

5. Neglect, meaning neglect of an “insured” to use all reasonable means to save and preserve property at and after the time of a loss. 1

6. War. War includes the following and any consequence of any of the following: 2

- a. Declared or undeclared war, civil war, insurrection, rebellion or revolution; 3
- b. Warlike act by a military force or military personnel; or
- c. Destruction, seizure or use for a military purpose.

Discharge of a nuclear weapon, even if the discharge is accidental, will be deemed a warlike act. 4

7. Nuclear Hazard, meaning any nuclear reaction, radiation or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these. 5

Loss caused by nuclear reaction, radiation or radioactive contamination is not considered loss caused by fire, explosion or smoke.

We do cover loss caused directly by fire resulting from any nuclear hazard.

8. Illegal Activities or Operations, meaning: 6

- a. Illegal growing of plants or the illegal raising or keeping of animals; or 7
- b. Illegal manufacture, production, operation or processing of chemical, biological, animal or plant materials or any other natural or synthetic substance.

This exclusion applies whether or not the illegal activities or operations described above were known to or within the control of an “insured”.

We do cover loss caused directly by fire or explosion resulting from any illegal activities or operations described in **8.a.** and **b.**

9. Intentional Loss, meaning any loss arising out of any act an “insured” commits or conspires to commit with the intent to cause a loss.

In the event of such loss, no “insured” is entitled to coverage, even “insureds” who did not commit or conspire to commit the act causing the loss.

10. Governmental Action, meaning the destruction, confiscation or seizure of property described in Property Coverages A, B or C by order of any governmental or public authority. 8

This exclusion does not apply to such acts ordered by any governmental or public authority that are taken at the time of a fire to prevent its spread, if the loss caused by fire would be covered under this policy.

11. “Fungi” or Other Microbes, meaning any loss or cost resulting from, arising out of, caused by, consisting of or related to “fungi”, other microbes or rot. This exclusion does not apply to:

- a. “Fungi” or other microbes remediation coverage that may be afforded under Property - Additional Coverage **16. Limited “Fungi” or Other Microbes Remediation**; or
- b. “Fungi” or other microbes that results from fire or lightning.

12. Seepage or Leakage, meaning constant or repeated seepage or leakage of water or steam, or the presence or condensation of humidity, moisture or vapor, that occurs over a period of weeks, months or years. 9

This exclusion applies regardless of the source from which the water, steam or condensation seeped or leaked.

B. We do not insure for loss to property described in Property Coverages A and B caused by any of the following. However, any ensuing loss to property described in Property Coverages A and B not excluded by any other provision in this policy is covered. 10

1. Weather conditions. This exclusion applies only if weather conditions contribute in any way with a cause or event excluded in Property - Exclusion **A.** to produce the loss. 11

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 or siting;
- b. Design, specifications, workmanship, repair, construction, renovation, remodeling, grading or compaction;

c. Materials used in repair, construction, renovation or remodeling; or

d. Maintenance; of part or all of any property whether on or off the "residence premises".

PROPERTY - CONDITIONS

1. Insurable Interest and Limit of Liability. Even if more than one person has an insurable interest in the property covered, we will not be liable in any one loss:

- a. To an "insured" for more than the amount of such "insured's" interest at the time of loss; or
- b. For more than the applicable limit of liability.

2. Duties After Loss. In case of a loss to covered property, we have no duty to provide coverage under this policy if the following duties are not performed. These duties must be performed either by you, an "insured" seeking coverage or a representative of either.

- a. Give us prompt notice. With respect to a loss caused by the peril of windstorm or hail, that notice must occur no later than one year after the date of loss;
- b. Notify the police in case of loss by theft;
- c. Notify the credit card or electronic fund transfer card or access device company in case of loss as provided for in Property - Additional Coverage 7. Credit Card, Electronic Fund Transfer Card or Access Device, Forgery and Counterfeit Money;
- d. Protect the property from further damage. If repairs to the property are required, you must:
 - (1) Make reasonable and necessary repairs to protect the property; and
 - (2) Keep an accurate record of repair expenses;
- e. Cooperate with us in the investigation of a claim;
- f. Prepare an inventory of damaged personal property showing the quantity, description, value and amount of loss. Attach all bills, receipts and related documents that justify the figures in the inventory;
- g. As often as we reasonably require:
 - (1) Show the damaged property;
 - (2) Provide us with records and documents we request and permit us to make copies; and

- (3) Submit to examination under oath, while not in the presence of another "insured", and sign the same; and
- h. Send to us, within 60 days after our request, your signed, sworn proof of loss which sets forth, to the best of your knowledge and belief:
 - (1) The time and cause of loss;
 - (2) The interest of all "insureds" and all others in the property involved and all liens on the property;
 - (3) Other insurance which may cover the loss;
 - (4) Changes in title or occupancy of the property during the term of the policy;
 - (5) Specifications of damaged buildings and detailed repair estimates;
 - (6) The inventory of damaged personal property described in 2.f.;
 - (7) Receipts for additional living expenses incurred and records that support the fair rental value loss; and
 - (8) Evidence or affidavit that supports a claim under Property - Additional Coverage 7. Credit Card, Electronic Fund Transfer Card or Access Device, Forgery and Counterfeit Money, stating the amount and cause of loss.

3. Loss Settlement. In this Property - Condition, repair or replace and replacement cost do not include the increased costs incurred to comply with the enforcement of any ordinance or law, except to the extent that coverage for these increased costs is provided in Property - Additional Coverage 12. Ordinance or Law. Covered property losses are settled as follows:

- a. Property of the following types:
 - (1) Personal property;
 - (2) Awnings, carpeting, household appliances, outdoor antennas and outdoor equipment, whether or not attached to buildings;
 - (3) Structures that are not buildings; and
 - (4) Grave markers, including mausoleums;

at actual cash value at the time of loss but not more than the amount required to repair or replace.

b. Buildings covered under Property Coverages A or B at replacement cost without deduction for depreciation, subject to the following:

(1) If, at the time of loss, the amount of insurance in this policy on the damaged building is 80% or more of the full replacement cost of the building immediately before the loss, we will pay the replacement cost, without deduction for depreciation, but not more than the least of the following amounts:

- (a) The limit of liability under this policy that applies to the building;
- (b) The replacement cost of that part of the building damaged with materials of like kind and quality and for like use; or
- (c) The necessary amount actually spent to repair or replace the damaged building.

If the building is rebuilt at a new premises, the cost described in **3.b.(1)(b)** is limited to the cost which would have been incurred if the building had been built at the original premises.

(2) If, at the time of loss, the amount of insurance in this policy on the damaged building is less than 80% of the full replacement cost of the building immediately before the loss, we will pay the greater of the following amounts, but not more than the limit of liability under this policy that applies to the building:

- (a) The actual cash value of that part of the building damaged; or
- (b) That proportion of the replacement cost, without deduction for depreciation, for that part of the building damaged, which the total amount of insurance in this policy on the damaged building bears to 80% of the replacement cost of the building.

(3) To determine the amount of insurance required to equal 80% of the full replacement cost of the building immediately before the loss, we will not include the value of:

- (a) Excavations, footings, foundations, piers or any other structures or devices that support all or part of the

building, which are below the undersurface of the lowest basement floor;

(b) Those supports described in (3)(a) which are below the surface of the ground inside the foundation walls, if there is no basement; and

(c) Underground flues, pipes, wiring and drains.

(4) We will pay no more than the actual cash value of the damage until actual repair or replacement is complete. Once actual repair or replacement is complete, we will settle the loss as noted in Property Condition 3. Loss Settlement **b.(1)** and **b.(2)**.

If the replacement cost is less than \$2,500, we will settle the loss as noted in Property – Condition 3. Loss Settlement **b.(1)** and **b.(2)** whether or not actual repair or replacement is complete.

(5) You may disregard Property - Condition 3. Loss Settlement **b.** and make claim under this policy for loss to buildings on an actual cash value basis. You may then make claim for any additional liability according to the provisions of this Property - Condition 3. Loss Settlement, provided you notify us, within 180 days after the date of loss, of your intent to repair or replace the damaged building.

c. The amount we will pay to settle a covered loss does not include:

(1) Compensation for stigma damage or any actual or perceived reduction or diminution in value of such property that may remain after repair or replacement; or

(2) The cost to replace undamaged roofing materials due to any mismatch between the existing undamaged roof on a building and new materials used to repair or replace the damaged roof on a building because of:

- (a) Wear and tear, marring, scratching or deterioration;
- (b) Fading, weathering, oxidizing or color;
- (c) Texture or dimensional differences; or
- (d) Obsolescence or discontinuation.

