

SERFF Tracking Number: ARKS-125725103 State: Arkansas
Filing Company: 00006 - INSURANCE SERVICES OFFICE, INC. State Tracking Number: #104955 \$400
Company Tracking Number: CM-2008-OWEFO
TOI: 09.0 Inland Marine Sub-TOI: 09.0005 Other Commercial Inland Marine
Product Name: n/a
Project Name/Number: /

Filing at a Glance

Company: 00006 - INSURANCE SERVICES OFFICE, INC.

Product Name: n/a	SERFF Tr Num: ARKS-125725103	State: Arkansas
TOI: 09.0 Inland Marine	SERFF Status: Closed	State Tr Num: #104955 \$400
Sub-TOI: 09.0005 Other Commercial Inland Marine	Co Tr Num: CM-2008-OWEFO	State Status: Fees verified and received
Filing Type: Form	Co Status:	Reviewer(s): Betty Montesi, Llyweyia Rawlins
	Author:	Disposition Date: 07/08/2008
	Date Submitted: 07/08/2008	Disposition Status: Filed
Effective Date Requested (New): 01/01/2009		Effective Date (New): 01/01/2009
Effective Date Requested (Renewal): 01/01/2009		Effective Date (Renewal): 01/01/2009

State Filing Description:

Forms: 4

General Information

Project Name:	Status of Filing in Domicile:
Project Number:	Domicile Status Comments:
Reference Organization:	Reference Number:
Reference Title:	Advisory Org. Circular:
Filing Status Changed: 07/08/2008	
State Status Changed: 07/08/2008	Deemer Date:
Corresponding Filing Tracking Number:	
Filing Description:	

Company and Contact

Filing Contact Information

NA NA, NA@NA.com

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NA (123) 555-4567 [Phone]
NA, AR 00000

Filing Company Information

00006 - INSURANCE SERVICES OFFICE, CoCode: 6 State of Domicile: Arkansas
INC.
No Address Group Code: Company Type:
City, AR 99999 Group Name: State ID Number:
(999) 999-9999 ext. [Phone] FEIN Number: 99-9999999

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Filing Fees

Fee Required? No
Retaliatory? No
Fee Explanation:
Per Company: No

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Llyweyia Rawlins	07/08/2008	07/08/2008

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Disposition

Disposition Date: 07/08/2008

Effective Date (New): 01/01/2009

Effective Date (Renewal): 01/01/2009

Status: Filed

Comment:

Rate data does NOT apply to filing.

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Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Filed	Yes
Supporting Document	ARKS-125725103		Yes

SERFF Tracking Number: ARKS-125725103 *State:* Arkansas
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Rate Information

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Product Name: n/a
Project Name/Number: /

Supporting Document Schedules

Review Status:

Satisfied -Name: ARKS-125725103

07/08/2008

Comments:

Attachments:

ARKS-125725103.pdf

ARKS-125725103-a.pdf

ARKS-125725103

LR



2828 E. TRINITY MILLS ROAD SUITE 150 CARROLLTON, TX 75006
TEL: (214) 390-1825 FAX: (214) 390-1975

104955
400.00

Kenneth J. Hill, CPCU
Regional Director, Government Relations

June 27, 2008

Honorable Julie Benafield Bowman
Commissioner of Insurance
Arkansas Insurance Department
1200 West Third Street
Little Rock, Arkansas 72201-1904

Approved until withdrawn
or revoked

JUL 08 2008

Attention: William R. Lacy, Director
Property and Casualty Division

Arkansas Insurance Department
By: *LR-Filed*

RE: Insurance Services Office, Inc.
CM 2008-OWEFO
Commercial Inland Marine
Introduction of Revised Multistate Water Exclusion
State of Arkansas

Dear Mr. Lacy:

On behalf of those participating insurers that have authorized Insurance Services Office, Inc. to do so, we hereby file the captioned filing.

It is proposed that this revision will become effective in accordance with the following rule of application:

These changes are applicable to all policies written on or after January 1, 2009.

