loss or damage on a replacement cost basis than the least of:
 - (a) The cost to replace, on the same premises, the lost or damaged property with other property:
 - (i) Of comparable material and quality; and
 - (ii) Used for the same purpose.
 - (b) The amount you actually spend that is necessary to repair or replace the lost or damaged property.
 - (c) The Limit of Insurance shown in the Declarations for such property.
 - b. "Actual Cash Value" for the following property:
 - (1) "Mobile Equipment" other than tools;
 - (2) Used or second-hand merchandise held in storage or for sale.
 - (3) Household contents, except personal property in apartments or rooms furnished by you as landlord.
 - c. Glass at the cost of replacement with safety glazing material if required by law.
 - d. Tenant's Improvements and Betterments at:
 - (1) Replacement cost if you make repairs within two (2) years after the loss or damage.

- (2) A proportion of your original cost if you do not make repairs within two (2) years after the loss or damage. We will determine the proportionate value as follows:
 - (a) Multiply the original cost by the number of days from the loss to the expiration of the lease; and
 - (b) Divide the amount determined in (a) above by the number of days from the original installation of improvements 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.
- e. "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.
- f. Accounts Receivable:
 - (1) If you can not accurately establish the amount of accounts receivable outstanding as of the time of loss or damage, the following method will be used:
 - (a) Determine the total of the average monthly amounts of accounts receivable for the twelve (12) months immediately preceding the month in which the loss or damage occurs; and
 - (b) Adjust that total for any normal fluctuations in the amount of accounts receivable for the month in which the loss or damage occurred or for any demonstrated variance from the average for that month.
 - (2) The following will be deducted from the total amount of accounts receivable, however that amount is established:
 - (a) The amount of the accounts for which there is no loss or damage,
 - (b) The amount of the accounts that you are able to reestablish or collect;
 - (c) An amount to allow for probable bad debts that you are normally unable to collect; and
 - (d) All unearned interest and service charges.
- g. "Stock" you have sold but not delivered will be valued at no more than the selling price less discounts and expenses you otherwise would have had.
- h. "Business Personal Property" of Others

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.
- i. 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 you for the property. We will pay recovery expenses and the expenses to repair the recovered property, subject to the Limit of Insurance.
- j. Resumption of Operations

We will reduce the amount of your:

- (1) "Business Income" loss, other than "extra expense", to the extent you can resume your "operations", in whole or in part, by using damaged or undamaged property (including merchandise or "stock") at the described premises or elsewhere.
- (2) "Extra Expense" loss to the extent you can return "operations" to normal and discontinue such "extra expense".

k. Vacancy

If the building where loss or damage occurs has been vacant for more than sixty (60) consecutive days before that loss or damage, we will:

- (1) Not pay for any loss or damage caused by:
 - (a) Vandalism;
 - (b) Sprinkler leakage, unless you have protected the system against freezing;
 - (c) Building glass breakage;
 - (d) "Water damage",
 - (e) Theft; or
 - (f) Attempted theft.

A building is vacant when it does not contain enough "business personal property" to conduct customary "operations". Buildings under construction are not considered vacant.

l. "Fine Art"

The value will be the least of:

- (1) The market value of the "fine art";
- (2) The amount for which you are liable, if the "fine art" is the property of another;
- (3) The cost of reasonable restoration of the "fine art" to its condition immediately before the loss;
- (4) The cost of replacing the "fine art" with substantially identical "fine art"; or
- (5) The Limits of Insurance stated in **SECTION III, C.23.d.** of this Coverage Form.

F. Loss Payment

We will pay for covered loss or damage within thirty (30) days after we receive the sworn proof of loss, if:

1. You have complied with all of the terms of this Coverage Form; and
2. We have reached agreement with you on the amount of the loss or an appraisal award has been made

G. Salvaged Property

"Stock" will only be salvaged and re-introduced into the market with permission of the Named Insured.

SECTION VII – PROPERTY GENERAL CONDITIONS

A. Concealment, Misrepresentation Or Fraud

This Coverage Form is void in any case of fraud by you as it relates to this Coverage Form 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 Form;
2. The Covered Property;

3. Your interest in the Covered Property; or
4. A claim under this Coverage Form.

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

C. Insurance Under Two or More Coverages

If two or more of this policy's coverages 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 Coverage Form unless:

1. There has been full compliance with all of the terms of this Coverage Form, and
2. The action is brought within 2 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 Coverage Form without additional premium within 45 days prior to or during the policy period, the broadened coverage will immediately apply to this Coverage Form.

F. Mortgage Holders

1. The term mortgage holder includes trustee.
2. We will pay for covered loss of or damage to "real property" or structures to each mortgage holder shown in the Declarations in their order of precedence, as interests may appear.
3. The mortgage holder has the right to receive loss payment even if the mortgage holder has started foreclosure or similar action on the "buildings" or structure.
4. If we deny your claim because of your acts or because you have failed to comply with the terms of this Coverage Form, the mortgage holder will still have the right to receive loss payment if the mortgage holder.
 - a. Pays any premium due under this Coverage Form at our request if you have failed to do so;
 - b. Submits a signed, sworn proof of loss within sixty (60) days after receiving notice from us of your failure to do so; and
 - c. Has notified us of any change in ownership, occupancy or substantial change in risk known to the mortgage holder.
 - d. All of the terms of this Coverage Form will then apply directly to the mortgage holder.
5. If we pay the mortgage holder 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 Form:
 - a. The mortgage holder's rights under the mortgage will be transferred to us to the extent of the amount we pay; and
 - b. The mortgage holder's right to recover the full amount of the mortgage holder's claim will not be impaired.

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

6. If we cancel this coverage, we will give written notice to the mortgage holder at least:
 - a. Ten (10) days before the effective date of cancellation if we cancel for your nonpayment of premium; or
 - b. Thirty (30) days before the effective date of cancellation if we cancel for any other reason.
7. If we elect not to renew this coverage, we will give written notice to the mortgage holder at least ten (10) days before the expiration date of this Coverage Form.

G. No Benefit to Bailee

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

H. Other Insurance

1. You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this Coverage Form. 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 Coverage Form 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.

I. Coverage Period

Under this form, we cover loss or damage commencing:

1. During the Coverage Period shown in the Declarations; and
2. Within the "coverage territory" or, with respect to property in transit, while it is between points in the "coverage territory".

J. Transfer of Rights of Recovery Against Others to Us

If any person or organization to or for whom we make payment under this Coverage Section 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 a 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
2. After a loss to your Covered Property or Covered Income only if, at the time of loss, that party is one of the following:
 - a. Someone insured by this insurance;
 - b. A business firm owned or controlled by you or that owns or controls you; or
 - c. Your tenant

SECTION VIII – DEFINITIONS

- A. "Actual Cash Value" means the cost to repair or replace lost or damaged property at the time of loss or damage with material of like kind and quality, less allowance for each of the following:
 1. Physical deterioration;
 2. Physical depreciation;
 3. Obsolescence; and

4. Depletion

B. **"Business Income"** means the:

1. Net Income (net Profit or Loss before income taxes) that would have been earned or incurred; and
2. Continuing normal operating expenses incurred, including "ordinary payroll".

C. **"Business Personal Property"** means:

1. Property you own that is used in your business,
2. Furniture and fixtures;
3. Machinery and equipment;
4. Computer equipment;
5. Communication equipment;
6. Labor materials or services furnished or arranged by you on personal property of others;
7. "Stock";
8. Your use interest as tenant in improvements and betterments. Improvements and betterments are fixtures, alterations, installations or additions made a part of the "real property" or structure you occupy but do not own or you acquired or made at your expense, but cannot legally remove.
9. Leased personal property for which you have a contractual responsibility to insure, unless otherwise provided for under Personal Property of Others.

D. **"Communication Supply Services"** means property supplying communication services, including telephone, radio, microwave or television services, to the described premises;E. **"Contamination"** means direct damage to "real property" and "business personal property" caused by contact or mixture with ammonia, chlorine, or any chemical used in the water and / or wastewater treatment process.F. **"Coverage Territory"** means The United States of America (including its territories and possessions), Puerto Rico, and Canada.G. **"Dependent Business Premises"** means premises operated by others on whom you depend to:

1. Deliver materials or services to you or to others for your account;
2. Accept your products or services;
3. Manufacture products for delivery to your customers under contract of sale; or
4. Attract customers to your business.

"Dependent Business Premises" does not mean premises operating by others on whom you depend to:

5. Deliver utility services to you; or
6. Accept utility services from you.

H. **"Electronic Data"** means information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The term computer programs, referred to in the foregoing description of "electronic data", means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data.

- I. **"Equipment Breakdown"** means direct damage to mechanical, electrical or pressure systems as follows:
1. Mechanical breakdown including rupture or bursting caused by centrifugal force;
 2. Artificially generated electrical current, including electrical arcing, that disturbs electrical devices, appliances or wires;
 3. Explosion of steam boilers, steam piping, steam engines or steam turbines owned or leased by you, or operated under your control;
 4. Loss or damage to steam boilers, steam pipes, steam engines or steam turbines; or
 5. Loss or damage to hot water boilers or other water heating equipment;
 6. If covered electrical equipment requires drying out as a result of a flood, we will pay for the direct expenses for such drying out.
 7. None of the following are covered objects as respects to "equipment breakdown":
 - a. Insulating or refractory material;
 - b. Buried vessel or piping;
 - c. Sewer piping, piping forming a part of a fire protection system or water piping other than:
 - (1) Feed water piping between any boiler and its feed pump or injector;
 - (2) Boiler condensate return piping; or
 - (3) Water piping forming a part of refrigerating and air conditioning vessels and piping used for cooling, humidifying or space heating purposes;
 - (i) Structure, foundation, cabinet or compartment containing the object;
 - (ii) Power shovel, dragline, excavator, vehicle, aircraft, floating vessel or structure, penstock, draft tube or well-casing;
 - (iii) Conveyor, crane, elevator, escalator or hoist, but not excluding any electrical machine or electrical apparatus mounted on or used with this equipment; and
 - (iv) Felt, wire, screen, die, extrusion, late, swing hammer, grinding disc, cutting blade, cable chain, belt, rope, clutch late, brake pad, non-metallic part or any part or tool subject to frequent, periodic replacement.
- J. **"Extra Expense"** means expense (other than the expenses to repair or replace property) which are incurred:
1. To avoid or minimize the "suspension" of business and continue "operations" at the described premises or at replacement premises or at temporary locations, including relocation expenses and costs to equip and operate the replacement or temporary locations,
 2. To minimize the "suspension" of business if you cannot continue "operations".
 3. To repair or replace any property; or to research, replace or restore the lost information on damaged "valuable papers and records" if such action will reduce any loss we would pay under this insurance.
- K. **"Fine Arts"** means paintings, rare books, manuscripts, pictures, prints, etchings, drawings, tapestries, bronzes, statuary potteries, porcelains, marble and other bona fide works of art; or items of rarity or historical value.
- L. **"Fungus"** means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.
- M. **"Mobile Equipment"** means machinery or equipment, including accessories and spare parts for machinery or equipment, usual to your business. These items include, but are not limited to:

1. Forklifts;
 2. Tractors;
 3. Backhoes;
 4. Draglines,
 5. Excavators;
 6. ATVs;
 7. Tools; and
 8. Watercraft less than 50 feet in length
- N. **"Money"** means currency, coins, and banknotes in current use and having a face value, bullion, and travelers' checks, registered checks and money orders held for sale to the public.
- O. **"Operations"** means your business activities occurring at the described premises; and the tenantability of the described premises, if coverage for "business income" includes rents.
- P. **"Ordinary Payroll Expenses"** means payroll expenses for all of your employees except:
1. Officers;
 2. Executives;
 3. Department Managers; and
 4. Employees under contract
- "Ordinary Payroll expenses"** include.
5. Payroll,
 6. Employee Benefits, if directly related to payroll;
 7. FICA payments you pay;
 8. Union Dues you pay; and
 9. Workers Compensation premiums
- Q. **"Outdoor Property"** means fixed or permanent structures including but not limited to:
1. Historical markers or flagpoles;
 2. Sirens, antennas, towers, satellite dishes, or similar structures and their associated equipment or structures;
 3. Exterior signs not located at a premises;
 4. Fences or retaining walls;
 5. Storage sheds, garages, pavilions or other similar buildings or structures not located at a premises;
 6. Dumpsters, concrete trash containers, or permanent recycling bins;
 7. Hydrants; or
 8. Electric utility power transmission and distribution lines, poles and related equipment owned by the insured.
- R. **"Penstock"** means a conduit constructed of manmade materials built for the purpose of conveying water to a hydroturbine. "Penstock" does not include tunnels, canals, aqueducts or similar excavations, or the cost of these excavations, which are excavated from or consist of natural materials.
- S. **"Period of Restoration"** means the time period that:

1. Begins with the date of direct physical loss or damage caused by or resulting from any Covered Cause of Loss at the described premises; and
2. Ends on the date when the property at the described premises should be repaired, rebuilt or replaced with reasonable speed and similar quality.

"Period of Restoration" includes any increased period required to repair or reconstruct the property to comply with the minimum standards of any ordinance or law, in force at the time of loss that regulates the construction or repair, or requires the tearing down of any property.

"Period of Restoration" does not include any increased period required due to the enforcement of any ordinance or law that requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize or in any way respond to or assess the effects of "pollutants".

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

- T. "Personal effects"** means property that belongs to an individual and is devoted primarily to that individual's personal use; for example, clothing, eyeglasses, or individually owned portable equipment used in your "operations".

"Personal effects" does not include:

1. "Money" and "securities";
2. "Fine arts" or property that is rare or that has historic or artistic value, including antiques or rare articles;
3. Jewelry, (except watches);
4. Animals;
5. Aircraft or its parts, accessories and equipment;
6. "Watercraft"; or
7. Vehicles

- U. "Pollution Conditions"** means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, minerals, chemical elements and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

- V. "Power Supply Services"** means property supplying electric, steam or gas to the described premises.

- W. "Real property"** means items at a described premises including:

1. Aboveground piping;
2. Aboveground and belowground "penstock";
3. Additions under construction;
4. All appurtenant buildings or structures including restrooms;
5. Alterations and repairs to the buildings or structures;
6. Buildings,
7. Completed additions;
8. Exterior signs, meaning neon, automatic, mechanical, electric or other signs either attached to the outside of a building or structure, or standing free in the open;
9. Fixtures, including outdoor fixtures;
10. Glass which is part of a building or structure;
11. Light standards;

12. Paved surfaces such as sidewalks, patios or parking lots;
 13. Permanently installed machinery and equipment;
 14. Permanent storage tanks,
 15. Solar panels;
 16. Submersible pumps, pump motors and engines;
 17. Underground piping located on or within 1000 feet of premises described in the Declarations;
 18. Underground vaults and machinery;
 19. "Business personal property" owned by you that is used to maintain or service the "real property" or structure or its premises, including fire-extinguishing equipment; outdoor furniture, floor coverings and appliances used for refrigerating, ventilating, cooking, dishwashing or laundering;
 20. If not covered by other insurance: Additions under construction, alterations and repairs to the "real property" or structure, Material, equipment supplies and temporary structures on or within 1000 feet of the described premises, used for making additions, alterations or repairs to the "real property" or structure.
- X. "Remediation expenses"** are expenses incurred for or in connection with the investigation, monitoring,
1. removal, disposal, treatment, or neutralization of "pollution conditions" to the extent required by:
 - a. Federal, state or local laws, regulations or statutes, or any subsequent amendments thereof,
 2. enacted to address "pollution conditions"; or
 - a. A legally executed state voluntary program governing the cleanup of "pollution conditions".
- Y. "Rental Value"** means rental income less all costs that would have been incurred during the period of delay had there been no loss or damage.
- Z. "Securities"** means negotiable or non-negotiable instruments or contracts representing money or other property. It includes tokens, tickets, revenue stamps, other stamps in current use, and evidences of debt issued in connection with credit or charge cards, which cards are not issued by you. It does not include "money".
- AA. "Specified Cause 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"; and "Equipment Breakdown".
1. 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:
 - a. The cost of filling sinkholes; or
 - b. Sinking or collapse of land into man-made underground cavities other than underground wine caves.
 2. Falling objects does not include loss or damage to:
 - a. "Business Personal Property" in the open; or
 - b. 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.
 3. "Water Damage" means accidental discharge or leakage of water or steam as the direct result of the breaking apart or cracking of any part of a system or appliance (other than a sump system including its related equipment and parts) containing water or steam.

BB. "Stock" means finished goods held in storage or for sale;

CC. "Suspension" means:

1. The slowdown or cessation of your business activities; or
2. That a part or all of the described premises is rendered untenable, if coverage for "business income" including "rental value" applies.

DD. "Tenants Leasehold Interest Loss" means the increase in your monthly rent including taxes, insurance, janitorial or other services that you pay for as part of the rent, as a result of this cancellation for the number of months left in your lease subject to the maximum of twelve (12) months.

EE. "Valuable Papers and Records" means:

1. Inscribed, printed, or written documents; manuscripts; and records: including abstracts, books, deeds, drawings, films, maps, or mortgages.
2. "Valuable Papers and Records" does not mean "money" or "securities"; converted data; programs or instructions used in your data processing operations, including the materials on which the data is recorded.

FF. "Volcanic Action" means direct loss or damage resulting from the eruption of a volcano when the loss or damage is caused by:

1. Airborne volcanic blast or airborne shock waves;
2. Ash, dust or particulate matter; or
3. Lava flow.

All volcanic eruptions that occur within any one-hundred sixty-eight (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

GG. "Watercraft" means any watercraft used in your "operations", including its motor, parts, accessories and equipment.

LOSS PAYABLE PROVISIONS**THIS ENDORSEMENT CHANGES THE COVERAGE FORM.****PLEASE READ IT CAREFULLY.**

THIS ENDORSEMENT MODIFIES INSURANCE PROVIDED UNDER THE FOLLOWING:
PROPERTY COVERAGE FORM

SCHEDULE

Description of Property	Loss Payee (Name & Address)	Loss Payable	Lender's Loss Payable	Contract Of Sale
Designated insured premises listed on the SOV on file with Company	American Bank of Texas P.O. Box 1234 Sherman, TX 75091-1234		X	

The following is added to **D. Loss Payment in SECTION VI – LOSS CONDITIONS** of this Coverage Form, as indicated in the Declarations or by an "X" in the Schedule above:

LOSS PAYABLE

For covered property in which both you and a Loss Payee shown in the Schedule or in the Declarations have an insurable interest, we will:

1. Adjust losses with you; and
2. Pay any claim for loss or damage jointly to you and the Loss Payee, as interests may appear.

LENDER'S LOSS PAYABLE

1. The Loss Payee shown in the Schedule or in the Declarations is a creditor, including a mortgage holder or trustee, whose interest in covered property is established by such written instruments as:
 - a. Warehouse receipts;
 - b. A contract for deed,
 - c. Bills of lading;

- d. Financing statements; or
 - e. Mortgages, deeds of trust, or security agreements.
2. For covered property in which both you and a Loss Payee have an insurable interest:
- a. We will pay for covered loss or damage to each Loss Payee in their order of precedence, as interests may appear.
 - b. The Loss Payee has the right to receive loss payment even if the Loss Payee has started foreclosure or similar action on the Covered Property.
 - c. If we deny your claim because of your acts or because you have failed to comply with the terms of the Coverage Form, the Loss Payee will still have the right to receive loss payment if the Loss Payee:
 - (1) Pays any premium due under this Coverage Form at our request if you have failed to do so;
 - (2) Submits a signed, sworn proof of loss within sixty (60) days after receiving notice from us of your failure to do so; and
 - (3) Has notified us of any change in ownership, occupancy or substantial change in risk known to the Loss Payee.

All of the terms of this Coverage Form will then apply directly to the Loss Payee.

- d. If we pay the Loss Payee 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 Form:
 - (1) The Loss Payee's rights will be transferred to us to the extent of the amount we pay; and
 - (2) The Loss Payee's rights to recover the full amount of the Loss Payee's claim will not be impaired.

At our option, we may pay to the Loss Payee the whole principal on the debt plus any accrued interest. In this event, you will pay your remaining debt to us.

3. If we cancel this policy, we will give written notice to the Loss Payee at least:
- a. Ten (10) days before the effective date of cancellation if we cancel for your nonpayment of premium; or
 - b. Thirty (30) days before the effective date of cancellation if we cancel for any other reason.
4. If we elect not to renew this coverage, we will give written notice to the Loss Payee at least ten (10) days before the expiration date of this policy.