(3) The cost to replace undamaged siding materials due to any mismatch between the existing undamaged siding on a

building and new materials used to repair 1
or replace the damaged siding on a
building because of:

- (a) Wear and tear, marring, scratching 2
or deterioration;
- (b) Fading, weathering, oxidizing or
color;
- (c) Texture or dimensional differences;
or
- (d) Obsolescence or discontinuation.

4. Loss Deductible. Unless otherwise stated in this 3
policy, the following deductible provision applies:

- a. Subject to the policy limits that apply, we will 4
pay only that part of the total of all loss
payable under the Property Coverage
Section that exceeds the deductible amount
shown in the Declarations.
- b. If two or more deductibles under this policy
apply to the same loss, the total amount of all
deductibles applied to the loss will not exceed
the amount of the largest applicable
deductible.

5. Loss to a Pair or Set. In case of loss to a pair or 5
set, we may elect to:

- a. Repair or replace any part to restore the pair 6
or set to its value before the loss; or
- b. Pay the difference between actual cash value
of the property before and after the loss.

Property - Condition 3. Loss Settlement c.(1)
does not apply to this Condition.

6. Loss Payment. We will adjust all losses with you. 7
We will pay you unless some other person is
named in the policy or is legally entitled to receive
payment. Loss will be payable 60 days after we
receive your proof of loss and:

- a. Reach an agreement with you; 8
- b. There is an entry of a final judgment; or
- c. There is a filing of an appraisal award with us.

7. Appraisal. If you and we fail to agree on the 9
amount of loss, either party may demand an
appraisal of the loss. In this event, each party will
choose a competent and impartial appraiser
within 20 days after receiving a written request
from the other. The two appraisers will choose an
umpire. If they cannot agree upon an umpire
within 15 days, you or we may request that the
choice be made by a judge of a court of record in
the state where the "residence premises" is
located. The appraisers will separately set the
amount of loss. If the appraisers submit a report

of an agreement to us, the amount agreed upon 10
will be 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 set the amount
of loss.

Each party will:

- a. Pay its own appraiser; and 11
- b. Bear the other expenses of the appraisal and
umpire equally.

8. Other Insurance and Service Agreement. If a 12
loss covered by this policy is also covered by:

- a. Other insurance, we will pay only the 13
proportion of the loss that the limit of liability
that applies under this policy bears to the total
amount of insurance covering the loss; or
- b. A service agreement, the coverage provided
under this policy is excess over any amounts
payable under any such agreement. Service
agreement means a service plan, property
restoration plan, home warranty or other
similar service warranty agreement, even if it
is characterized as insurance.

9. Suit Against Us. No action can be brought 14
against us unless there has been full compliance
with all of the terms under the Property Coverage
Section of this policy and the action is started
within two years after the date of loss.

10. Our Option. If we give you written notice within 15
30 days after we receive your signed, sworn proof
of loss, we may repair or replace any part of the
damaged property with material or property of like
kind and quality.

11. Abandonment of Property. We need not accept 16
any property abandoned by an "insured".

12. Mortgage Clause. 17

- a. If a mortgagee is named in this policy, any 18
loss payable under Property Coverages A or
B will be paid to the mortgagee and you, as
interests appear. If more than one mortgagee
is named, the order of payment will be the
same as the order of precedence of the
mortgages.
- b. If we deny your claim, that denial will not
apply to a valid claim of the mortgagee, if the
mortgagee:
 - (1) Notifies us of any change in ownership,
occupancy or substantial change in risk
of which the mortgagee is aware;
 - (2) Pays any premium due under this policy
on demand if you have neglected to pay
the premium; and

- (3) Submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so. Property Conditions relating to Appraisal, Suit Against Us and Loss Payment apply to the mortgagee.
- c. If we decide to cancel or not to renew this policy, the mortgagee will be notified at least 10 days before the date cancellation or nonrenewal takes effect.
- d. If we pay the mortgagee for any loss and deny payment to you:
 - (1) We are subrogated to all the rights of the mortgagee granted under the mortgage on the property; or
 - (2) At our option, we may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, we will receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.
- e. Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.

13. No Benefit to Bailee. We will not recognize any assignment or grant any coverage that benefits a person or organization holding, storing or moving property for a fee regardless of any other provision of this policy.

14. Recovered Property. If you or we recover any property for which we have made payment under this policy, you or we will notify the other of the recovery. At your option, the property will be returned to or retained by you or it will become our property. If the recovered property is returned to or retained by you, the loss payment will be adjusted based on the amount you received for the recovered property.

15. Salvage. We have the option to take the salvage or remnant part of any covered property for which we have made a loss payment for the actual cash value or the replacement cost of the damaged covered property. At our option, we may allow you to retain damaged property and will adjust any loss payment by the agreed or appraised value of the salvage or remnant portion of the damaged property.

16. Policy Period. This policy applies only to loss which occurs during the policy period.

17. Concealment or Fraud. We provide coverage to no "insureds" under this policy if, whether before or after a loss, an "insured" has:

- a. Intentionally concealed or misrepresented any material fact or circumstance;
- b. Engaged in fraudulent conduct; or
- c. Made false statements; relating to this insurance.

18. Premises Alarm, Security or Fire Protection System. When Protective Devices Credit is shown in the Declarations, you agree to maintain any alarm, security or automatic protection systems, including fire and sprinkler system(s), in working order. You also agree to advise us promptly of any change, including removal, made to any of these system(s).

LIABILITY COVERAGE SECTION 1

LIABILITY COVERAGE E - PERSONAL LIABILITY 2

If a claim is made or a suit is brought against an "insured" for damages because of "bodily injury" or "property damage" caused by an "occurrence" to which this coverage applies, we will:

1. Pay up to our limit of liability for the damages for which an "insured" is legally liable. Damages include prejudgment interest awarded against an "insured"; and

2. Provide a defense at our expense by counsel of our choice, even if the suit is groundless, false or fraudulent. We may investigate and settle any claim or suit that we decide is appropriate. Our duty to settle or defend ends when our limit of liability for the "occurrence" is exhausted by the payment of a judgment or settlement.

LIABILITY COVERAGE F - MEDICAL PAYMENTS TO OTHERS 6

We will pay the necessary medical expenses that are incurred or medically ascertained within three years from the date of an accident causing "bodily injury". Medical expenses means reasonable charges for medical, surgical, x-ray, optical, dental, ambulance, hospital, professional nursing, prosthetic devices, chiropractic, rehabilitative, extended care and funeral services. This coverage does not apply to you or regular residents of your household except "residence employees". As to others, this coverage applies only:

1. To a person on an "insured location" with the permission of an "insured"; or

2. To a person off an "insured location", if the "bodily injury":

- a. Arises out of a condition on an "insured location" or the ways immediately adjoining;
- b. Is caused by the activities of an "insured";
- c. Is caused by a "residence employee" in the course of the "residence employee's" employment by an "insured"; or
- d. Is caused by an animal owned by or in the care of an "insured".

LIABILITY – ADDITIONAL COVERAGES 11

Unless otherwise stated, we cover the following in addition to the Liability Coverage E and Liability Coverage F limits of liability:

1. **Claim Expenses.** We pay:

- a. Expenses we incur and costs taxed against an "insured" in any suit we defend;
- b. Premiums on bonds required in a suit we defend, but not for bond amounts more than the Coverage E limit of liability. We need not apply for or furnish any bond;
- c. Reasonable expenses incurred by an "insured" at our request, including actual loss of earnings (but not loss of other income) up to \$250 per day, for assisting us in the investigation or defense of a claim or suit; and
- d. Interest on the entire judgment which accrues after entry of the judgment and before we pay or tender, or deposit in court that part of the judgment which does not exceed the limit of liability that applies.

2. **First Aid Expenses.** We will pay expenses for first aid to others incurred by an "insured" for "bodily injury" covered under this policy. We will not pay for first aid to an "insured".

3. **Damage to Property of Others.** We will pay replacement cost per "occurrence" for "property damage" to property of others caused by an "insured", up to the limit shown in the Declarations for this Liability – Additional Coverage.

We will not pay for "property damage":

- a. To the extent of any amount recoverable under the Property Coverage Section of this policy;
- b. Caused intentionally by an "insured" who is 13 years of age or older;
- c. To property owned by an "insured";
- d. To property owned by or rented to a roomer, boarder, tenant or other occupant who provides compensation to an "insured" for

use of all or part of the “residence premises”¹ including property of any guests of any roomer, boarder, tenant or other occupant;

e. To property owned by or rented to a resident² in your household; or

f. Arising out of:

- (1) A “business” engaged in by an “insured”;
- (2) Any act or omission in connection with a premises owned, rented or controlled by an “insured”, other than an “insured location”; or
- (3) The ownership, maintenance, occupancy, operation, use, loading or unloading of “aircraft”, hovercraft, watercraft or “motor vehicles”.