Please return an acknowledged copy of this cover letter for our records. An addressed, stamped envelope is enclosed for your convenience. We have also included an additional copy of this letter and envelope; we request that you return it now with a "received" stamp to confirm that you have received the filing.

Very truly yours,

Donald J. Beckel

Donald J. Beckel, CPCU, ARM
Assistant Regional Manager
Government Relations

RECEIVED

JUL 08 2008

DJB:dlb
Encl.

PROPERTY AND CASUALTY DIVISION
ARKANSAS INSURANCE DEPARTMENT

Property & Casualty Transmittal Document

<p>1. Reserved for Insurance Dept. Use Only</p> <p style="text-align: center;">Approved until withdrawn or revoked</p> <p style="text-align: center; font-size: 1.2em;">JUL 08 2008</p> <p>Arkansas Insurance Department By: <i>RK-Filed</i></p>	<p>2. Insurance Department Use only</p> <p>a. Date the filing is received:</p> <p>b. Analyst:</p> <p>c. Disposition:</p> <p>d. Date of disposition of the filing: RECEIVED</p> <p>e. Effective date of filing:</p> <table style="width:100%; border: none;"> <tr> <td style="border: none;">New Business</td> <td style="border: none; text-align: right; vertical-align: middle; font-size: 1.2em;">1 JUL 08 2008</td> </tr> <tr> <td style="border: none;">Renewal Business</td> <td style="border: none;"></td> </tr> </table> <p>f. State Filing #:</p> <p>g. SERFF Filing #: PROPERTY AND CASUALTY DIVISION ARKANSAS INSURANCE DEPARTMENT</p> <p>h. Subject Codes</p>	New Business	1 JUL 08 2008	Renewal Business	
New Business	1 JUL 08 2008				
Renewal Business					

3. Group Name	Group NAIC #

4. Company Name(s)	Domicile	NAIC #	FEIN #	State #
Insurance Services Office, Inc.	DE		13-3131412	

5. Company Tracking Number	CM-2008-OWEFO
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Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6.	Name and address	Title	Telephone #s	FAX #	e-mail
	Donald J. Beckel Insurance Services Office, Inc. 2828 E. Trinity Mills Rd., Ste. 150 Carrollton, TX 75006	Asst. Regional Manager	(214) 390-1825 Ext. 224	(214) 390-1975	DBECKEL@iso.com

7. Signature of authorized filer	
8. Please print name of authorized filer	Donald J. Beckel

Filing information (see General Instructions for descriptions of these fields)

9. Type of Insurance (TOI)	09.0 - Inland Marine
10. Sub-Type of Insurance (Sub-TOI)	09.0005
11. State Specific Product code(s)(if applicable)[See State Specific Requirements]	Not Applicable
12. Company Program Title (Marketing title)	Commercial Inland Marine
13. Filing Type	<input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input type="checkbox"/> Rates/Rules <input checked="" type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)
14. Effective Date(s) Requested	New: 1-1-2009 Renewal: 1-1-2009
15. Reference Filing?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
16. Reference Organization (if applicable)	Not Applicable
17. Reference Organization # & Title	Not Applicable
18. Company's Date of Filing	6/27/08
19. Status of filing in domicile	<input type="checkbox"/> Not Filed <input checked="" type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

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Property & Casualty Transmittal Document---

20.	This filing transmittal is part of Company Tracking #	CM-2008-OWEFO
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21.	Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]
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This filing revises the Water Exclusion in the four Commercial Inland Marine Coverage Forms that include this exclusion to address issues raised in recent litigation and to reinforce the scope of this provision.

22.	Filing Fees (Filer must provide check # and fee amount if applicable) [If a state requires you to show how you calculated your filing fees, place that calculation below]
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Check #: 104955
 Amount: \$ 400.00

Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.

***Refer to each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)

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FORM FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes forms)
 (Do not refer to the body of the filing for the forms listing, unless allowed by state.)