CONTRACT OF SALE

- 1. The Loss Payee shown in the Schedule or in the Declarations is a person or organization you have entered a contract with for the sale of covered property.
- 2. For covered property in which both you and the Loss Payee have an insurable interest we will:
 - a. Adjust losses with you; and
 - b. Pay any claim for loss or damage jointly to you and the Loss Payee, as interests may appear
- 3. The following is added to the **OTHER INSURANCE** Condition:
For covered property that is the subject of a contract of sale, the word "you" includes the Loss Payee

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

CAP ON LOSSES FROM CERTIFIED ACTS OF TERRORISM**THIS ENDORSEMENT CHANGES THE POLICY.****PLEASE READ IT CAREFULLY.****THIS ENDORSEMENT MODIFIES INSURANCE PROVIDED UNDER THE FOLLOWING:
PROPERTY COVERAGE FORM****A. Cap On Certified Terrorism Losses**

"Certified act of terrorism" means an act that is certified by the Secretary of the Treasury in accordance with the provisions of the federal Terrorism Risk Insurance Act, as amended, to be an act of terrorism pursuant such Act. The criteria contained in the Terrorism Risk Insurance Act for a "certified act of terrorism" include the following:

1. The act resulted in insured losses in excess of \$5 million in the aggregate, attributable to all types of insurance subject to the Terrorism Risk Insurance Act; and
2. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

If aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a calendar year and we have met our insurer deductible under the Terrorism Risk Insurance Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

B. Application of Exclusions

The terms and limitations of any terrorism exclusion, or the inapplicability or omission of a terrorism exclusion, do not serve to create coverage for any loss which would otherwise be excluded under this Coverage Form, such as losses excluded by the Nuclear Hazard Exclusion or the War And Military Action Exclusion.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

FLOOD COVERAGE
THIS ENDORSEMENT CHANGES THE POLICY.
PLEASE READ IT CAREFULLY.

THIS ENDORSEMENT MODIFIES INSURANCE PROVIDED UNDER THE FOLLOWING:
PROPERTY COVERAGE FORM

Inception Date of Flood Coverage Endorsement: 3/17/2019

Note: There is no coverage for a Flood that begins before or within 72 hours after this date.

Refer to Section B.2.a. of this endorsement for additional information.

Flood Coverage Basis (applies to "Real Property" and "Business Personal Property")

SCHEDULE

Flood Limit of Insurance – Each occurrence	\$2,260,000
Flood Limit of Insurance – Annual Aggregate	\$2,260,000
Flood Deductible – Each occurrence	\$25,000

Premises #	Address
	Per SOV on file with Company

This endorsement applies to covered "real property", "business personal property" and any applicable coverage extensions at the premises described in the above Schedule.

A. Additional Covered Cause of Loss

The following is added to the Covered Causes of Loss:

Flood, meaning a general and temporary condition of partial or complete inundation of normally dry land areas due to:

1. The overflow of inland or tidal waters;
2. The unusual or rapid accumulation or runoff of surface waters from any source, or

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

3. Mudslides or mudflows which are caused by flooding as defined in A.2. above. For the purpose of this Covered Cause of Loss, 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.

All flooding in a continuous or protracted event which occurs within any 168 hour period will constitute a single flood.

B. Exclusions, Limitations and Related Provisions

SECTION II - EXCLUSIONS AND LIMITATIONS of the Property Coverage Form apply to coverage provided under this endorsement except as provided below.

1. To the extent that a part of the Water Exclusion might conflict with coverage provided under this endorsement, that part of the Water Exclusion does not apply.
2. The following exclusions and limitations are added and apply to coverage under this endorsement:
 - a. We will not pay for any loss or damage caused by or resulting from any flood that begins before or within 72 hours after the inception date of this endorsement. If you request and we provide an increase in the stated Limit of Insurance for flood, the increase will not apply to loss or damage from any flood that begins before or within 72 hours after your request was made. If the flood is due to the overflow of inland or tidal waters, then the flood is considered to begin when the water first overflows its banks.
 - b. We will not pay for loss or damage caused by or resulting from destabilization of land arising from the accumulation of water in subsurface land areas
 - c. With respect to the insurance provided by this endorsement, the following property would not be considered "real property" or "business personal property": land or the cost of excavations, grading, backfilling or filling. Therefore, coverage under this endorsement does not include the cost of the remediation of land due to the sinking of land caused by or resulting from flood.
 - d. We do not cover loss or damage by flood to "business personal property" in the open.
 - e. With respect to the insurance provided by this endorsement, "real property" or "business personal property" does not include the following.
 - (1) Any property (other than property in transit and "mobile equipment") that is located within:
(Must check either "100-year flood plain" or "500-year flood plain". The "500-year flood plain" includes the "100-year flood plain".)
☒ "100-year flood plain", or
☐ "500-year flood plain",
 as determined by the Federal Emergency Management Agency (FEMA).
 - (2) Boat houses and open structures, and any property in or on the foregoing, if the structure is located on or over a body of water.
 - (3) Bulkheads, pilings, piers, wharves, docks, or retaining walls that are not part of a building.
 - (4) Property Not Covered includes any building or other property that is not eligible for flood insurance pursuant to the provisions of the Coastal Barrier Resources Act, 16 U.S.C. 3501 *et seq.* and the Coastal Barrier Improvement Act of 1990, Pub. L. 101-591, 16 U.S.C. 3501 *et seq.*
 - f. We will not pay for loss or damage caused by sewer back-up or overflow under this endorsement.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

g. The following are considered "Real Property" under this endorsement:

- (1) Foundations below the lowest basement floor or the subsurface of the ground; and
- (2) Underground pipes, flues and drains.

C. Coverage Extensions

1. Debris Removal

With respect to flood coverage, **ADDITIONAL COVERAGE C.2.** Debris Removal is not applicable and replaced by the following:

- a. We will pay your expense to remove debris of covered "real property" or "business personal property" and other debris that is on the described premises, when such debris is caused by or results from flood. However, we will not pay to remove deposits of mud or earth from the grounds of the described premises.
- b. We will also pay the expense to remove debris of covered "real property" or "business personal property" that has floated or been hurled off the described premises by flood.
- c. This coverage for Debris Removal, as set forth in C.1.a. and C.1.b. above, does not increase the applicable Limit of Insurance for flood. Therefore, the most we will pay for the total of debris removal and loss or damage to property covered by this endorsement is the Limit of Insurance for flood that applies to the property covered by this endorsement at the affected described premises covered under this endorsement.

2. Newly Acquired or Under Construction "Real Property" and Related "Business Personal Property"

With respect to flood coverage, New Locations or Newly Constructed Property (**ADDITIONAL COVERAGE C.1**) and related "Business Personal Property" is amended by adding the following:

- a. With respect to coverage, this extension does not apply to any building or structure that is not fully enclosed by walls and roof, or "business personal property" that is in the open. With respect to a property covered under this Additional Coverage, the limits of insurance
- b. stated in the Additional Coverage do not apply to flood coverage. Instead, the most we will pay for all loss or damage to property covered under this Additional Coverage is 10% of the flood Limit of Insurance for each occurrence as provided under this endorsement. Such coverage does not increase the Limit of Insurance for flood.

3. With respect to any applicable Coverage Extensions or Additional Coverages in the Property Coverage Form to which this endorsement is attached, other than those addressed in C.1. and C.2. above, amounts payable under such other provisions, as set forth therein, do not increase the Limit of Insurance for flood.

D. Limit of Insurance

1. The most we will pay for each occurrence of flood for loss or damage caused by flood is the Flood Limit of Insurance – Each Occurrence shown in the Schedule. However, in no event will we pay more than the applicable Limit of Insurance shown in the Declarations or shown in the coverage extensions.
2. The Aggregate Limit of Insurance – Flood Coverage is an annual aggregate limit and as such is the most we will pay for the total of all loss or damage that is caused by a flood in a 12-month period (starting with the beginning of the present annual policy period), even if there is more than one occurrence of flood during that period of time. Thus, if the first flood does not exhaust the applicable Limit of Insurance, then the balance of that Limit is available for a subsequent flood(s)

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

3. If an occurrence of flood begins during one annual policy period and ends during the following annual policy period, any Limit of Insurance or Annual Aggregate applicable to the following annual policy period will not apply to that flood.
4. In the event of covered ensuing loss, for example, loss caused by Fire, Explosion and / or Sprinkler Leakage which results from the flood, we will also pay for the loss or damage caused by that other covered cause of loss. But the most we will pay, for the total of all loss or damage caused by the flood and other covered causes of loss, is the Limit of Insurance applicable to such other covered causes of loss. We will not pay the sum of the two Limits.

E. Property Damage Deductible

SECTION V – DEDUCTIBLE A. of the Property Coverage Form is replaced by the following with respect to flood:

1. We will not pay for loss or damage until the amount of loss or damage exceeds the deductible shown in the Schedule. We will then pay the amount of loss or damage in excess of that Deductible, up to the applicable Limit of Insurance.
2. If flood results in another covered cause of loss and if both covered causes of loss cause loss or damage, then only the higher deductible applies (e.g., the flood deductible or the property policy deductible).

F. Other Insurance

SECTION VII – PROPERTY GENERAL CONDITIONS H. Other Insurance 2. is amended by the following with respect to the coverage provided under this endorsement:

2. If there is other insurance covering the loss, we will pay our share of the loss. Our share is the proportion that the applicable Limit of Insurance under this endorsement bears to the total of the applicable Limits of Insurance under all other such insurance. But we will not pay more than the applicable Limit of Insurance stated in the Flood Coverage Schedule.

G. DEFINITIONS

The following **Definitions** are added as respects coverage provided by this endorsement:

1. **"100-year flood plain"** means a geographic area where the water surface elevation resulting from a flood has at least a 1% chance of equaling or exceeding the elevation of that geographic area in a given year, according to FEMA. The FEMA designations for such Special Flood Hazard areas currently include A, A1 to A30, A-99, AE, AO, AH, AR, AR/A, AR/AE, AR/A1 to A30, AR/AH, AR/AO, V1 to V30, VE, and XFUT.
2. **"500-year flood plain"** means a geographic area where there is a 0.2% or greater chance of flooding in a given year, according to FEMA. The FEMA designations for such areas currently include B, XB, X500 and on a FEMA Flood Rate Map, shaded X. The term "500-year flood plain," as used in this Policy, includes the area that is within the "100-year flood plain".