Exclusion f.(3) does not apply to a “motor vehicle” that is:

- (a) Designed for recreational use off public roads;
- (b) Not owned by an “insured”; and
- (c) At the time and place of an “occurrence”, is not required by law, or regulation issued by a government agency, to have been registered for it to be used at the place of the “occurrence”.

4. Loss Assessment. We will pay up to the limit³ shown in the Declarations for this Liability - Additional Coverage for your share of loss assessment charged against you, as owner or tenant of the “residence premises”, during the policy period by a corporation or association of property owners, when the assessment is made as a result of:

- a. “Bodily injury” or “property damage” not⁴ excluded under the Liability Coverage Section of this policy; or
- b. Liability for an act of a director, officer or trustee in the capacity as a director, officer or trustee, provided such person:
 - (1) Is elected by the members of a corporation or association of property owners; and
 - (2) Serves without deriving any income from the exercise of duties which are solely on behalf of a corporation or association of property owners.

Liability - Condition 9. Policy Period does not⁵ apply to this coverage.

Regardless of the number of assessments, the limit shown in the Declarations for this Liability -

Additional Coverage is the most we will pay for⁶ loss arising out of:

- a. One accident, including continuous or⁷ repeated exposure to substantially the same general harmful condition;
- b. A covered act involving one or more than one director, officer or trustee; or
- c. Repeated acts by one or more than one director, officer or trustee.

Repeated acts will be considered a single⁸ covered act.

We do not cover assessments charged against⁹ you or a corporation or association of property owners by any governmental body.

5. Property Damage Coverage for Military Personnel and United States Government Employees.¹⁰

If an “insured” is a:¹¹

- a. United States government employee; or
- b. Member of the United States Military;

we agree to pay for “property damage” to United¹² States government property, for which an “insured” is legally responsible under applicable rules or regulations.

We will pay no more than replacement cost for¹³ “property damage” arising out of an “occurrence”. Replacement cost is the amount necessary to repair or replace the damaged property without deduction for depreciation, subject to the limit of liability for this Liability – Additional Coverage.

The most we will pay for all damages resulting¹⁴ from any one “occurrence” will not exceed two months military basic pay or government issued salary for the “insured”, as of the time of the “occurrence”.

We will not pay for “property damage” to:¹⁵

- a. “Aircraft”;¹⁶
- b. Hovercraft;
- c. “Motor vehicles”;
- d. Watercraft; or
- e. Weapons.

We will not pay for “property damage”:

- a. To the extent of any amount payable under¹⁷ the Property Coverage Section of this policy; or
- b. Caused intentionally by any “insured” who is 13 years of age or older.

LIABILITY - EXCLUSIONS¹

A. Liability Coverage E – Personal Liability and Coverage F – Medical Payments to Others.²

Liability Coverages E and F do not apply to the following:³

1. “Aircraft Liability”⁴

This exclusion does not apply to “bodily injury” to a “residence employee” arising out of and in the course of the “residence employee’s” employment by an “insured”.⁵

2. “Bodily injury” or “property damage” arising out of or in connection with a “business” conducted from an “insured location” or engaged in by an “insured”, whether or not the “business” is owned or operated by an “insured” or employs an “insured”.⁶

Exclusion A.2. applies to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed or implied to be provided because of the nature of the “business”.⁷

Exclusion A.2. does not apply to:⁸

a. The rental or holding for rental of an “insured location”:⁹

- (1) Used, in whole or in part, as a temporary place to stay for a total of 30 days or less during the 12 consecutive months prior to an “occurrence”;
- (2) In part for use only as a residence, unless a single family unit is intended for use by the occupying family to lodge more than two roomers, boarders or tenants;
- (3) In part, as an office, studio or private garage;
- (4) If the “insured location” is shown in the Declarations as an Additional Residence Rented to Others; or
- (5) If the “insured location” is shown in the Declarations as Structures Rented to Others;

b. The rental or holding for rental of the “residence premises” on a regular basis if Unit Owners Rental is shown in the Declarations;

- c. An “insured” under the age of 18 years involved in a part-time or occasional, self-employed “business” with no employees; or
- d. One or more activities, for which no “insured” receives more than \$5,000 in total

compensation during the 12 consecutive months prior to an “occurrence”.¹⁰

3. “Bodily injury” or “property damage” arising out of the actual, alleged or threatened transmission of a communicable disease or illness by an “insured”. This exclusion applies whether the transmission was voluntary or involuntary or whether an “insured” knew or should have known that the infected person was infected with the disease or illness.¹¹

4. “Bodily injury” or “property damage” caused by an animal owned by or in the care, custody or control of an “insured” or a guest of an “insured” or, in the care, custody or control of a roomer, boarder, tenant, resident, “residence employee” or guest of such roomer, boarder, tenant or other occupant of the “residence premises” that is:¹²

- a. Wild by birth or by nature or a species not customarily domesticated;¹³
- b. Illegal to acquire, own or keep;
- c. A bird of prey;
- d. Venomous or poisonous; or
- e. A non-human primate.

5. “Bodily injury” or “property damage” which is expected or intended by an “insured” even if the resulting “bodily injury” or “property damage” is:¹⁴

- a. Of a different kind, quality or degree than initially expected or intended; or¹⁵
- b. Sustained by a different person, entity, real or personal property, than initially expected or intended.

This exclusion does not apply to “bodily injury” or “property damage” resulting from the use of reasonable force by an “insured” to protect persons or property.¹⁶

6. “Bodily injury” or “property damage” arising out of the escape or release of fuel from a “fuel system”. This exclusion applies to any:¹⁷

- a. Supervision, instructions, recommendations, warnings or advice given in connection with the above;¹⁸
- b. Obligation to share damages, losses, costs, payments or expenses with or repay someone else who must make payment because of such “bodily injury” or “property damage”, damages, loss, cost, payment or expense; or

c. Request, order or requirement to test for, monitor, abate, mitigate, remediate, contain, remove, dispose of, or in any way respond to or assess the effects of fuel in any form.

This exclusion does not apply to “bodily injury” or “property damage” arising out of fire or explosion that results from such escaped or released fuel.

7. “Bodily injury” or “property damage” arising out of the actual or alleged presence of or actual, alleged or threatened dispersal, release, ingestion, inhalation, contact with or exposure to, whether directly or indirectly, by “fungi” or other microbes. This includes any:

- a. Supervision, instruction, disclosures, or failures to disclose, recommendations, warnings, or advice given, or that allegedly should have been given, in connection with “bodily injury” or “property damage” arising out of, whether directly or indirectly, “fungi” or other microbes, or the activities described in 7.c. below;
- b. Obligation to share with or repay another who must pay damages because of “bodily injury” or “property damage” damage of the type described in this exclusion. This applies regardless of any other cause that contributed directly or indirectly, concurrently or in any sequence to the “bodily injury” or “property damage”;
- c. Request, order or requirement to test for, monitor, abate, mitigate, remediate, contain, remove, dispose of, or in any way respond to or assess the effects of “fungi” or other microbes; and
- d. Liability imposed upon any “insured” by any governmental authority for “bodily injury” or “property damage” arising out of, whether directly or indirectly, “fungi” or other microbes.

8. “Bodily injury” or “property damage” arising out of any oral, written, electronic, digital or other means of communication, publication or physical action that:

- a. Is directed at or to an individual or group of individuals; and
- b. Includes content, material or action that is or is perceived as:
 - (1) Bullying, harassing, degrading, intimidating, threatening, tormenting or otherwise abusive; or
 - (2) Causing or having caused emotional or psychological distress or fear of imminent harm or death.

This exclusion applies whether or not the communication, publication or action is:

- a. Composed, created, sent or performed by an “insured”;
- b. Part of a series of communications, publications or actions;
- c. Directed at or to the person who suffered “bodily injury” or “property damage”;
- d. Expected or intended to cause emotional, mental or physical harm to an individual; or
- e. Intended to be public or private.

9. “Hovercraft Liability”.

This exclusion does not apply to “bodily injury” to a “residence employee” arising out of and in the course of the “residence employee’s” employment by an “insured”.

10. “Bodily injury” or “property damage” arising out of the use, sale, manufacture, delivery, transfer or possession by any person of a Controlled Substance(s) as defined by the Federal Food and Drug Law at 21 U.S.C.A. Sections 811 and 812. Illegal or Controlled Substances include but are not limited to cocaine, heroin, LSD, methamphetamines, marijuana and all narcotic drugs.