1.	This filing transmittal is part of Company Tracking #		CM-2008-OWEFO		
2.	This filing corresponds to rate/rule filing number (Company tracking number of rate/rule filing, if applicable)				
3.	Form Name /Description/Synopsis	Form # Include edition date	Replacement Or withdrawn?	If replacement, give form # it replaces	Previous state filing number, if required by state
01	Camera and Musical Instrument Dealers Coverage Form	CM 00 21 08 08 ✓	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	CM 00 21 09 04	
02	Equipment Dealers Coverage Form	CM 00 22 08 08 ✓	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	CM 00 22 09 04	
03	Floor Plan Coverage Form	CM 00 52 08 08 ✓	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	CM 00 52 09 04	
04	Jewelers Block Coverage Form	CM 00 59 08 08 ✓	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	CM 00 59 09 04	
05			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
06			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
07			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
08			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
09			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
10			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		

Introduction of Revised Multistate Water Exclusion

About This Filing

The current Water Exclusion in ISO policies is being replaced for various commercial lines of business. This filing introduces a revised Water Exclusion in the four Commercial Inland Marine Coverage Forms that contain this exclusion.

Revised Forms

We are revising:

- ◆ CM 00 21 09 04 - Camera and Musical Instrument Dealers Coverage Form
- ◆ CM 00 22 09 04 - Equipment Dealers Coverage Form
- ◆ CM 00 52 09 04 - Floor Plan Coverage Form
- ◆ CM 00 59 09 04 - Jewelers Block Coverage Form

We have used a format of ~~striking through~~ deletions, underlining additions and inserting a revision bar in the left margin to indicate changes from the 09 04 editions to the 08 08 editions. Concurrent with implementation, the 08 08 editions will supersede the 09 04 editions.

Background

In *In re Katrina Canal Breaches Litigation*, 466 F. Supp. 2d 729 (E.D.La. 2006), the United States District Court for the Eastern District of Louisiana examined the applicability of water damage exclusions, which contained the undefined term "flood", in several different homeowners insurance policies. With respect to the applicability of the exclusion(s) to the damage(s) at issue in this case, the court stated, in part:

It is the considered opinion of this Court that because the policies are all-risk, and because "flood" has numerous definitions, it reasonably could be limited to natural occurrences. Simply put, the language of the ISO Water Damage Exclusion chosen by the insurer is unclear. Indeed, the broad definition defendants seek to employ—that is that the term "flood" means the inundation of usually dry land by water - makes the

remaining part of the exclusion superfluous. The ensuing words "waves, tidal water, overflow of a body of water or spray from any of these, whether or not driven by wind" all are instances relating to natural events which can cause inundation of usually dry land. Thus, to use the broadest definition of the term "flood" in interpreting the exclusion, would render the rest of the clause useless.

Subsequently, the United States Fifth Circuit Court of Appeals overturned, in part, the decision of the Eastern District Court in *In re Katrina Canal Breaches Litigation*, 495 F.3d 191 (5th Circ. 2007), *cert. denied*, 128 S. Ct. 1230 (2008), and *cert. denied*, 128 S. Ct. 1231 (2008). In its ruling, the court stated, in part:

In sum, we conclude that the flood exclusions in the plaintiffs' policies are unambiguous in the context of the facts of this case. In the midst of a hurricane, three canals running through the city of New Orleans overflowed their normal boundaries. The flood control measures, i.e., levees, that man had put in place to prevent the canal's floodwaters from reaching the city failed. The result was an enormous and devastating inundation of water into the city, damaging the plaintiffs' property. This event was a "flood" within that terms' generally prevailing meaning as used in the common parlance, and our interpretation of the exclusions ends there. The flood is unambiguously excluded from coverage under the plaintiffs' all-risk policies, and the district court's conclusion to the contrary was erroneous.

More recently, the Louisiana Supreme Court, in *Sher v. Lafayette Ins. Co.*, No. 07-C-2441 (consolidated with No. 07-C-2443), 2008 WL 928486 (La. Apr. 08, 2008), reversed a lower court's ruling that found the word "flood" ambiguous in the water exclusion of a commercial all-risk policy covering a five-unit apartment building. In its ruling, the court stated, in part:

The term "flood" is not defined in the policy. In such a case, the word should, as stated above [elsewhere in the decision], be given its plain, ordinary and generally prevailing meaning....