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

EARTHQUAKE – VOLCANIC ERUPTION COVERAGE

THIS ENDORSEMENT CHANGES THE POLICY.

PLEASE READ IT CAREFULLY.

**THIS ENDORSEMENT MODIFIES INSURANCE PROVIDED UNDER THE FOLLOWING:
PROPERTY COVERAGE FORM**

It is agreed that **SECTION II – EXCLUSIONS AND LIMITATIONS A.1.a.** is hereby deleted.

For purposes of this Endorsement, the following Exclusions apply:

1. We will not pay for loss or damage caused directly or indirectly by tidal wave or tsunami, even if attributable to an Earthquake or Volcanic Eruption.
2. We will not pay for loss or damage caused by or resulting from any Earthquake or Volcanic Eruption that begins before the inception of this insurance.

The most we will pay for loss or damage resulting from earthquake and volcanic eruption for coverage provided by this endorsement is **\$1,000,000** each occurrence and **\$1,000,000** aggregate.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

TEXAS CHANGES

THIS ENDORSEMENT CHANGES THE POLICY.

PLEASE READ IT CAREFULLY.

THIS ENDORSEMENT MODIFIES THE FOLLOWING FORM:

PROPERTY COVERAGE FORM

- A. Paragraph 1. g. of Condition C. **Duties in the Event of Loss or Damage** of **SECTION IV – LOSS CONDITIONS** is deleted in its entirety and replaced by the following:

- g. Send us a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within ninety-one (91) days after our request. We will supply you with the necessary forms.

- B. Condition B. **Appraisal** of **SECTION IV – LOSS CONDITIONS** is deleted in its entirety and replaced by the following:

B. 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 and notify the other of the appraiser selected within twenty (20) days of such demand. The two appraisers will select an umpire. If they cannot agree within fifteen (15) days upon such umpire, either may request that selection be made by a judge of a court having jurisdiction. Each appraiser will state 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 as to the amount of loss. Each party will:

1. Pay its chosen appraiser; and
2. Bear the other expenses of the appraisal and umpire equally.

If there is an appraisal.

1. You will still retain your right to bring a legal action against us, subject to the provisions of the Legal Action Against Us Property General Condition; and
2. We will still retain our right to deny the claim.

- C. The following is added to Condition C. **Duties in the Event of Loss or Damage** of **SECTION IV – LOSS CONDITIONS**:

We will notify the first Named Insured in writing of:

- a. An initial offer to compromise or settle a claim made or "suit" brought against the insured under this coverage. The notice will be given not later than the tenth (10th) day after the date on which the offer is made.
- b. Any settlement of a claim made or "suit" brought against the insured under this coverage. The notice will be given not later than the thirtieth (30th) day after the date of the settlement.

D. Under the Condition **D. Loss Payment** of **SECTION IV – LOSS CONDITIONS**, the provisions pertaining to notice of our intentions and the time period for payment of claims are deleted and replaced by the following:

1. Claims Handling

a. Within fifteen (15) days after we receive written notice of claim, we will:

- (1) Acknowledge receipt of the claim. If we do not acknowledge receipt of the claim in writing, we will keep a record of the date, method and content of the acknowledgment;
- (2) Begin any investigation of the claim; and
- (3) Request a signed, sworn proof of loss, specify the information you must provide and supply you with the necessary forms. We may request more information at a later date, if during the investigation of the claim such additional information is necessary.

b. We will notify you in writing as to whether:

- (1) The claim or part of the claim will be paid;
- (2) The claim or part of the claim has been denied, and inform you of the reasons for denial;
- (3) More information is necessary; or
- (4) We need additional time to reach a decision. If we need additional time, we will inform you of the reasons for such need.

We will provide notification, as described in **b.(1)** through **b.(4)** above, within:

- (1) Fifteen (15) business days after we receive the signed, sworn proof of loss and all information we requested; or
- (2) Thirty (30) days after we receive the signed, sworn proof of loss and all information we requested, if we have reason to believe the loss resulted from arson.

If we have notified you that we need additional time to reach a decision, we must then either approve or deny the claim within 45 days of such notice.

2. We will pay for covered loss or damage within five business days after:

- a. We have notified you that payment of the claim or part of the claim will be made and have reached agreement with you on the amount of loss; or
- b. An appraisal award has been made.

However, if payment of the claim or part of the claim is conditioned on your compliance with any of the terms of this Coverage Part, we will make payment within five business days after the date you have complied with such terms.

The following paragraphs are added:

3. Catastrophe Claims

If a claim results from a weather related catastrophe or a major natural disaster, the claim handling and claim payment deadlines described in **E.1.** and **E.2.** above are extended for an additional 15 days.

Catastrophe or Major Natural Disaster means a weather related event which:

- a. Is declared a disaster under the Texas Disaster Act of 1975; or
- b. Is determined to be a catastrophe by the State Board of Insurance.

4. The term "business day", as used in the Loss Payment Condition, means a day other than Saturday, Sunday or a holiday recognized by the state of Texas.

E. The following is added to Condition **E. Valuation** of **SECTION IV – LOSS CONDITIONS**:

Chapter 862 – Subsection 862.053. Policy A Liquidated Demand. A fire insurance policy, in case of total loss by fire of property insured, shall be held and considered to be a liquidated demand against the Company for the full amount of such policy. This subsection does not apply to personal property

- F. Condition **D. Legal Action Against Us** of **SECTION VII – PROPERTY GENERAL CONDITIONS** is deleted in its entirety and replaced by the following:

D. Legal Action Against Us

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

1. There has been full compliance with all of the terms of this Coverage Part; and
2. The action is brought within two years and one day from the date the cause of action first accrues. A cause of action accrues on the date of the initial breach of our contractual duties as alleged in the action.

- G. Paragraphs 4. and 6. of Condition **F. Mortgage Holders** of **SECTION VII – PROPERTY GENERAL CONDITIONS** are deleted in its entirety and replaced by the following:

4. 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:
 - a. Pays any premium due under this Coverage Part at our request if you have failed to do so;
 - b. Submits a signed, sworn proof of loss within ninety-one (91) days after receiving notice from us of your failure to do so; and
 - c. Has notified us of any change in ownership, occupancy or substantial change in risk known to the mortgageholder.
 - d. All of the terms of this Coverage Part will then apply directly to the mortgageholder.

6. If this policy is cancelled, we will give the mortgageholder named in the Declarations written notice of cancellation.

If we cancel this policy, we will give written notice to the mortgageholder at least:

- a. Fourteen (14) days before the effective date of cancellation if we cancel for your nonpayment of premium; or
- b. Thirty (30) days before the effective date of cancellation if we cancel for any other reason.

If you cancel the policy, we will give the mortgageholder notice of cancellation to be effective on the date stated in the notice. The date of cancellation cannot be before the tenth (10th) day after the date we mail the notice.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.



A FAIRFAX Company

Allied World Specialty Insurance Company
 1690 New Britain Ave, Suite 101
 Farmington, CT 06032
 (860) 284-1300

COMMERCIAL CRIME COVERAGE FORM SUPPLEMENTAL DECLARATIONS

NAMED INSURED: Windermere Oaks Water Supply Corporation	POLICY NUMBER: 5105-0560-06
	EFFECTIVE DATE: 3/17/2019

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS COVERAGE FORM, WE AGREE TO PROVIDE THE INSURANCE AS STATED IN THIS COVERAGE FORM.

SCHEDULE OF CRIME COVERAGE

Insuring Agreement	Limit of Insurance	Deductible Amount
Employee Theft (includes Faithful Performance)	\$ 100,000 per Occurrence	\$ 1,000 per Occurrence
Forgery or Alteration	\$ 100,000 per Occurrence	\$ 1,000 per Occurrence
Inside the Premises – Theft of Money & Securities	\$ 100,000 per Occurrence	\$ 1,000 per Occurrence
Inside the Premises – Robbery/Safe Burglary	\$ 5,000 per Occurrence	\$ 1,000 per Occurrence
Outside the Premises	\$ 100,000 per Occurrence	\$ 1,000 per Occurrence
Computer Fraud	\$ 100,000 per Occurrence	\$ 1,000 per Occurrence
Funds Transfer Fraud	\$ 100,000 per Occurrence	\$ 1,000 per Occurrence
Money Orders	\$ 100,000 per Occurrence	\$ 1,000 per Occurrence

ENDORSEMENTS ATTACHED TO THIS POLICY:

WA-CR 00002 00 (03/12)
 WA-CR 00003 00 (03/12)
 WA-CR 00004 00 (03/12)

EMPLOYEE BENEFIT PLAN(S) INCLUDED AS INSURED(S):

WA-CR 00002 00 (07/15)

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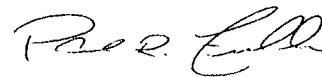
THESE DECLARATIONS, TOGETHER WITH THE COMMON POLICY CONDITIONS AND COVERAGE FORM(S) AND ANY ENDORSEMENT(S), COMPLETE THE ABOVE NUMBERED POLICY.



President



Secretary



AUTHORIZED REPRESENTATIVE

COMMERCIAL CRIME COVERAGE FORM (LOSS SUSTAINED FORM)

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

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Company providing this insurance. Other words and phrases that appear in quotation marks have special meaning. Refer to Section **F. Definitions**.

A. Insuring Agreements

Coverage is provided under the following Insuring Agreements for which a Limit of Insurance is shown in the Declarations and applies to loss that you sustain resulting directly from an "occurrence" taking place during the Policy Period shown in the Declarations, except as provided in Condition **E.1.k.** or **E.1.l.**, which is "discovered" by you during the Policy Period shown in the Declarations or during the period of time provided in the Extended Period To Discover Loss Condition **E.1.g.**:

1. Employee Theft

We will pay for loss of or damage to "money", "securities" and "other property" resulting directly from "theft" committed by an "employee", whether identified or not, acting alone or in collusion with other persons.

For the purposes of this Insuring Agreement, "theft" shall also include "forgery".

2. Forgery or Alteration

a. We will pay for loss resulting directly from "forgery" or alteration of checks, drafts, promissory notes, or similar written promises, orders or directions to pay a sum certain in "money" that are:

- (1) Made or drawn by or drawn upon you; or
- (2) Made or drawn by one acting as your agent; or that are purported to have been so made or drawn.