This exclusion does not apply to the lawful use of prescription drugs by a person following the orders of a licensed healthcare provider.

11. “Bodily injury” or “property damage” arising out of the:

- a. Illegal growing of plants or the illegal raising or keeping of animals; or
- b. Illegal manufacture, production, operation or processing of chemical, biological, animal or plant materials.

This exclusion applies whether or not the illegal activities described above were within the control or knowledge of an “insured”.

12. “Bodily injury” or “property damage” arising out of the actual or alleged presence of or actual, alleged or threatened dispersal, release, ingestion, inhalation or absorption of lead, lead pigment, lead compounds or lead in any form which is or was contained or incorporated into any material or substance. This exclusion applies to any:

- a. Supervision, instructions, recommendations, warnings or advice given in connection with the above;

- b. Obligation to share damages, losses, costs, payments or expenses with or repay someone else who must make payment because of such "bodily injury" or "property damage", damages, loss, cost, payment or expense;
- c. Request, order or requirement to test for, monitor, abate, mitigate, remediate, contain, remove, dispose of, or in any way respond to or assess the effects of lead, lead pigment, lead compounds or materials or substances containing lead in any form; or
- d. Loss, cost, payment or expense related to any claim, suit, order, defense, demand or investigation of any kind incurred in connection with the above.

13. "Bodily injury" or "property damage" arising out of a premises:

- a. Owned by an "insured";
- b. Rented to an "insured"; or
- c. Rented to others by an "insured"; that is not an "insured location".

This exclusion does not apply to "bodily injury" to a "residence employee" arising out of and in the course of the "residence employee's" employment by an "insured".

14. "Bodily injury" or "property damage" arising out of "motor vehicle liability" if, at the time and place of an "occurrence", the involved "motor vehicle" is:

- a. Registered for use on public roads or property;
- b. Not registered for use on public roads or property, but such registration is required by a law, or regulation issued by a government agency, for it to be lawfully used at the place of the "occurrence"; or
- c. Being:
 - (1) Operated in, or practicing for, any prearranged or organized race, speed contest or other competition;
 - (2) Rented to others;
 - (3) Used by a roomer, boarder, tenant or other occupant who provide compensation to an "insured" for use of all or part of the "residence premises" including guests of any such roomers, boarders, tenants or other occupants;
 - (4) Used, or during the period of time it is available for hire, as a public or livery conveyance whether or not there is:

- (a) A passenger in, upon, or getting in, on, out or off the vehicle; or
- (b) Property being transported for a fee in or upon the vehicle; or
- (5) Used for any other "business" purpose except for a motorized golf cart used for incidental "business" entertainment while on a golfing facility.

If "motor vehicle liability" is not excluded under Liability - Exclusion **14.a-c**. Liability Coverages E and F still do not apply to "motor vehicle liability" unless at the time of an "occurrence", the involved "motor vehicle" is:

- a. In dead storage on an "insured location";
- b. Used solely to service an "insured's" residence;
- c. Designed to assist the handicapped and, at the time of an "occurrence", it is:
 - (1) Being used to assist a handicapped person; or
 - (2) Parked on an "insured location";
- d. Designed for recreational use off public roads and:
 - (1) Not owned by an "insured"; or
 - (2) Owned by an "insured" provided the "occurrence" takes place:
 - (a) On an "insured location"; or
 - (b) Off all "insured locations" and the "motor vehicle" is:
 - (i) Designed as a toy vehicle to be ridden in or upon by children under 7 years of age;
 - (ii) Powered by one or more batteries; or
 - (iii) Not built or modified after manufacture to exceed a speed of 5 miles per hour on level ground; or
- e. A motorized golf cart that is owned by an "insured", designed to carry up to 4 persons, not built or modified after manufacture to exceed a speed of 25 miles per hour on level ground and, at the time of an "occurrence", is within the legal boundaries of:
 - (1) A golfing facility and is parked or stored there, or being used by an "insured" to:
 - (a) Play the game of golf or for other recreational or leisure activity allowed by the facility;

- (b) Travel to or from an area where “motor vehicles” or golf carts are parked or stored; or
- (c) Cross public roads at designated points to access other parts of the golfing facility; or
- (2) A private residential community, including its public roads upon which a motorized golf cart can legally travel, which is subject to the authority of a property owners association and contains an “insured’s” residence.

This exclusion does not apply to “bodily injury” to a “residence employee” arising out of and in the course of the “residence employee’s” employment by an “insured”.

15. “Bodily injury” or “property damage” arising out of the rendering of or failure to render professional services.

16. “Bodily injury” or “property damage” arising out of sexual molestation, corporal punishment or physical or mental abuse.

17. “Bodily injury” or “property damage” caused directly or indirectly by war, including the following and any consequence of any of the following:

- a. Declared or undeclared war, civil war, acts of terrorism, insurrection, rebellion or revolution;
- b. Warlike act by a military force or military personnel; or
- c. Destruction, seizure or use for a military purpose.

Discharge of a nuclear weapon, even if the discharge is accidental, will be deemed a warlike act.

18. “Watercraft liability” if, at the time and place of an “occurrence”, the involved watercraft is being:

- a. Operated in, or practicing for, any prearranged or organized race, speed contest or other competition. This exclusion does not apply to a sailing vessel or a predicted log cruise;
- b. Rented to others;
- c. Used by a roomer, boarder, tenant or other occupant who provides compensation to an “insured” for use of all or part of the “residence premises” including guests of any such roomers, boarders, tenants or other occupants;

- d. Used, or during the period of time it is available for hire, as a public or livery conveyance whether or not there is:
 - (1) A passenger in, upon, or getting in, on, out or off the watercraft; or
 - (2) Property being transported for a fee in or upon the watercraft; or
- e. Used for any other “business” purpose.

If “watercraft liability” is not excluded under Liability - Exclusion 18.a-e., Liability Coverages E and F still do not apply to “watercraft liability” unless, at the time of an “occurrence”, the involved watercraft is:

- a. Stored;
- b. A sailing vessel, with or without auxiliary power that is:
 - (1) Less than 26 feet in overall length; or
 - (2) 26 feet or more in overall length and not owned by or rented to an “insured”;
- c. Not a sailing vessel and is powered by:
 - (1) An inboard or inboard-outdrive engine or motor, including those that power a water jet pump, of:
 - (a) 50 horsepower or less and not owned by an “insured”; or
 - (b) More than 50 horsepower and not owned by or rented to an “insured”; or
 - (2) One or more outboard engines or motors with:
 - (a) 50 total horsepower or less; or
 - (b) More than 50 horsepower if the outboard engine or motor is not owned by an “insured”;
 - (c) More than 50 horsepower if the outboard engine or motor is owned by an “insured” who acquired it during the policy period; or
 - (d) More than 50 horsepower if the outboard engine or motor is owned by an “insured” who acquired it before the policy period, but only if:
 - (1) You declare them at policy inception; or
 - (2) Your intent to insure them is reported to us in writing within 45 days after you acquire them.

The exceptions in 18.c.(2)(c) and (d) apply for the policy period.

Horsepower means the maximum power rating assigned to the engine or motor by the manufacturer.

This exclusion does not apply to "bodily injury" to a "residence employee" arising out of and in the course of the "residence employee's" employment by an "insured".

B. Liability Coverage E - Personal Liability.

Liability Coverage E does not apply to the following:

1. Liability:

a. For any loss assessment charged against you as a member of an association, corporation or community of property owners, except as provided in Liability - Additional Coverage 4. Loss Assessment;

b. Under any contract or agreement entered into by an "insured". This exclusion does not apply to written contracts:

(1) That directly relate to the ownership, maintenance or use of an "insured location"; or

(2) In which the liability of others is assumed by the "insured" prior to an "occurrence";

unless excluded in 1.a. or elsewhere in this policy;

2. "Property damage" to property owned by an "insured". This includes costs or expenses incurred by an "insured" or others to repair, replace, enhance, restore or maintain such property to prevent injury to a person or damage to property of others, whether on or away from an "insured location";

3. "Property damage" to property rented to, occupied or used by or in the care of an "insured". This exclusion does not apply to "property damage" caused by fire, smoke, water or explosion;

4. "Bodily injury" to any person eligible to receive any benefits voluntarily provided or required to be provided by an "insured" under any:

- a. Workers' compensation law;
- b. Non-occupational disability law; or
- c. Occupational disease law;

5. "Bodily injury" or "property damage" for which an "insured" under this policy:

a. Is also an insured under a nuclear energy liability policy issued by the:

(1) Nuclear Energy Liability Insurance Association;

(2) Mutual Atomic Energy Liability Underwriters;

(3) Nuclear Insurance Association of Canada;

or any of their successors; or

b. Would be an insured under that policy but for the exhaustion of its limit of liability;

6. "Bodily injury" to you or an "insured" as defined in Definition 9.a. or b.