The plain, ordinary and generally prevailing meaning of the word "flood" is the overflow of a body of water causing a large amount of water to cover an area that is usually dry. This definition does not depend on locality, culture, or even national origin - the entire English speaking world recognizes that a flood is the overflow of a body of water causing a large amount of water to cover an area that is usually dry land. Contrary to the court of appeal's reasoning, this definition does not change or depend on whether the event is a natural disaster or a man-made one - in either case, a large amount of water covers an area that is usually dry. The plain, ordinary and generally prevailing meaning is all-inclusive. Further, of the examples of high water contained in the

exclusion and described by the court of appeal as "natural disasters", only one, tides, is exclusively natural - waves, tidal waves, and the overflow of water may be either natural or man-made, [FN2] as may be "floods"....

[FN2. Waves may be caused by high wind, boats, or even cars driven in high water. Tidal waves are caused by seismic events, such as earthquakes, underwater landslides (which may be natural or man-made), or underground nuclear testing. Water may overflow its natural boundaries because of seasonal rising of the water level, damming, levee breakage, or other natural and man-made causes.]

Furthermore, use of the restrictive definition would lead to absurd results. Using the court of appeal's definition, a homeowner whose house is located outside a protective levee would be excluded from recovering flood damages to his property, while a homeowner whose house is located inside the levee system would be able to recover under the same policy for the same flood water simply because it flowed through a breach in the levee.

Explanation of Changes

Water Exclusion

After considering issues raised in recent litigation surrounding the Water Exclusion and to reinforce the scope of the provision, we are revising the aforementioned Coverage Forms to replace the current Water Exclusion.

The revised exclusion introduces:

- ◆ Language reinforcing the scope of the water exclusion regardless of the cause, that is, water damage caused by an act of nature or otherwise caused. Specific mention is made of various boundary or containment systems such as dams and levees to further highlight this point;
- ◆ Additional references including references to tsunami and storm surge, in order to reinforce the application of the exclusion with respect to such events; and
- ◆ Reference to waterborne material, which has been positioned to apply uniformly to all aspects of the exclusion.

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CAMERA AND MUSICAL INSTRUMENT DEALERS COVERAGE FORM

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

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

Other words and phrases that appear in quotation marks have special meaning.

A. Coverage

We will pay for direct physical loss of or damage to Covered Property from any of the Covered Causes of Loss.

1. Covered Property, as used in this Coverage Form, means:

- a. Your stock in trade consisting principally of cameras or musical instruments and related equipment and accessories; and
- b. Similar property of others that is in your care, custody or control.

2. Property Not Covered

Covered Property does not include:

- a. Property that has been sold and delivered to customers, including property sold under a deferred payment sales agreement;
- b. Accounts, bills, currency, deeds, evidences of debt, money, notes or securities;
- c. Furniture, fixtures, office supplies, improvements and betterments, machinery, tools, fittings, patterns, dies, molds, and models;
- d. Property while in the mail unless Registered Mail or Government Insured Mail; or
- e. Contraband, or property in the course of illegal transportation or trade.

3. Covered Causes Of Loss

Covered Causes of Loss means RISKS OF DIRECT PHYSICAL LOSS OR DAMAGE to Covered Property except those causes of loss listed in the Exclusions.

4. Additional Coverage – Collapse

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

- a. Fire; lightning; windstorm; hail; explosion; smoke; aircraft; vehicles; riot; civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; breakage of building glass; falling objects; weight of snow, ice or sleet; water damage; all only as insured against in this Coverage Form;
- b. Decay that is hidden from view, unless the presence of such decay is known to an insured prior to collapse;
- c. Insect or vermin damage that is hidden from view, unless the presence of such damage is known to an insured prior to collapse;
- d. Weight of people or personal property;
- e. Weight of rain that collects on a roof;
- f. Use of defective materials or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation. However, if the collapse occurs after construction, remodeling or renovation is complete and is caused in part by a cause of loss listed in Paragraphs a. through e., we will pay for the loss or damage even if use of defective material or methods, in construction, remodeling or renovation, contributes to the collapse.