For the purposes of this Insuring Agreement, a substitute check as defined in the Check Clearing for the 21st Century Act shall be treated the same as the original it replaced.

b. If you are sued for refusing to pay any instrument covered in Paragraph 2a., on the basis that it has been forged or altered, and you have our written consent to defend against the suit, we will pay for any reasonable legal expenses that you incur and pay in that defense. The amount that we will pay is in addition to the Limit of Insurance applicable to this Insuring Agreement.

3. Inside the Premises – Theft of Money and Securities

a. We will pay for loss of "money" and "securities" inside the "premises" or "banking premises":

- (1) Resulting directly from "theft" committed by a person present inside such "premises" or "banking premises"; or
- (2) Resulting directly from disappearance or destruction.

b. We will pay for loss from damage to the "premises" or its exterior resulting directly from an actual or attempted "theft" of "money" and "securities" if you are the owner of the "premises" or are liable for damage to it.

c. We will pay for loss of or damage to a locked safe, vault, cash register, cash box or cash drawer located inside the "premises" resulting directly from an actual or attempted "theft" of or unlawful entry into those containers.

4. Inside the Premises – Robbery or Safe Burglary of Other Property**a. We will pay for loss of or damage to “other property”:**

- (1) Inside the “premises” resulting directly from an actual or attempted “robbery” of a “custodian”; or
- (2) Inside the “premises” in a safe or vault resulting directly from an actual or attempted “safe burglary”.

b. We will pay for loss from damage to the “premises” or its exterior resulting directly from an actual or attempted “robbery” or “safe burglary” of “other property” if you are the owner of the “premises” or are liable for damage to it.**c. We will pay for loss of or damage to a locked safe or vault located inside the “premises” resulting directly from an actual or attempted “robbery” or “safe burglary”.****5. Outside the Premises****a. We will pay for loss of “money” and “securities” outside the “premises” in the care and custody of a “messenger” or an armored motor vehicle company resulting directly from “theft”, disappearance or destruction.****b. We will pay for loss of or damage to “other property” outside the “premises” in the care and custody of a “messenger” or an armored motor vehicle company resulting directly from an actual or attempted “robbery”.****6. Computer Fraud**

We will pay for loss of or damage to “money”, “securities” and “other property” resulting directly from the use of any computer to fraudulently cause a transfer of that property from inside the “premises” or “banking premises”:

- a. To a person (other than a “messenger”) outside those “premises”; or**
- b. To a place outside those “premises”.**

7. Funds Transfer Fraud

We will pay for loss of “funds” resulting directly from a “fraudulent instruction” directing a financial institution to transfer, pay or deliver “funds” from your “transfer account”.

8. Money Orders and Counterfeit Money

We will pay for loss resulting directly from your having accepted in good faith, in exchange for merchandise, “money” or services:

- a. Money orders issued by any post office, express company or bank that are not paid upon presentation; or**
- b. “Counterfeit money” that is acquired during the regular course of business.**

B. Limit of Insurance

The most we will pay for all loss resulting directly from an “occurrence” is the applicable Limit of Insurance shown in the Declarations.

If any loss is covered under more than one Insuring Agreement or Coverage, the most we will pay for such loss shall not exceed the largest Limit of Insurance available under any one of those Insuring Agreements or Coverages.

C. Deductible

We will not pay for loss resulting directly from an “occurrence” unless the amount of loss exceeds the Deductible Amount shown in the Declarations. We will then pay the amount of loss in excess of the Deductible Amount, up to the Limit of Insurance.

D. Exclusions**1. This insurance does not cover:****a. Acts Committed by You, Your Partners or Your Members**

Loss resulting from "theft" or any other dishonest act committed by:

- (1) You; or
- (2) Any of your partners or "members"; whether acting alone or in collusion with other persons.

b. Acts of Employees Learned of by You Prior to the Policy Period

Loss caused by an "employee" if the "employee" had also committed "theft" or any other dishonest act prior to the effective date of this insurance and you or any of your partners, "members", "managers", officers, directors or trustees, not in collusion with the "employee", learned of that "theft" or dishonest act prior to the Policy Period shown in the Declarations.

c. Acts of Employees, Managers, Directors, Trustees or Representatives

Loss resulting from "theft" or any other dishonest act committed by any of your "employees", "managers", directors, trustees or authorized representatives:

- (1) Whether acting alone or in collusion with other persons; or
- (2) While performing services for you or otherwise; except when covered under Insuring Agreement A.1.

d. Confidential Information

Loss resulting from:

- (1) The unauthorized disclosure of your confidential information including, but not limited to, patents, trade secrets, processing methods or customer lists; or
- (2) The unauthorized use or disclosure of confidential information of another person or entity which is held by you including, but not limited to, financial information, personal information, credit card information or similar non-public information.

e. Governmental Action

Loss resulting from seizure or destruction of property by order of governmental authority.

f. Indirect Loss

Loss that is an indirect result of an "occurrence" covered by this insurance including, but not limited to, loss resulting from:

- (1) Your inability to realize income that you would have realized had there been no loss of or damage to "money", "securities" or "other property".
- (2) Payment of damages of any type for which you are legally liable. But, we will pay compensatory damages arising directly from a loss covered under this insurance.
- (3) Payment of costs, fees or other expenses you incur in establishing either the existence or the amount of loss under this insurance.

g. Legal Fees, Costs and Expenses

Fees, costs and expenses incurred by you which are related to any legal action, except when covered under Insuring Agreement A.2.

h. Nuclear Hazard

Loss or damage resulting from nuclear reaction or radiation, or radioactive contamination, however caused.

i. Pollution

Loss or damage caused by or resulting from pollution. Pollution means the discharge, dispersal, seepage, migration, release or escape of 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.

j. War and Military Actions

Loss or damage resulting from:

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

2. Insuring Agreement A.1. does not cover:**a. Inventory Shortages**

Loss, or that part of any loss, the proof of which as to its existence or amount is dependent upon:

- (1) An inventory computation; or
- (2) A profit and loss computation.

However, where you establish wholly apart from such computations that you have sustained a loss, then you may offer your inventory records and actual physical count of inventory in support of the amount of loss claimed.

b. Trading

Loss resulting from trading, whether in your name or in a genuine or fictitious account.

c. Warehouse Receipts

Loss resulting from the fraudulent or dishonest signing, issuing, canceling or failing to cancel, a warehouse receipt or any papers connected with it.

3. Insuring Agreements A.3., A.4. and A.5. do not cover:**a. Accounting or Arithmetical Errors or Omissions**

Loss resulting from accounting or arithmetical errors or omissions.

b. Exchanges or Purchases

Loss resulting from the giving or surrendering of property in any exchange or purchase.

c. Fire

Loss or damage resulting from fire, however caused, except:

- (1) Loss of or damage to "money" and "securities"; and
- (2) Loss from damage to a safe or vault.

d. Money Operated Devices

Loss of property contained in any money operated device unless the amount of "money" deposited in it is recorded by a continuous recording instrument in the device.

e. Motor Vehicles or Equipment And Accessories

Loss of or damage to motor vehicles, trailers or semi-trailers or equipment and accessories attached to them.

f. Transfer or Surrender of Property

- (1) Loss of or damage to property after it has been transferred or surrendered to a person or place outside the "premises" or "banking premises":
 - (a) On the basis of unauthorized instructions;
 - (b) As a result of a threat to do bodily harm to any person;
 - (c) As a result of a threat to do damage to any property;
 - (d) As a result of a threat to introduce a denial of service attack into your computer system;
 - (e) As a result of a threat to introduce a virus or other malicious instruction into your computer system which is designed to damage, destroy or corrupt data or computer programs stored within your computer system;
 - (f) As a result of a threat to contaminate, pollute or render substandard your products or goods; or
 - (g) As a result of a threat to disseminate, divulge or utilize:
 - i. Your confidential information; or
 - ii. Weaknesses in the source code within your computer system.
- (2) But, this Exclusion does not apply under Insuring Agreement **A.5.** to loss of "money", "securities" or "other property" while outside the "premises" in the care and custody of a "messenger" if you:
 - (a) Had no knowledge of any threat at the time the conveyance began; or
 - (b) Had knowledge of a threat at the time the conveyance began, but the loss was not related to the threat.

g. Vandalism

Loss from damage to the "premises" or its exterior, or to any safe, vault, cash register, cash box, cash drawer or "other property" by vandalism or malicious mischief.

h. Voluntary Parting of Title to or Possession of Property

Loss resulting from your, or anyone acting on your express or implied authority, being induced by any dishonest act to voluntarily part with title to or possession of any property.

4. Insuring Agreement A.6. does not cover:**a. Credit Card Transactions**

Loss resulting from the use or purported use of credit, debit, charge, access, convenience, identification, stored-value or other cards or the information contained on such cards.

b. Funds Transfer Fraud

Loss resulting from a "fraudulent instruction" directing a financial institution to transfer, pay or deliver "funds" from your "transfer account".

c. Inventory Shortages

Loss, or that part of any loss, the proof of which as to its existence or amount is dependent upon:

- (1) An inventory computation; or
- (2) A profit and loss computation.

5. Insuring Agreement A.7. does not cover:

Computer Fraud

Loss resulting from the use of any computer to fraudulently cause a transfer of "money", "securities" or "other property".

E. Conditions

The following Conditions apply in addition to the Common Policy Conditions:

1. Conditions Applicable to All Insuring Agreements**a. Additional Premises or Employees**

If, while this insurance is in force, you establish any additional "premises" or hire additional "employees", other than through consolidation or merger with, or purchase or acquisition of assets or liabilities of, another entity, such "premises" and "employees" shall automatically be covered under this insurance. Notice to us of an increase in the number of "premises" or "employees" need not be given and no additional premium need be paid for the remainder of the Policy Period shown in the Declarations.

b. Concealment, Misrepresentation or Fraud

This insurance is void in any case of fraud by you as it relates to this insurance 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 insurance;
- (2) The property covered under this insurance;
- (3) Your interest in the property covered under this insurance; or
- (4) A claim under this insurance.

c. Consolidation – Merger or Acquisition

If you consolidate or merge with, or purchase or acquire the assets or liabilities of, another entity:

- (1) You must give us written notice as soon as possible and obtain our written consent to extend the coverage provided by this insurance to such consolidated or merged entity or such purchased or acquired assets or liabilities. We may condition our consent by requiring payment of an additional premium; but
- (2) For the first 90 days after the effective date of such consolidation, merger or purchase or acquisition of assets or liabilities, the coverage provided by this insurance shall apply to such consolidated or merged entity or such purchased or acquired assets or liabilities, provided that all "occurrences" causing or contributing to a loss involving such consolidation, merger or purchase or acquisition of assets or liabilities, must take place after the effective date of such consolidation, merger or purchase or acquisition of assets or liabilities.

d. Cooperation

You must cooperate with us in all matters pertaining to this insurance as stated in its terms and conditions.

e. Duties in the Event of Loss

After you discover a loss or a situation that may result in loss of or damage to "money", "securities" or "other property" you must:

- (1) Notify us as soon as possible. If you have reason to believe that any loss (except for loss covered under Insuring Agreement A.1. or A.2.) involves a violation of law, you must also notify the local law enforcement authorities.
- (2) Submit to examination under oath at our request and give us a signed statement of your answers.