This exclusion also applies to any claim made or suit brought against you or an "insured" to:

a. Repay; or

b. Share damages with;

another person who may be obligated to pay damages because of "bodily injury" to an "insured"; or

7. "Bodily injury" to an "employee", "residence employee" or a temporary employee furnished to the "insured" to substitute for a permanent "residence employee" arising out of or in the course of the employee's employment by any Additional Insured named in the Declarations.

C. Liability Coverage F - Medical Payments to Others.

Liability Coverage F does not apply to "bodily injury":

1. To a "residence employee" if the "bodily injury":

a. Occurs off an "insured location"; and

b. Does not arise out of or in the course of the "residence employee's" employment by an "insured";

2. To any person eligible to receive benefits voluntarily provided or required to be provided under any:

a. Workers' compensation law;

b. Non-occupational disability law; or

c. Occupational disease law;

3. From any:

a. Nuclear reaction;

b. Nuclear radiation; or

c. Radioactive contamination;

all whether controlled or uncontrolled or however caused; or

d. Any consequence of any of these; or

4. To any person, other than a "residence employee" of an "insured", residing on any part of an "insured location".

LIABILITY - CONDITIONS ¹

1. Limit of Liability. Our total liability under Liability Coverage E for all damages resulting from any one "occurrence" will not be more than the limit of liability for Liability Coverage E shown in the Declarations. This limit is the same regardless of the number of "insureds", claims made or persons injured. All "bodily injury" and "property damage" resulting from any one accident or from continuous or repeated exposure to substantially the same general harmful conditions will be considered to be the result of one "occurrence".

Our total liability under Liability Coverage F for all medical expense payable for "bodily injury" to one person as the result of one accident will not be more than the Liability Coverage F limit of liability shown in the Declarations.

2. Severability of Insurance. This insurance applies separately to each "insured". This Liability - Condition will not increase our limit of liability for any one "occurrence".

3. Duties After "Occurrence". In the event of an "occurrence", you or another "insured" will perform the following duties that apply. We have no duty to provide coverage under this policy if you fail to comply with the following duties:

- a. Give us written notice as soon as is practical, which sets forth:
 - (1) The identity of the policy and the named "insured" shown in the Declarations;
 - (2) Reasonably available information on the time, place and circumstances of the "occurrence"; and
 - (3) Names and addresses of any claimants and witnesses;
- b. Cooperate with us in the investigation, settlement or defense of any claim or suit;
- c. Promptly forward to us every notice, demand, summons or other process relating to the "occurrence";
- d. At our request, help us:
 - (1) To make settlement;
 - (2) To enforce any right of contribution or indemnity against any person or organization who may be liable to an "insured";
 - (3) With the conduct of suits and attend hearings and trials; and
 - (4) To secure and give evidence and obtain the attendance of witnesses;

- e. With respect to Liability - Additional Coverage 3. Damage to Property of Others, submit to us within 60 days after the loss, a sworn statement of loss and show the damaged property, if in an "insured's" control;
- f. With respect to Liability - Additional Coverage 5. Property Damage Coverage for Military Personnel and United States Government Employees, submit to us within 60 days after the loss, a sworn statement of loss and show the damaged property, if in an "insured's" control; and
- g. No "insured" will, except at such "insured's" own cost, voluntarily make payment, assume obligation or incur expense other than for first aid to others at the time of the "bodily injury".

4. Duties of an Injured Person - Liability Coverage F - Medical Payments to Others. ⁸

- a. The injured person or someone acting for the injured person will:
 - (1) Give us written proof of claim, under oath if required, as soon as is practical; and
 - (2) Authorize us to obtain copies of medical reports and records.
- b. The injured person will submit to a physical exam by a doctor of our choice when and as often as we reasonably require.

5. Payment of Claim - Liability Coverage F - Medical Payments to Others. ¹⁰

6. Suit Against Us. No action can be brought against us unless there has been full compliance with all of the terms under the Liability Coverage Section of this policy.

No one will have the right to join us as a party to any action against an "insured".

Also, no action with respect to Liability Coverage E can be brought against us until the obligation of such "insured" has been determined by final judgment or agreement signed by us.

7. Bankruptcy of an Insured. ¹²

8. Other Insurance. This insurance is excess over other valid and collectible insurance except

insurance written specifically to cover as excess over the limits of liability that apply in this policy. ¹

9. Policy Period. This policy applies only to “bodily injury” or “property damage” which occurs during the policy period.

10. Concealment or Fraud. We do not provide coverage to an “insured” who, whether before or after a loss, has:

- a. Intentionally concealed or misrepresented any material fact or circumstance; ²
- b. Engaged in fraudulent conduct; or
- c. Made false statements; relating to this insurance.

SIGNATURE PAGE

This policy is signed for the member company of Travelers which is the insurer under this policy. ¹

 ²

Wendy C. Skjerven ³
Corporate Secretary

 ⁴

Michael Klein ⁵
President
Personal Insurance

WATER BACK UP AND SUMP DISCHARGE OR OVERFLOW COVERAGE ¹**This Endorsement Changes The Policy. Please Read It Carefully.** ²**PROPERTY COVERAGE SECTION** ³**PROPERTY – PERILS INSURED AGAINST**

For purposes of the Water Back Up and Sump Discharge or Overflow Additional Coverage only, Perils Insured Against provision:

1. Property Coverage A – Dwelling and Property Coverage B – Other Structures, paragraph **2.c.(6)(b)** in form **HQ-P03**;
2. Property Coverage A – Dwelling, paragraph **2.c.(6)(b)** in form **HQ-P06**;
3. Property Coverages A, B (if applicable) and C, paragraph **1.c.(6)(b)** in Special Personal Property Coverage form **HQ-015**; and
4. Property Coverages A and B (if applicable), paragraph **2.c.(6)(b)** in Special Coverage form **HQ-003**;

is replaced by the following:

Latent defect, inherent vice or any quality in property that causes it to damage or destroy itself;

located within the dwelling or other building structures on the “residence premises” even if such discharge or overflow results from mechanical breakdown. ¹²

This additional coverage does not apply to: ¹³

- a. Direct physical loss of the sump, sump pump, related equipment or any other system designed to remove subsurface water which is caused by mechanical breakdown; or
- b. Loss caused as a direct or indirect result of flood, surface water, storm surge, waves, wave wash, tidal water, tsunami, seiche, overflow of a body of water or spray from any of these, whether a result of precipitation or driven by wind.

This coverage does not increase the limits of liability for any property covered under the Property Coverage Section of this policy. ¹⁴

PROPERTY – EXCLUSIONS ¹⁵

For purposes of this Water Back Up and Sump Discharge or Overflow Additional Coverage only, the following is added under **3. Water**, paragraph **b.** (this is Property – Exclusion **A.3.** in forms **HQ-P03** and **HQ-P06**): ¹⁶

3. Water, meaning any: ¹⁷

- b. This paragraph **b.** does not apply to the extent that coverage is provided under the Water Back Up and Sump Discharge or Overflow Additional Coverage. ¹⁸

For purposes of this Water Back Up and Sump Discharge or Overflow Additional Coverage only, the following is added under **4. Power Failure** (this is Property – Exclusion **A.4.** in forms **HQ-P03** and **HQ-P06**): ¹⁹

4. Power Failure. ²⁰

This exclusion does not apply to the extent that coverage is provided under the Water Back Up and Sump Discharge or Overflow Additional Coverage. ²¹

All other provisions of this policy apply. ²²

PROPERTY – ADDITIONAL COVERAGES ⁶

The following additional coverage is added under Property – Additional Coverages: ⁷

Water Back Up and Sump Discharge or Overflow Coverage. We will pay up to the limit of liability shown in the Declarations under this Water Back Up and Sump Discharge or Overflow Coverage, for direct physical loss, not caused by the negligence of an “insured”, to property covered under the Property Coverage Section of this policy, caused by water or water borne material, that: ⁸

- a. Enters through or backs up from a sewer or drain located within the dwelling or other building structures on the “residence premises”; or ⁹

- b. Discharges or overflows from a: ¹⁰

(1) Sump or sump pump;

(2) Related equipment; or

(3) Any other system designed to remove subsurface water which is drained from the foundation area; ¹¹

LIMITED HIDDEN WATER OR STEAM SEEPAGE OR LEAKAGE COVERAGE ¹

This Endorsement Changes The Policy. Please Read It Carefully. ²

PROPERTY COVERAGE SECTION ³

PROPERTY – ADDITIONAL COVERAGES

The following additional coverage is added under Property – Additional Coverages: ⁴

Limited Hidden Water or Steam Seepage or Leakage. ⁵ We will pay, up to the limit shown in the Declarations under this Limited Hidden Water or Steam Seepage or Leakage Coverage, for damage, including deterioration or rot, to covered property caused by the constant or repeated, seepage or leakage of water or steam from within a:

- a. Plumbing system; ⁶
- b. Heating system;
- c. Air conditioning system;
- d. Automatic fire protective sprinkler system; or
- e. Household appliance.