This Additional Coverage does not increase the Limits of Insurance provided in this Coverage Form.

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5. Coverage Extension

THEFT DAMAGE TO BUILDINGS

a. We will pay for damage caused directly by theft or attempted theft to:

- (1) That part of any building containing Covered Property; or
- (2) Equipment within the building used to maintain or service the building; only if you own the building or are legally responsible for the damage.

b. But, we will not pay for damage:

- (1) Caused by fire; or
- (2) To glass or to lettering or art work on glass.

This Coverage Extension is included within the Limit of Insurance applicable to the Covered Property at the premises where the damage occurs.

B. Exclusions

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

a. Earthquake

But if earthquake results in fire, we will pay for the direct loss or damage caused by that fire if the fire would be covered under this Coverage Form.

This exclusion only applies to property at your premises.

b. 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.

c. Nuclear Hazard

- (1) Any weapon employing atomic fission or fusion; or
- (2) Nuclear reaction or radiation, or radioactive contamination from any other cause. But if nuclear reaction or radiation, or radioactive contamination results in fire, we will pay for the direct loss or damage caused by that fire if the fire would be covered under this Coverage Form.

d. War And Military Action

- (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.

e. Water

- (1) Flood, surface water, waves (including tidal wave and tsunami), tides, tidal waveswater, overflow of any body of water, or their spray from any of these, all whether or not driven by wind or not(including storm surge); or
- (2) Waterborne material carried or otherwise moved by any of the water referred to in Paragraph (1).

This exclusion applies regardless of whether any of the above, in Paragraphs (1) and (2), is caused by an act of nature or is otherwise caused. An example of a situation to which this exclusion applies is the situation where a dam, levee, seawall or other boundary or containment system fails in whole or in part, for any reason, to contain the water.

But if water, as described any of the above, in Paragraphs (1) and (2), results in fire, explosion or theft, we will pay for the direct loss or damage caused by that fire, explosion or theft if these causes of loss would be covered under this Coverage Form.

This exclusion only applies to property at your premises.

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

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

a. Theft from any unattended vehicle unless at the time of theft its windows, doors and compartments were closed and locked and there are visible signs that the theft was the result of forced entry.

But this exclusion does not apply to property in the custody of a carrier for hire.

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- b. Marring, scratching; exposure to light; breakage of tubes, bulbs, lamps or articles made largely of glass (except lenses).

But we will pay for such loss or damage caused directly by fire, lightning, explosion, windstorm, vandalism, aircraft, rioters, strikers, theft or attempted theft, or by accident to the vehicle carrying the property if these causes of loss would be covered under this Coverage Form.

- c. Delay, loss of use, loss of market or any other consequential loss.
- d. Unexplained disappearance.
- e. Shortage found upon taking inventory.
- f. Dishonest or criminal act committed by:

- (1) You, any of your partners, employees, directors, trustees, or authorized representatives;
- (2) A manager or a member if you are a limited liability company;
- (3) Anyone else with an interest in the property, or their employees or authorized representatives; or
- (4) Anyone else to whom the property is entrusted for any purpose.

This exclusion applies whether or not such persons are acting alone or in collusion with other persons or such acts occur during the hours of employment.

This exclusion does not apply to Covered Property that is entrusted to others who are carriers for hire or to acts of destruction by your employees. But theft by employees is not covered.

- g. Processing or work upon the property.

But if processing or work upon the property results in fire or explosion, we will pay for the direct loss or damage caused by that fire or explosion if the fire or explosion would be covered under this Coverage Form.

- h. Artificially generated current creating a short circuit or other electric disturbance within an article covered under this Coverage Form.

But if artificially generated current, as described above, results in fire or explosion, we will pay for the direct loss or damage caused by that fire or explosion if the fire or explosion would be covered under this Coverage Form.

This exclusion only applies to loss or damage to that article in which the disturbance occurs.