- (3) Produce for our examination all pertinent records.
- (4) Give us a detailed, sworn proof of loss within 120 days.
- (5) Cooperate with us in the investigation and settlement of any claim.

f. Employee Benefit Plan

- (1) The "employee benefit plan(s)" shown in the Declarations (hereinafter referred to as Plan) are included as Insureds under Insuring Agreement **A.1.**
- (2) If any Plan is insured jointly with any other entity under this insurance, you or the Plan Administrator must select a Limit of Insurance for Insuring Agreement **A.1.** that is sufficient to provide a Limit of Insurance for each Plan that is at least equal to that required if each Plan were separately insured.
- (3) With respect to losses sustained or "discovered" by any such Plan, Insuring Agreement **A.1.** is replaced by the following:
We will pay for loss of or damage to "funds" and "other property" resulting directly from fraudulent or dishonest acts committed by an "employee", whether identified or not, acting alone or in collusion with other persons.
- (4) If the first Named Insured is an entity other than a Plan, any payment we make for loss sustained by any Plan will be made to the Plan sustaining the loss.
- (5) If two or more Plans are insured under this insurance, any payment we make for loss:
 - (a) Sustained by two or more Plans; or
 - (b) Of commingled "funds" or "other property" of two or more Plans; resulting directly from an "occurrence", will be made to each Plan sustaining loss in the proportion that the Limit of Insurance required for each Plan bears to the total Limit of Insurance of all Plans sustaining loss.
- (6) The Deductible Amount applicable to Insuring Agreement **A.1.** does not apply to loss sustained by any Plan.

g. Extended Period to Discover Loss

We will pay for loss that you sustained prior to the effective date of cancellation of this insurance, which is "discovered" by you;

- (1) No later than 1 year from the date of that cancellation. However, this extended period to "discover" loss terminates immediately upon the effective date of any other insurance obtained by you, whether from us or another insurer, replacing in whole or in part the coverage afforded, under this insurance, whether or not such other insurance provides coverage for loss sustained prior to its effective date.
- (2) No later than 1 year from the date of that cancellation with regard to any "employee benefit plans".

h. Joint Insured

- (1) If more than one Insured is named in the Declarations, the first Named Insured will act for itself and for every other Insured for all purposes of this insurance. If the first Named Insured ceases to be covered, then the next Named Insured will become the first Named Insured.
- (2) If any Insured, or partner, "member" or officer of that Insured has knowledge of any information relevant to this insurance, that knowledge is considered knowledge of every Insured.
- (3) An "employee" of any Insured is considered to be an "employee" of every Insured.
- (4) If this insurance or any of its coverages is cancelled as to any Insured, loss sustained by that Insured is covered only if it is "discovered" by you:

- (a) No later than 1 year from the date of that cancellation. However, this extended period to "discover" loss terminates immediately upon the effective date of any other insurance obtained by that Insured, whether from us or another insurer, replacing in whole or in part the coverage afforded under this insurance, whether or not such other insurance provides coverage for loss sustained prior to its effective date.
- (b) No later than 1 year from the date of that cancellation with regard to any "employee benefit plans".
- (5) We will not pay more for loss sustained by more than one Insured than the amount we would pay if all such loss had been sustained by one Insured.
- (6) Payment by us to the first Named Insured for loss sustained by any Insured, other than an "employee benefit plan", shall fully release us on account of such loss.

i. Legal Action Against Us

You may not bring any legal action against us involving loss:

- (1) Unless you have complied with all the terms of this insurance;
- (2) Until 90 days after you have filed proof of loss with us; and
- (3) Unless brought within 2 years from the date you "discovered" the loss.

If any limitation in this Condition is prohibited by law, such limitation is amended so as to equal the minimum period of limitation provided by such law.

j. Liberalization

If we adopt any revision that would broaden the coverage under this insurance without additional premium within 45 days prior to or during the Policy Period shown in the Declarations, the broadened coverage will immediately apply to this insurance.

k. Loss Sustained During Prior Insurance Issued by Us or Any Affiliate

(1) Loss Sustained Partly During this Insurance and Partly During Prior Insurance

If you "discover" loss during the Policy Period shown in the Declarations, resulting directly from an "occurrence" taking place:

- (a) Partly during the Policy Period shown in the Declarations; and
- (b) Partly during the Policy Period(s) of any prior cancelled insurance that we or any affiliate issued to you or any predecessor in interest;

and this insurance became effective at the time of cancellation of the prior insurance, we will first settle the amount of loss that you sustained during this Policy Period. We will then settle the remaining amount of loss that you sustained during the Policy Period(s) of the prior insurance.

(2) Loss Sustained Entirely During Prior Insurance

If you "discover" loss during the Policy Period shown in the Declarations, resulting directly from an "occurrence" taking place entirely during the Policy Period(s) of any prior cancelled insurance that we or any affiliate issued to you or any predecessor in interest, we will pay for the loss, provided:

- (a) This insurance became effective at the time of cancellation of the prior insurance; and
- (b) The loss would have been covered under this insurance had it been in effect at the time of the "occurrence".

We will first settle the amount of loss that you sustained during the most recent prior insurance. We will then settle any remaining amount of loss that you sustained during the Policy Period(s) of any other prior insurance.

(3) In settling loss subject to this Condition:

- (a) The most we will pay for the entire loss is the highest single Limit of Insurance applicable during the period of loss, whether such limit was written under this insurance or was written under the prior insurance issued by us.
- (b) We will apply the applicable Deductible Amount shown in the Declarations to the amount of loss sustained under this insurance. If no loss was sustained under this insurance, we will apply the Deductible Amount shown in the Declarations to the amount of loss sustained under the most recent prior insurance.

If the Deductible Amount is larger than the amount of loss sustained under this insurance, or the most recent prior insurance, we will apply the remaining Deductible Amount to the remaining amount of loss sustained during the prior insurance.

We will not apply any other Deductible Amount that may have been applicable to the loss.

(4) The following examples demonstrate how we will settle losses subject to this Condition **E.1.k.:****EXAMPLE NO. 1:**

The insured sustained a covered loss of \$10,000 resulting directly from an "occurrence" taking place during the terms of Policy **A** and Policy **B**.

Policy A. The current policy. Written at a Limit of Insurance of \$50,000 and a Deductible Amount of \$5,000.

Policy B. Issued prior to Policy **A**. Written at a Limit of Insurance of \$50,000 and a Deductible Amount of \$5,000.

The amount of loss sustained under Policy **A** is \$2,500 and under Policy **B** is \$7,500.

The highest single Limit of Insurance applicable to this entire loss is \$50,000 written under Policy **A**.

The Policy **A** Deductible Amount of \$5,000 applies. The loss is settled as follows:

- a. The amount of loss sustained under Policy **A** (\$2,500) is settled first. The amount we will pay is nil (\$0.00) because the amount of loss is less than the Deductible Amount (i.e., \$2,500 loss - \$5,000 deductible = \$0.00).
- b. The remaining amount of loss sustained under Policy **B** (\$7,500) is settled next. The amount recoverable is \$5,000 after the remaining Deductible Amount from Policy **A** of \$2,500 is applied to the loss (i.e., \$7,500 loss - \$2,500 deductible = \$5,000).

The most we will pay for this loss is \$5,000.

EXAMPLE NO. 2:

The insured sustained a covered loss of \$250,000 resulting directly from an "occurrence" taking place during the terms of Policy **A** and Policy **B**.

Policy A. The current policy. Written at a Limit of Insurance of \$125,000 and a Deductible Amount of \$10,000.

Policy B. Issued prior to Policy **A**. Written at a Limit of Insurance of \$150,000 and a Deductible Amount of \$25,000.

The amount of loss sustained under Policy **A** is \$175,000 and under Policy **B** is \$75,000.

The highest single Limit of Insurance applicable to this entire loss is \$150,000 written under Policy **B**.

The Policy **A** Deductible Amount of \$10,000 applies.

The loss is settled as follows:

- (1) The amount of loss sustained under Policy **A** (\$175,000) is settled first. The amount we will pay is the Policy **A** Limit of \$125,000 because \$175,000 loss - \$10,000 deductible = \$165,000 which is greater than the \$125,000 policy limit.
- (2) The remaining amount of loss sustained under Policy **B** (\$75,000) is settled next. The amount we will pay is \$25,000 (i.e., \$150,000 Policy **B** limit - \$125,000 paid under Policy **A** = \$25,000). The most we will pay for this loss is \$150,000.

EXAMPLE NO. 3:

The insured sustained a covered loss of \$2,000,000 resulting directly from an "occurrence" taking place during the terms of Policies **A**, **B**, **C** and **D**.

Policy A. The current policy. Written at a Limit of Insurance of \$1,000,000 and a Deductible Amount of \$100,000.

Policy B. Issued prior to Policy **A**. Written at a Limit of Insurance of \$750,000 and a Deductible Amount of \$75,000.

Policy C. Issued prior to Policy **B**. Written at a Limit of Insurance of \$500,000 and a Deductible Amount of \$50,000.

Policy D. Issued prior to Policy **C**. Written at a Limit of Insurance of \$500,000 and a Deductible Amount of \$50,000.

The amount of loss sustained under Policy **A** is \$350,000, under Policy **B** is \$250,000, under Policy **C** is \$600,000 and under Policy **D** is \$800,000.