The constant or repeated seepage or leakage of water or steam must be hidden. ⁷

This includes the cost to tear out and replace any part of a building, or other structure, on the “residence premises”, but only when necessary to repair the system or appliance from which this water or steam escaped. ⁸

For purposes of this Limited Hidden Water or Steam Seepage or Leakage Additional Coverage only, hidden means the seepage or leakage of water or steam is within the walls, floors or ceilings or underneath the floors of a structure. ⁹

For purposes of this Limited Hidden Water or Steam Seepage or Leakage Additional Coverage only, a plumbing system or household appliance does not include a sump, sump pump or related equipment or any other system designed to remove surface or subsurface water, roof drain, gutter, downspout or similar fixtures or equipment. ¹⁰

We do not cover loss: ¹¹

- a. If an “insured” knew, suspected or should have known of the seepage or leakage of water or steam; ¹²
- b. If there were visible signs of seepage or leakage that occurred over a period of weeks, months or years; or
- c. To the system or appliance from which this water or steam escaped.

All damage resulting from constant or repeated seepage or leakage of water or steam from the same system or appliance shall be considered one loss. ¹³

If a constant or repeated seepage or leakage of water or steam loss causes damages during the policy period and any other policy period(s) under a policy issued to you by us, the maximum limit of our liability under all policy periods shall not exceed the amount of the highest applicable limit under any one policy period. ¹⁴

This coverage does not increase the limit of liability that applies to the damaged covered property. ¹⁵

PROPERTY – EXCLUSIONS ¹⁶

For purposes of this Limited Hidden Water or Steam Seepage or Leakage Additional Coverage only, the following is added under Property – Exclusion **12**. Seepage or Leakage (this is Property – Exclusion **A.12**. in forms **HQ-P03** and **HQ-P06**): ¹⁷

12. Seepage or Leakage. ¹⁸

This exclusion does not apply to the extent that coverage is afforded under the Limited Hidden Water or Steam Seepage or Leakage Additional Coverage. ¹⁹

All other provisions of this policy apply. ²⁰

PERSONAL PROPERTY REPLACEMENT COST LOSS SETTLEMENT

This Endorsement Changes The Policy. Please Read It Carefully. ¹

PROPERTY COVERAGE SECTION ² PROPERTY – CONDITIONS

For purposes of this Personal Property Replacement Cost Loss Settlement only, the following replaces **3.** Loss Settlement paragraph **a.**:

3. Loss Settlement. ⁴

a. Property of the following types: ⁵

(1) Eligible Property. Covered losses to the following property are settled at replacement cost at the time of the loss: ⁶

- (a)** Property described in Property Coverage C – Personal Property; and
- (b)** Awnings, carpeting, household appliances, outdoor antennas and outdoor equipment, whether or not attached to buildings, if covered in this policy.

(2) Eligible Property with form HQ-61B. Covered losses to the following Classes of Personal Property are settled at replacement cost at the time of the loss if Valuable Items Plus Coverage form **HQ-61B** is part of your policy and a limit of liability is shown in the Declarations for that Class of Personal Property:

- (a)** Jewelry, including articles of personal adornment composed at least partially of silver, gold, platinum or other precious metals or alloys, whether or not containing pearls, jewels or precious or semi-precious stones.

This does not include bullion, gold, silver and other precious metals or unmounted gems;

- (b)** Silverware, including:

- (i)** Silver-plated ware, goldware, gold-plated ware, platinumware, platinum-plated ware and pewterware; and
- (ii)** Flatware, hollowware, tea sets, trays and trophies made of or including silver, gold, platinum or pewter.

This does not include pens, pencils, flasks, smoking implements or accessories or jewelry;

- (c)** Fine arts, including paintings, etchings, drawings, lithographs, photographs, sculptures and other bona fide works of art of rarity, historical value or artistic merit; ⁷
- (d)** Furs and garments trimmed with fur or consisting principally of fur;
- (e)** Computers, hardware, software, data storage media and related equipment;
- (f)** Firearms and related equipment;
- (g)** Cameras, projection machines and related articles of equipment;
- (h)** Musical instruments and related equipment; and
- (i)** China, ceramic ware or porcelain dinnerware and crystal comprised of clear, colorless glass.

Replacement Cost Loss Settlement. With ⁸ respect to all property described under Eligible Property **3.a.(1)** and Eligible Property with form **HQ-61B 3.a.(2)**, we will pay no more than the least of the following amounts:

- (a)** Replacement cost at the time of loss without deduction for depreciation; ⁹
- (b)** The full cost of repair at the time of loss;
- (c)** The limit of liability that applies to Property Coverage C – Personal Property, if applicable;
- (d)** Any applicable Special Limits of Liability stated in this policy; or
- (e)** For loss to any Class of Personal Property described under Eligible Property **3.a.(2)(a)** through **3.a.(2)(i)**, the limit of liability that applies to the Class of Personal Property. ¹⁰

If the replacement cost for the property described above is more than \$2,500, we will pay no more than the actual cash value for the loss until the actual repair or replacement is complete.

You may make a claim for loss on an actual cash value basis and then make claim for any additional liability according to the provisions of this endorsement, provided you notify us, within 180 days

after the date of loss, of your intent to repair or replace the damaged property. ¹

- (3) Ineligible Property.** Property listed below is not eligible for replacement cost loss settlement. Any loss will be settled at actual cash value at the time of loss but not more than the amount required to repair or replace: ²
- (a) Structures that are not buildings;
 - (b) Grave markers, including mausoleums;
 - (c) Antiques and similar articles of rarity or antiquity which cannot be replaced;

- (d) Memorabilia, souvenirs and similar articles whose age or history contribute to their value; ³
- (e) Collectibles, including figurines, glassware, marble, porcelains, statuary and similar articles;
- (f) Articles not maintained in good or workable condition; and
- (g) Articles that are outdated or obsolete and are stored or not being used.

All other provisions of this policy apply.

SPECIAL PROVISIONS – TEXAS

This Endorsement Changes The Policy. Please Read It Carefully. 1

In this policy, the following is added under any provision which uses the term actual cash value: 2

Actual cash value means the value of the covered property at the time of loss or damage. 3

When calculating actual cash value using the estimated cost to repair or replace such property, with a reasonable deduction for depreciation that occurred before such loss or damage, we may apply depreciation to all components of the estimated cost, including the following: 4

- a. Materials; 5
- b. Labor;
- c. Overhead and profit; and
- d. Any applicable tax.

The deduction for depreciation may include such considerations as: 6

- a. Age; 7
- b. Condition, such as wear and tear or deterioration;
- c. Reduction in useful life; and
- d. Obsolescence.

DEFINITIONS 8

When this Special Provisions – Texas is used with form HQ-D77 only, Definition 5. “business” is replaced by the following: 9

5. “Business” means: 10

- a. A trade, profession or occupation engaged in on a full-time, part-time or occasional basis; or 11
- b. Any other activity engaged in for money or other compensation, except the following:
 - (1) One or more activities, for which no “insured” receives more than \$5,000 in total compensation during the 12 consecutive months prior to an “occurrence”;
 - (2) Volunteer activities for which no money is received other than payment for expenses incurred to perform the activity;
 - (3) Providing home day care services for which no compensation is received, other than the mutual exchange of such services; or
 - (4) Providing home day care services to a relative of an “insured”.

The following is added under Definition 13. 12
“pollutants” (this is Definition 12. in form HQ-D88):

“Pollutants” does not include: 13

- a. Irritants or contaminants that escape from heating and air conditioning systems and appliances (HVAC);
- b. Common household chemicals used to maintain the residence premises; and
- c. Irritants or contaminants released from a hostile fire. A hostile fire is a fire which becomes uncontrollable or breaks out from where it was intended to be.

The following definition is added: 14

“Business day” means a day other than a Saturday, Sunday or holiday recognized by the state of Texas.

POLICY CONDITIONS 15

4. **Cancellation** is replaced by the following: 16

4. **Cancellation.** This policy may be cancelled during the policy period as follows: 17

- a. A named “insured” shown in the Declarations may cancel this policy by:
 - (1) Returning this policy to us; or
 - (2) Giving us advance notice of the date cancellation is to take effect.