- i. Voluntary parting with any property by you or anyone entrusted with the property if induced to do so by any fraudulent scheme, trick, device or false pretense.
- j. Unauthorized instructions to transfer property to any person or to any place.
- k. Neglect of an insured to use all reasonable means to save and preserve property from further damage at and after the time of loss.

- 3. We will not pay for loss or damage caused by or resulting from any of the following. But if loss or damage by a Covered Cause of Loss results, we will pay for the loss or damage caused by that Covered Cause of Loss.

- a. Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in Paragraph 1. above to produce the loss or damage.

- b. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.

- c. Faulty, inadequate or defective:

- (1) Planning, zoning, development, surveying, siting;
- (2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
- (3) Materials used in repair, construction, renovation or remodeling; or
- (4) Maintenance;

of part or all of any property wherever located.

- d. Collapse except as provided in the Additional Coverage – Collapse section of this Coverage Form.

- e. Wear and tear, any quality in the property that causes it to damage or destroy itself, hidden or latent defect, gradual deterioration, depreciation; mechanical breakdown; insects, vermin, rodents; corrosion, rust, dampness, cold or heat.

C. Limits Of Insurance

The most we will pay for loss or damage in any one occurrence is the applicable Limit of Insurance shown in the Declarations.

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D. Deductible

We will not pay for loss or damage in any one occurrence until the amount of the adjusted loss or damage before applying the applicable Limits of Insurance exceeds the Deductible shown in the Declarations. We will then pay the amount of the adjusted loss or damage in excess of the Deductible, up to the applicable Limit of Insurance.

E. Additional Conditions

1. Valuation

General Condition **F. Valuation** in the Commercial Inland Marine Conditions is replaced by the following:

a. Unsold Property

The value of unsold property will be the least of the following amounts:

- (1) The actual cash value of that property;
- (2) The cost of reasonably restoring that property to its condition immediately before loss or damage; or
- (3) The cost of replacing that property with substantially identical property.

b. Sold Property

The value of property sold but not yet delivered will be your net selling price after all allowances and discounts.

c. Property Of Others

The value of property in your care, custody or control will be the lesser of:

- (1) The amount for which you are liable, plus the value of labor and materials you have added; or
- (2) Actual cash value, including labor and materials you have added.

d. Negatives, Positives Or Prints

Negatives, positives or prints are not included in Paragraphs **a.**, **b.** or **c.** above. Their value will be the cost of unexposed film or developing paper, including labor and materials you have added in their developing.

In the event of loss or damage, the value of property will be determined as of the time of loss or damage.

2. The following conditions apply in addition to the Commercial Inland Marine Conditions and the Common Policy Conditions:

a. Coverage Territory

We cover property wherever located within:

- (1) The United States of America (including its territories and possessions);
- (2) Puerto Rico; and
- (3) Canada.

b. Coinsurance

If a Coinsurance percentage is shown in the Declarations, the following condition applies.

We will not pay the full amount of any loss if the value of Covered Property, except property in transit, at the time of loss times the Coinsurance percentage shown for it in the Declarations is greater than the Limit of Insurance for the property.

Instead, we will determine the most we will pay using the following steps:

- (1) Multiply the value of Covered Property, except property in transit, at the time of loss by the Coinsurance percentage;
- (2) Divide the Limit of Insurance of the property by the figure determined in Step (1);
- (3) Multiply the total amount of loss, before the application of any deductible, by the figure determined in Step (2); and
- (4) Subtract the deductible from the figure determined in Step (3).

We will pay the amount determined in Step (4) or the Limit of Insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

c. Records And Inventory

You will keep accurate records of your business and retain them for 3 years after the policy ends.

These records will consist of:

- (1) An itemized inventory of your stock in trade;

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- (2) Records of all purchases and sales whether cash or credit;
- (3) Records of property of others in your care, custody or control; and
- (4) Records of property you send to others for any purpose.

You will also take a physical inventory of all your stock in trade at least every 12 months.

d. Protective Safeguards

You must maintain the protective safeguards stated by you to be in effect at a location when this coverage began.

If you fail to keep the protective safeguards:

- (1) In working condition at a location; and
- (2) In operation when you are closed to business;

coverage for which the protective safeguards apply is automatically suspended at that location. This suspension will last until equipment or services are back in operation.