The highest single Limit of Insurance applicable to this entire loss is \$1,000,000 written under Policy **A**. The Policy **A** Deductible Amount of \$100,000 applies. The loss is settled as follows:

- (1) The amount of loss sustained under Policy **A** (\$350,000) is settled first. The amount we will pay is \$250,000 (i.e., \$350,000 loss - \$100,000 deductible = \$250,000).
- (2) The amount of loss sustained under Policy **B** (\$250,000) is settled next. The amount we will pay is \$250,000 (no deductible is applied).
- (3) The amount of loss sustained under Policy **C** (\$600,000) is settled next. The amount we will pay is \$500,000, the policy limit (no deductible is applied).
- (4) We will not make any further payment under Policy **D** as the maximum amount payable under the highest single Limit of Insurance applying to the loss of \$1,000,000 under Policy **A** has been satisfied. The most we will pay for this loss is \$1,000,000.

I. Loss Sustained During Prior Insurance Not Issued by Us or Any Affiliate

- (1) If you "discover" loss during the Policy Period shown in the Declarations, resulting directly from an "occurrence" taking place during the Policy Period of any prior cancelled insurance that was issued to you or a predecessor in interest by another company, and the period of time to discover loss under that insurance had expired, we will pay for the loss under this insurance, provided:
 - (a) This insurance became effective at the time of cancellation of the prior insurance; and
 - (b) The loss would have been covered under this insurance had it been in effect at the time of the "occurrence".
- (2) In settling loss subject to this Condition:

- (a) The most we will pay for the entire loss is the lesser of the Limits of Insurance applicable during the period of loss, whether such limit was written under this insurance or was written under the prior cancelled insurance.
- (b) We will apply the applicable Deductible Amount shown in the Declarations to the amount of loss sustained under the prior cancelled insurance.
- (3) The insurance provided under this Condition is subject to the following:
 - (a) If loss covered under this Condition is also partially covered under Condition **E.1.k.**, the amount recoverable under this Condition is part of, not in addition to, the amount recoverable under Condition **E.1.k.**
 - (b) For loss covered under this Condition that is not subject to Paragraph (3)(a), the amount recoverable under this Condition is part of, not in addition to, the Limit of Insurance applicable to the loss covered under this insurance and is limited to the lesser of the amount recoverable under:
 - i. This insurance as of its effective date; or
 - ii. The prior cancelled insurance had it remained in effect.

m. Other Insurance

If other valid and collectible insurance is available to you for loss covered under this insurance, our obligations are limited as follows:

(1) Primary Insurance

When this insurance is written as primary insurance, and:

- (a) You have other insurance subject to the same terms and conditions as this insurance, we will pay our share of the covered loss. Our share is the proportion that the applicable Limit of Insurance shown in the Declarations bears to the total limit of all insurance covering the same loss.
- (b) You have other insurance covering the same loss other than that described in Paragraph (1)(a), we will only pay for the amount of loss that exceeds:
 - i. The Limit of Insurance and Deductible Amount of that other insurance, whether you can collect on it or not; or
 - ii. The Deductible Amount shown in the Declarations; whichever is greater. Our payment for loss is subject to the terms and conditions of this insurance.

(2) Excess Insurance

- (a) When this insurance is written excess over other insurance, we will only pay for the amount of loss that exceeds the Limit of Insurance and Deductible Amount of that other insurance, whether you can collect on it or not. Our payment for loss is subject to the terms and conditions of this insurance.
- (b) However, if loss covered under this insurance is subject to a Deductible, we will reduce the Deductible Amount shown in the Declarations by the sum total of all such other insurance plus any Deductible Amount applicable to that other insurance.

n. Ownership of Property; Interests Covered

The property covered under this insurance is limited to property:

- (1) That you own or lease; or
- (2) That you hold for others whether or not you are legally liable for the loss of such property.

However, this insurance is for your benefit only. It provides no rights or benefits to any other person or organization. Any claim for loss that is covered under this insurance must be presented by you.

o. Records

You must keep records of all property covered under this insurance so we can verify the amount of any loss.

p. Recoveries

(1) Any recoveries, whether effected before or after any payment under this insurance, whether made by us or you, shall be applied net of the expense of such recovery:

- (a) First, to you in satisfaction of your covered loss in excess of the amount paid under this insurance;
- (b) Second, to us in satisfaction of amounts paid in settlement of your claim;
- (c) Third, to you in satisfaction of any Deductible Amount; and
- (d) Fourth, to you in satisfaction of any loss not covered under this insurance.

(2) Recoveries do not include any recovery:

- (a) From insurance, suretyship, reinsurance, security or indemnity taken for our benefit; or
- (b) Of original "securities" after duplicates of them have been issued.

q. Territory

This insurance covers loss that you sustain resulting directly from an "occurrence" taking place within the United States of America (including its territories and possessions), Puerto Rico and Canada.

r. Transfer of Your Rights of Recovery Against Others to Us

You must transfer to us all your rights of recovery against any person or organization for any loss you sustained and for which we have paid or settled. You must also do everything necessary to secure those rights and do nothing after loss to impair them.

s. Valuation – Settlement

(1) The value of any loss for purposes of coverage under this policy shall be determined as follows:

- (a) Loss of "money" but only up to and including its face value. We will, at your option, pay for loss of "money" issued by any country other than the United States of America:
 - i. At face value in the "money" issued by that country; or
 - ii. In the United States of America dollar equivalent determined by the rate of exchange published in The Wall Street Journal on the day the loss was "discovered".
- (b) Loss of "securities" but only up to and including their value at the close of business on the day the loss was "discovered". We may, at our option:
 - i. Pay the market value of such "securities" or replace them in kind, in which event you must assign to us all your rights, title and interest in and to those "securities"; or
 - ii. Pay the cost of any Lost Securities Bond required in connection with issuing duplicates of the "securities". However, we will be liable only for the payment of so much of the cost of the bond as would be charged for a bond having a penalty not exceeding the lesser of the:

iii. Market value of the "securities" at the close of business on the day the loss was "discovered"; or

iv. The Limit of Insurance applicable to the "securities".

(c) Loss of or damage to "other property" or loss from damage to the "premises" or its exterior for the replacement cost of the property without deduction for depreciation. However, we will not pay more than the least of the following:

i. The cost to replace the lost or damaged property with property of comparable material and quality and used for the same purpose;

ii. The amount you actually spend that is necessary to repair or replace the lost or damaged property; or

iii. The Limit of Insurance applicable to the lost or damaged property.

With regard to Paragraphs **s.(1)(c)(i)** through **s.(1)(c)(iii)**, we will not pay on a replacement cost basis for any loss or damage:

i. Until the lost or damaged property is actually repaired or replaced; and

ii. Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage.

If the lost or damaged property is not repaired or replaced, we will pay on an actual cash value basis.

(2) We will, at your option, settle loss or damage to property other than "money":

(a) In the "money" of the country in which the loss or damage occurred; or

(b) In the United States of America dollar equivalent of the "money" of the country in which the loss or damage occurred determined by the rate of exchange published in *The Wall Street Journal* on the day the loss was "discovered".

(3) Any property that we pay for or replace becomes our property.

2. Conditions Applicable to Insuring Agreement A.1.

a. Indemnification

We will indemnify any of your "employees" who are required by law to give individual bonds for the faithful performance of their duties against loss through "theft" committed by "employees" who serve under them, subject to the applicable Limit of Insurance.

b. Termination as to Any Employee

This Insuring Agreement terminates as to any "employee":

(1) As soon as:

(a) You; or

(b) Any of your partners, "members", "managers", officers, directors, or trustees not in collusion with the "employee"; learn of "theft" or any other dishonest act committed by the "employee" whether before or after becoming employed by you.

(2) On the date specified in a notice mailed to the first Named Insured. That date will be at least 30 days after the date of mailing.

We will mail or deliver our notice to the first Named Insured's last mailing address known to us. If notice is mailed, proof of mailing will be sufficient proof of notice.

c. Territory

We will pay for loss caused by any "employee" while temporarily outside the territory specified in the Territory Condition **E.1.q.** for a period of not more than 90 consecutive days.

3. Conditions Applicable to Insuring Agreement A.2.**a. Deductible Amount**

The Deductible Amount does not apply to legal expenses paid under Insuring Agreement **A.2**.

b. Electronic and Mechanical Signatures

We will treat signatures that are produced or reproduced electronically, mechanically or by other means the same as handwritten signatures.

c. Proof of Loss

You must include with your proof of loss any instrument involved in that loss, or, if that is not possible, an affidavit setting forth the amount and cause of loss.

d. Territory

We will cover loss you sustain resulting directly from an "occurrence" taking place anywhere in the world. Territory Condition **E.1.q.** does not apply to Insuring Agreement **A.2**.

4. Conditions Applicable to Insuring Agreements A.4. And A.5.**a. Armored Motor Vehicle Companies**

Under Insuring Agreement **A.5.**, we will only pay for the amount of loss you cannot recover:

- (1) Under your contract with the armored motor vehicle company; and
- (2) From any insurance or indemnity carried by, or for the benefit of customers of, the armored motor vehicle company.

b. Special Limit of Insurance for Specified Property

We will only pay up to \$5,000 for any one "occurrence" of loss of or damage to:

- (1) Precious metals, precious or semi-precious stones, pearls, furs, or completed or partially completed articles made of or containing such materials that constitute the principal value of such articles; or
- (2) Manuscripts, drawings, or records of any kind or the cost of reconstructing them or reproducing any information contained in them.

5. Conditions Applicable to Insuring Agreement A.6.**a. Special Limit of Insurance for Specified Property**

We will only pay up to \$5,000 for any one "occurrence" of loss of or damage to manuscripts, drawings, or records of any kind or the cost of reconstructing them or reproducing any information contained in them.

b. Territory

We will cover loss you sustain resulting directly from an "occurrence" taking place anywhere in the world. Territory Condition **E.1.q.** does not apply to Insuring Agreement **A.6**.

F. Definitions

1. "Banking premises" means the interior of that portion of any building occupied by a banking institution or similar safe depository.
2. "Counterfeit money" means an imitation of "money" that is intended to deceive and to be taken as genuine.
3. "Custodian" means you, or any of your partners or "members", or any "employee" while having care and custody of property inside the "premises", excluding any person while acting as a "watchperson" or janitor.

4. "Discover" or "discovered" means the time when you first become aware of facts which would cause a reasonable person to assume that a loss of a type covered by this insurance has been or will be incurred, regardless of when the act or acts causing or contributing to such loss occurred, even though the exact amount or details of loss may not then be known.