We may accept another form of notice from a named “insured”. The cancellation by a named “insured” will be binding on any other named “insured”.

- b. We may cancel this policy only for the reasons stated below by letting you know in writing of the date cancellation takes effect. This cancellation notice may be delivered to you, electronically transmitted to you, if permissible by law, or mailed to you at your mailing address shown in the Declarations. Proof of mailing or electronic transmission will be sufficient proof of notice. We will also deliver or mail a copy of the notice to any Additional Insured named in the Declarations.

When this Special Provisions – Texas is used with forms HQ-P02, HQ-P03, HQ-P04 or HQ-P06, paragraph b.(1) applies: 18

(1) If this policy has been in effect for less than 60 days and is not a renewal policy, we may cancel this policy if:

- (a)** We identify a condition that:
 - (i)** Creates an increased risk of hazard;
 - (ii)** Was not disclosed in the application for insurance coverage; and
 - (iii)** Is not the subject of a prior claim; or
- (b)** Before the effective date of the policy, we have not accepted a copy of a required inspection report that:
 - (i)** Was completed by an inspector licensed by the Texas Real Estate Commission or who is otherwise authorized to perform inspections; and
 - (ii)** Is dated not earlier than the 90th day before the effective date of the policy.

An inspection report is deemed accepted, unless we reject it before the 11th day after the date we receive it.

When this Special Provisions – Texas is used with forms **HQ-P53** or **HQ-P56**, paragraph **b.(2)** applies:

(2) If this policy has been in effect for less than 90 days and is not a renewal policy, we may cancel this policy for any reason.

When this Special Provisions – Texas is used with forms **HQ-P02**, **HQ-P03**, **HQ-P04**, **HQ-P06**, **HQ-P53** or **HQ-P56**, paragraphs **b.(3)** and **c.** through **e.** apply:

- (3)** We may also cancel this policy at any time for any of the following reasons:
 - (a)** You do not pay the premium or any portion of the premium when due;
 - (b)** The Department of Insurance determines that continuation of the policy would violate the Texas Insurance Code or any other laws governing the business of insurance in this state;
 - (c)** You submit a fraudulent claim; or
 - (d)** There is an increase in the hazard covered by this policy that is within your control and that would produce

an increase in the premium/rate of this policy.

- c.** The effective date of cancellation cannot be before the 10th day after we mail, or electronically transmit, if permissible by law, the notice if we cancel for any of the reasons in **4.b.(3)**, or the 30th day after we mail, or electronically transmit, if permissible by law, notice if we cancel for any other reason. Our notice of cancellation must state the reason for cancellation.
- d.** When this policy is cancelled, we will send you any refund due not later than the 15th “business day” after the date of cancellation. The premium for the period from the date of cancellation to the expiration date will be refunded pro rata.
- e.** We may not cancel this policy solely because you are an elected official.

5. Nonrenewal is replaced by the following: **8**

5. Refusal to Renew. **9**

- a.** We may not refuse to renew this policy because of claims for losses resulting from natural causes.
- b.** We may not refuse to renew this policy solely because you are an elected official.
- c.** We may refuse to renew this policy if you have filed three or more claims under this policy in any three-year period that do not result from natural causes.

If you have filed two claims in a period of less than three years, we may notify you in writing that if you file a third claim during the three-year period, we may refuse to renew this policy by providing you proper notice of our refusal to renew as provided in **5.d.** If we do not notify you after the second claim, we may not refuse to renew this policy because of losses.

A claim does not include a claim that is filed but is not paid or payable under the policy.

- d.** If we refuse to renew this policy, we must deliver to you, mail to you at your mailing address shown in the Declarations, or electronically transmit to you, if permissible by law, and to any mortgagee named in the Declarations, written notice of our refusal to renew not later than the 60th day before the date on which this policy expires. Proof of mailing or electronic transmission, if permissible by law, will be sufficient proof of notice. We will also deliver or mail a copy of the notice to any Additional Insured named in

the Declarations. If we fail to give you proper notice of our decision not to renew, you may require us to renew the policy.

The following is added under **POLICY CONDITIONS**:

Concealment or Fraud. To the extent permitted by Texas Insurance Code sections 705.003 and 705.004, we provide coverage to no “insureds” under this policy if, whether before or after a loss, an “insured” has:

- a. Intentionally concealed or misrepresented any material fact or circumstance;
 - b. Engaged in fraudulent conduct; or
 - c. Made false statements;
- relating to this insurance.

PROPERTY COVERAGE SECTION PROPERTY – PERILS INSURED AGAINST

When this Special Provisions – Texas is used with form **HQ-P02**, the following is added under **12. Accidental Discharge or Overflow of Water or Steam**:

We do not cover loss to a slab or foundation caused by accidental discharge, or overflow of water, water-borne material or steam from within a plumbing, heating or air conditioning system or household appliance that is either below the surface of the ground or is within or below the slab or foundation of the dwelling.

When this Special Provisions – Texas is used with form **HQ-P53**, the following is added under **11. Accidental Discharge or Overflow of Water or Steam**:

We do not cover loss to a slab or foundation caused by accidental discharge, or overflow of water, water-borne material or steam from within a plumbing, heating or air conditioning system or household appliance that is either below the surface of the ground or is within or below the slab or foundation of the dwelling.

PERILS INSURED AGAINST

PROPERTY COVERAGE A – DWELLING
PROPERTY COVERAGE B – OTHER STRUCTURES

When this Special Provisions – Texas is used with form **HQ-P03**, the following is added under **Exception to c.(6)**:

We do not cover loss to a slab or foundation caused by accidental discharge, or overflow of water, water-borne material or steam from within a plumbing, heating or air conditioning system or household appliance that is either

below the surface of the ground or is within or below the slab or foundation of the dwelling.

PROPERTY – ADDITIONAL COVERAGES

The following is added under **12. Ordinance or Law** (this is Property – Additional Coverages **9.** in forms **HQ-P53** and **HQ-P56**):

If the insured property is located in an area which is eligible for coverage through the Texas Windstorm Insurance Association, the coverage described above also applies to the increased cost you incur due to the repair, replacement or demolition required for the dwelling to comply with the building specifications contained in the Texas Windstorm Insurance Association’s plan of operation.

PROPERTY – EXCLUSIONS

9. Intentional Loss is replaced by the following:

9. Intentional Loss.

- a. Intentional loss means any loss arising out of any act the “insured” commits or conspires to commit with the intent to cause a loss.

In the event of such loss, no “insured” is entitled to coverage, even “insureds” who did not commit or conspire to commit the act causing the loss.

- b. This exclusion does not apply to an “insured” who did not cooperate in or contribute to the creation of the loss if that “insured” has:

- (1) Filed a police report; and
- (2) Cooperated with law enforcement investigation or prosecution relating to any other “insured” causing the intentional loss.

- c. If we pay a claim pursuant to paragraph **9.b.**, our payment to the “insured” is limited to that “insured’s” insurable interest in the property less any payments we first made to a mortgagee or other party with a secured interest in this policy. In no event will we pay more than the limit of liability. As a condition of payment for intentional loss caused by another “insured” under this exception to the exclusion, we may require an assignment of rights of recovery to the extent that payment is made by us.

11. “Fungi” or Other Microbes is replaced by the following:

11. “Fungi”, Other Microbes or Rot, meaning any loss or cost resulting from, arising out of, caused

by, consisting of or related to “fungi”, other microbes or rot.

This exclusion does not apply to:

- a. “Fungi” or other microbes remediation coverage that may be afforded under Property – Additional Coverage 16. Limited “Fungi” or Other Microbes Remediation (this is Property – Additional Coverage 11. Limited “Fungi” or Other Microbes Remediation in forms HQ-P53 and HQ-P56); or
- b. “Fungi”, other microbes or rot that results from fire or lightning.

This exclusion applies unless the “fungi” or other microbes are located upon the portion of covered property which must be repaired or replaced because of direct physical damage resulting from any peril covered under this policy.

When this Special Provisions – Texas is used with forms HQ-P02 or HQ-P53, the following exclusion is added, and when this Special Provisions – Texas is used with form HQ-P03, the following exclusion is added under A.:

Settling, Cracking, Bulging, Shrinkage or Expansion of Specific Property, meaning any loss arising out of, caused by, consisting of or related to settling, cracking, bulging, shrinkage or expansion of foundations, walls, floors, ceiling, roof structures, walks, drives, curbs, fences, retaining walls or swimming pools, regardless of whether such loss ensues from any loss, including a loss involving water or water damage which is covered under this policy. However, settling, cracking, bulging, shrinkage or expansion as a direct result of collapse of a building is covered.