"Discover" or "discovered" also means the time when you first receive notice of an actual or potential claim in which it is alleged that you are liable to a third party under circumstances which, if true, would constitute a loss under this insurance

5. "Employee":

a. "Employee" means:

(1) Any natural person:

- (a) While in your service and for the first 30 days immediately after termination of service, unless such termination is due to "theft" or any dishonest act committed by the "employee";
- (b) Who you compensate directly by salary, wages or commissions; and
- (c) Who you have the right to direct and control while performing services for you;

(2) Any natural person who is furnished temporarily to you:

- (a) To substitute for a permanent "employee" as defined in Paragraph a.(1), who is on leave; or
- (b) To meet seasonal or short-term work load conditions; while that person is subject to your direction and control and performing services for you, excluding, however, any such person while having care and custody of property outside the "premises";

(3) Any natural person who is leased to you under a written agreement between you and a labor leasing firm, to perform duties related to the conduct of your business, but does not mean a temporary "employee" as defined in Paragraph a.(2);

(4) Any natural person who is:

- (a) A trustee, officer, "employee", administrator or "manager", except an administrator or "manager" who is an independent contractor, of any "employee benefit plan"; and
- (b) A director or trustee of yours while that person is engaged in handling "funds" or "other property" of any "employee benefit plan";

(5) Any natural person who is a former "employee", partner, "member", "manager", director or trustee retained as a consultant while performing services for you;

(6) Any natural person who is a guest student or intern pursuing studies or duties, excluding, however, any such person while having care and custody of property outside the "premises";

(7) Any "employee" of an entity merged or consolidated with you prior to the effective date of this policy; or

(8) Any of your "managers", directors or trustees while:

- (a) Performing acts within the scope of the usual duties of an "employee"; or
- (b) Acting as a member of any committee duly elected or appointed by resolution of your board of directors or board of trustees to perform specific, as distinguished from general, directorial acts on your behalf.

(9) Any non-compensated natural person:

- (a) Other than one who is a fund solicitor, while performing services for you that are usual to the duties of an "employee"; or

(b) While acting as a fund solicitor during fund raising campaigns.

b. "Employee" does not mean:

Any agent, broker, factor, commission merchant, consignee, independent contractor or representative of the same general character not specified in Paragraph 5.a.

6. "Employee benefit plan" means any welfare or pension benefit plan shown in the Declarations that you sponsor and which is subject to the Employee Retirement Income Security Act of 1974 (ERISA) and any amendments thereto.
7. "Forgery" means the signing of the name of another person or organization with intent to deceive; it does not mean a signature which consists in whole or in part of one's own name signed with or without authority, in any capacity, for any purpose.
8. "Fraudulent instruction" means:
 - a. An electronic, telegraphic, cable, teletype, telefacsimile or telephone instruction which purports to have been transmitted by you, but which was in fact fraudulently transmitted by someone else without your knowledge or consent;
 - b. A written instruction (other than those described in Insuring Agreement A.2.) issued by you, which was forged or altered by someone other than you without your knowledge or consent, or which purports to have been issued by you, but was in fact fraudulently issued without your knowledge or consent; or
 - c. An electronic, telegraphic, cable, teletype, telefacsimile, telephone or written instruction initially received by you which purports to have been transmitted by an "employee" but which was in fact fraudulently transmitted by someone else without your or the "employee's" knowledge or consent.
9. "Funds" means "money" and "securities".
10. "Manager" means a person serving in a directorial capacity for a limited liability company.
11. "Member" means an owner of a limited liability company represented by its membership interest, who also may serve as a "manager".
12. "Messenger" means you, or a relative of yours, or any of your partners or "members", or any "employee" while having care and custody of property outside the "premises".
13. "Money" means:
 - a. Currency, coins and bank notes in current use and having a face value; and
 - b. Travelers checks, register checks and money orders held for sale to the public.
14. "Occurrence" means:
 - a. Under Insuring Agreement A.1.:
 - (1) An individual act;
 - (2) The combined total of all separate acts whether or not related; or
 - (3) A series of acts whether or not related;

committed by an "employee" acting alone or in collusion with other persons, during the Policy Period shown in the Declarations, except as provided under Condition E.1.k. or E.1.l.
 - b. Under Insuring Agreement A.2.:
 - (1) An individual act;
 - (2) The combined total of all separate acts whether or not related; or

- (3) A series of acts whether or not related; committed by a person acting alone or in collusion with other persons, involving one or more instruments, during the Policy Period shown in the Declarations, except as provided under Condition **E.1.k.** or **E.1.l.**
- c. Under All Other Insuring Agreements:
 - (1) An individual act or event
 - (2) The combined total of all separate acts or events whether or not related; or
 - (3) A series of acts or events whether or not related; committed by a person acting alone or in collusion with other persons, or not committed by any person, during the Policy Period shown in the Declarations, except as provided under Condition **E.1.k.** or **E.1.l.**
- 15. "Other property" means any tangible property other than "money" and "securities" that has intrinsic value. "Other property" does not include computer programs, electronic data or any property specifically excluded under this insurance.
- 16. "Premises" means the interior of that portion of any building you occupy in conducting your business.
- 17. "Robbery" means the unlawful taking of property from the care and custody of a person by one who has:
 - a. Caused or threatened to cause that person bodily harm; or
 - b. Committed an obviously unlawful act witnessed by that person.
- 18. "Safe burglary" means the unlawful taking of:
 - a. Property from within a locked safe or vault by a person unlawfully entering the safe or vault as evidenced by marks of forcible entry upon its exterior; or
 - b. A safe or vault from inside the "premises".
- 19. "Securities" means negotiable and nonnegotiable instruments or contracts representing either "money" or property and includes:
 - a. Tokens, tickets, revenue and other stamps (whether represented by actual stamps or unused value in a meter) in current use; and
 - b. Evidences of debt issued in connection with credit or charge cards, which cards are not issued by you; but does not include "money".
- 20. "Theft" means the unlawful taking of property to the deprivation of the Insured.
- 21. "Transfer account" means an account maintained by you at a financial institution from which you can initiate the transfer, payment or delivery of "funds":
 - a. By means of electronic, telegraphic, cable, teletype, telefacsimile or telephone instructions communicated directly through an electronic funds transfer system; or
 - b. By means of written instructions (other than those described in Insuring Agreement **A.2.**) establishing the conditions under which such transfers are to be initiated by such financial institution through an electronic funds transfer system.
- 22. "Watchperson" means any person you retain specifically to have care and custody of property inside the "premises" and who has no other duties.

**ADD FAITHFUL PERFORMANCE OF DUTY
COVERAGE FOR EMPLOYEES**

THIS ENDORSEMENT CHANGES THE COVERAGE FORM.

PLEASE READ IT CAREFULLY.

**THIS ENDORSEMENT MODIFIES INSURANCE PROVIDED UNDER THE FOLLOWING:
COMMERCIAL CRIME COVERAGE FORM**

A. Provisions

1. The following is added to the Employee Theft Insuring Agreement designated above: We will pay for loss or damage to "money", "securities" and "other property" resulting directly from the failure of any "employee" to faithfully perform his or her duties as prescribed by law, when such failure has as its direct and immediate result a loss of your covered property.
2. As respects the coverage provided by this endorsement, the following exclusions are added to Section D.2. Exclusions:
 - d. Loss resulting from the failure of any entity acting as a depository for your property or property for which you are responsible.
 - e. Damages for which you are legally liable as a result of:
 - (1) The deprivation or violation of the civil rights of any person by an "employee"; or
 - (2) The tortious conduct of an "employee", except the conversion of property of other parties held by you in any capacity.
3. As respects the coverage provided by this endorsement, Paragraph 2.b.(1) of the Termination As To Any Employee Condition is replaced by the following:
 - (1) As soon as:
 - (a) You, or
 - (b) Any "employee" authorized to manage, govern or control your "employees" learn of any act committed by the "employee" whether before or after becoming employed by you which would constitute a loss covered under the terms of the Employee Theft Insuring Agreement, as amended by this endorsement.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.



A FAIRFAX Company

Allied World Specialty Insurance Company
 1690 New Britain Ave, Suite 101
 Farmington, CT 06032
 (860) 284-1300

COMMERCIAL GENERAL LIABILITY COVERAGE FORM SUPPLEMENTAL DECLARATIONS

NAMED INSURED: Windermere Oaks Water Supply Corporation	POLICY NUMBER: 5105-0560-06
	EFFECTIVE DATE: 3/17/2019

THIS COVERAGE FORM AND ENDORSEMENTS MAY PROVIDE COVERAGE ON A CLAIMS MADE BASIS. PLEASE READ THE ENTIRE COVERAGE FORM AND ENDORSEMENTS CAREFULLY.

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS COVERAGE FORM, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS COVERAGE FORM.

LIMITS OF INSURANCE

General Aggregate Limit (Bodily Injury, Property Damage & Medical Expenses)	\$ 3,000,000
Products/Completed Operations Aggregate Limit	\$ 3,000,000
Personal and Advertising Injury Limit	\$ 1,000,000
Each Occurrence Limit	\$ 1,000,000
Damage to Premises Rent to You Limit	\$ 1,000,000 Any One Premises
Medical Expenses Limit	\$ 10,000 Any One Person

ADDITIONAL LIABILITY COVERAGES

Employee Benefit Plans	Occurrence Form
Each Employee Aggregate Limit	\$ N/A \$ N/A
Retroactive Date	N/A

Hired and Non-Owned Auto Liability Coverage

Aggregate Limit	\$ N/A
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FORMS AND ENDORSEMENTS APPLICABLE TO THIS COVERAGE PART:

WA-GL 00002 00 (07/15)

WA-GL 00003 00 (03-12)

WA-GL 00005 42 (03/12)

WA-GL 00006 00 (03/12)

WA-GL 00013 00 (03/12)

WA-GL 00014 00 (03/12)

WA-GL 00022 00 (02/15)

WA-GL 00041 42 (07/15)

WA-GL 00051 00 (08/16)

THESE DECLARATIONS, TOGETHER WITH THE COMMON POLICY CONDITIONS AND COVERAGE FORM(S) AND ANY ENDORSEMENT(S), COMPLETE THE ABOVE NUMBERED POLICY.

Dam, Reservoir or Levee Structural Failure or Collapse Schedule of Covered Structures		
NPDP ID	Dam, Reservoir or Levee Name	Location

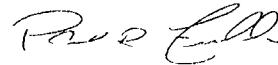
In Witness Whereof, the Insurer has caused this policy to be executed and attested, but this policy shall not be valid unless countersigned by a duly authorized representative of the Insurer.



President



Secretary



AUTHORIZED REPRESENTATIVE