PROPERTY – CONDITIONS

The following is added under 1. **Insurable Interest and Limit of Liability**:

Policy A Liquidated Demand. A fire insurance policy, in case of a total loss by fire of property insured, will be held and considered to be a liquidated demand against the company for the full amount of such policy. This provision will not apply to personal property.

When this Special Provisions – Texas is used with forms HQ-P02, HQ-P03, HQ-P04 or HQ-P06, the first paragraph and paragraphs 2.a., 2.g. and 2.h. under 2. **Duties After Loss** are replaced by the following:

2. **Your Duties After Loss.** In case of a loss to covered property, we have no duty to provide coverage under this policy if the failure to comply

with the following duties is prejudicial to us. These duties must be performed either by you, or an “insured” seeking coverage, or a representative of either.

- a. Give prompt notice to us or our agent. With respect to a loss caused by the peril of windstorm or hail, that notice must occur not later than one year after the date of the loss. However, for loss caused by the peril of windstorm or hail, any such claim may be filed after the first anniversary of the date of the loss for good cause shown by the person filing the claim;
- g. As often as we reasonably require:
 - (1) Show the damaged property;
 - (2) Provide us with records and documents we request and permit us to make copies; and
 - (3) Submit to examination under oath, while not in the presence of another “insured”, and sign the same. A parent or guardian may be present during any examination of a minor; and
- h. Send to us, within 91 days after our request, your signed, sworn proof of loss on a standard form supplied by us. We must request a signed, sworn proof of loss within 15 days after we receive your written notice, or we waive our right to require a proof of loss. Such waiver will not waive our other rights under this policy.
 - (1) This proof of loss will set forth, to the best of your knowledge and belief:
 - (a) The time and cause of loss;
 - (b) The interests of all “insureds” and all others in the property involved and all liens on the property;
 - (c) Other insurance which may cover the loss;
 - (d) Changes in title or occupancy of the property during the term of this policy;
 - (e) Specifications of the damaged buildings and detailed repair estimates;
 - (f) The inventory of damaged personal property described in 2.f.;
 - (g) Receipts for additional living expenses incurred and records that support the fair rental value loss; and
 - (h) Evidence or affidavit that supports a claim under Property – Additional Coverage 7. Credit Card, Electronic

- Fund Transfer Card or Access Device, Forgery and Counterfeit Money, stating the amount and cause of loss.
- (2) If you elect to make claim under the Replacement Cost Coverage of this policy, this proof of loss shall also state, to the best of your knowledge and belief:
- (a) The replacement cost of the described dwelling;
 - (b) The replacement cost of any other building on which loss is claimed; or
 - (c) The full cost of repair or replacement of loss without deduction for depreciation.

When this Special Provisions – Texas is used with forms **HQ-P53** or **HQ-P56**, the first paragraph and paragraphs **2.a.**, **2.f.** and **2.g.** under **2. Duties After Loss** are replaced by the following:

- 2. Your Duties After Loss.** In case of a loss to covered property, we have no duty to provide coverage under this policy if the failure to comply with the following duties is prejudicial to us. These duties must be performed either by you, or an “insured” seeking coverage, or a representative of either:
- a. Give prompt notice to us or our agent. With respect to a loss caused by the peril of windstorm or hail, that notice must occur not later than one year after the date of the loss. However, for loss caused by the peril of windstorm or hail, any such claim may be filed after the first anniversary of the date of the loss for good cause shown by the person filing the claim;
 - f. As often as we reasonably require:
 - (1) Show the damaged property;
 - (2) Provide us with records and documents we request and permit us to make copies; and
 - (3) Submit to examination under oath, while not in the presence of another “insured”, and sign the same. A parent or guardian may be present during any examination of a minor; and
 - g. Send to us, within 91 days after our request, your signed, sworn proof of loss on a standard form supplied by us. We must request a signed, sworn proof of loss within 15 days after we receive your written notice, or we waive our right to require a proof of loss. Such waiver will not waive our other rights under this policy.

- (1) This proof of loss will set forth, to the best of your knowledge and belief:
- (a) The time and cause of loss;
 - (b) The interest of all “insureds” and all others in the property involved and all liens on the property;
 - (c) Other insurance which may cover the loss;
 - (d) Changes in title or occupancy of the property during the term of this policy;
 - (e) Specifications of the damaged buildings and detailed repair estimates;
 - (f) The inventory of damaged household furnishings described in **2.e.**; and
 - (g) Receipts for additional living expenses incurred and records that support the fair rental value loss.
- (2) If you elect to make claim under the Replacement Cost Coverage of this policy, this proof of loss shall also state, to the best of your knowledge and belief:
- (a) The replacement cost of the described dwelling;
 - (b) The replacement cost of any other building on which loss is claimed; or
 - (c) The full cost of repair or replacement of loss without deduction for depreciation.

The following is added under **2. Your Duties After Loss**:

Our Duties After Loss.

- a. No later than 15 days after we receive your written notice of claim, we must:
 - (1) Acknowledge receipt of the claim.

If our acknowledgement of the claim is not in writing, we will keep a record of the date, means and content of our acknowledgement;

 - (2) Begin any investigation of the claim; and
 - (3) Specify the information you must provide in accordance with **2. Your Duties After Loss**.

We may request more information, if during the investigation of the claim such additional information is necessary;
- b. After we receive the information we request, we must notify you in writing whether the

claim will be paid or has been denied or whether more information is needed: 1

- (1) Within 15 “business days”; or 2
- (2) Within 30 days if we have reason to believe the loss resulted from arson;

c. If we do not approve payment of your claim or require more time for processing your claim, we must:

- (1) Give the reason for denying your claim; or
- (2) Give the reasons we require more time to process your claim. But we must either approve or deny your claim within 45 days after requesting more time.

When this Special Provisions – Texas is used with forms HQ-P02 or HQ-P03, paragraph a. under 3. **Loss Settlement** is replaced by the following: 3

3. Loss Settlement. 4

- a. Property of the following types: 5
 - (1) Personal property other than jewelry;
 - (2) Awnings, carpeting, household appliances, outdoor antennas and outdoor equipment, whether or not attached to buildings;
 - (3) Structures that are not buildings; and
 - (4) Gravemarkers, including mausoleums; at actual cash value at the time of loss but not more than the amount required to repair or replace; and
 - (5) Jewelry at replacement cost at the time of loss without deduction for depreciation.

When this Special Provisions – Texas is used with form HQ-P04, 3. **Loss Settlement** is replaced by the following: 6

3. Loss Settlement. 7

- a. Covered property losses other than jewelry are settled at actual cash value at the time of loss but not more than the amount required to repair or replace. 8
- b. Jewelry losses are settled at replacement cost at the time of loss without deduction for depreciation.

When this Special Provisions – Texas is used with form HQ-P06, paragraph a. under 3. **Loss Settlement** is replaced by the following: 9

3. Loss Settlement. 10

- a. Property of the following types: 11

- (1) Personal property other than jewelry and grave markers, including mausoleums at actual cash value at the time of loss but not more than the amount required to repair or replace; and 12
- (2) Jewelry at replacement cost at the time of loss without deduction for depreciation.

When this Special Provisions – Texas is used with forms HQ-P02, HQ-P03 and HQ-P53, 3. **Loss Settlement** paragraphs c.(2) and c.(3) are deleted. 13

5. **Loss to a Pair or Set** is replaced by the following: 14

5. Loss to a Pair or Set. 15

- a. In case of loss to a pair or set other than jewelry, we may elect to: 16
 - (1) Repair or replace any part to restore the pair or set to its value before the loss; or
 - (2) Pay the difference between actual cash value of the property before and after the loss.
- b. Loss to a jewelry pair or set will be settled at replacement cost at the time of loss without deduction for depreciation.

6. **Loss Payment** is replaced by the following: 17

6. Loss Payment. 18

- a. We will adjust all losses with you. We will pay you unless some other person is named in this policy or is legally entitled to receive payment. 19
- b. If we notify you that we will pay your claim, or part of your claim, we must pay within five “business days” after we notify you. If payment of your claim or part of your claim requires the performance of an act by you, we must pay within five “business days” after the date you perform the act.

9. **Suit Against Us** is replaced by the following: 20

9. Suit Against Us. 21

- a. Except as provided in 9.b., no suit or legal action can be brought against us unless there has been full compliance with all of the terms under the Property Coverage Section of this policy. Action must be brought against us within two years and one day after 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. 22
- b. With respect to suits brought in connection with claims for loss caused by the peril of