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EQUIPMENT DEALERS COVERAGE FORM

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

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

Other words and phrases that appear in quotation marks have special meaning. Refer to Section F – Definitions.

A. Coverage

We will pay for direct physical loss of or damage to Covered Property from any of the Covered Causes of Loss.

1. Covered Property, as used in this Coverage Form, means:

- a. Your stock in trade consisting principally of mobile agricultural and construction equipment; and
- b. Similar property of others in your care, custody or control.

2. Property Not Covered

Covered Property does not include:

- a. Automobiles, motor trucks, motorcycles, aircraft or watercraft;
- b. Accounts, bills, currency, deeds, money, notes, securities and evidences of debt;
- c. Property while in the course of manufacture;
- d. Property leased, rented or sold, including property sold under a deferred payment sales agreement, after it has left your custody or the custody of carriers for hire when you are responsible for delivery;
- e. Furniture, fixtures, office supplies, improvements and betterments, machinery, tools, fittings, patterns, dies, molds and models;
- f. Property of others described in the Declarations; or
- g. Contraband, or property in the course of illegal transportation or trade.

3. Covered Causes Of Loss

Covered Causes of Loss means RISKS OF DIRECT PHYSICAL LOSS OR DAMAGE to Covered Property except those causes of loss listed in the Exclusions.

4. Additional Coverage – Collapse

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

- a. Fire; lightning; windstorm; hail; explosion; smoke; aircraft; vehicles; riot; civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; breakage of building glass; falling objects; weight of snow, ice or sleet; water damage; earthquake; all only as insured against in this Coverage Form;
- b. Decay that is hidden from view, unless the presence of such decay is known to an insured prior to collapse;
- c. Insect or vermin damage that is hidden from view, unless the presence of such damage is known to an insured prior to collapse;
- d. Weight of people or personal property;
- e. Weight of rain that collects on a roof;
- f. Use of defective materials or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation. However, if the collapse occurs after construction, remodeling or renovation is complete and is caused in part by a cause of loss listed in Paragraphs a. through e., we will pay for the loss or damage even if use of defective material or methods, in construction, remodeling or renovation, contributes to the collapse.

This Additional Coverage does not increase the applicable Limit of Insurance shown in the Declarations.

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5. Coverage Extensions

a. Debris Removal

- (1) Subject to Paragraphs (3) and (4), we will pay your expenses to remove debris of Covered Property caused by or resulting from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the date of direct physical loss or damage.
- (2) Debris Removal does not apply to costs to:
 - (a) Extract "pollutants" from land or water; or
 - (b) Remove, restore or replace polluted land or water.
- (3) Subject to the exceptions in Paragraph (4), the following provisions apply:
 - (a) 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.
 - (b) Subject to (a) above, the amount we will pay for debris removal expense is limited to 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.
- (4) We will pay up to an additional \$10,000 for debris removal expense, for each location, in any one occurrence of physical loss or damage to Covered Property, if one or both of the following circumstances apply:
 - (a) The total of the actual debris removal expense plus the amount we pay for direct physical loss or damage exceeds the Limit of Insurance on the Covered Property that has sustained loss or damage.
 - (b) The actual debris removal expense exceeds 25% of the sum of the deductible plus the amount that we pay for direct physical loss or damage to the Covered Property that has sustained loss or damage.

Therefore, if (4)(a) and/or (4)(b) apply, our total payment for direct physical loss or damage and debris removal expense may reach but will never exceed the Limit of Insurance on the Covered Property that has sustained loss or damage, plus \$10,000.

(5) Examples

The following examples assume that there is no coinsurance penalty.

Example #1

Limit of Insurance	\$ 90,000
Amount of Deductible	\$ 500
Amount of Loss	\$ 50,000
Amount of Loss Payable	\$ 49,500
	(\$50,000 - \$500)
Debris Removal Expense	\$ 10,000
Debris Removal Expense Payable	\$ 10,000
	(\$10,000 is 20% of \$50,000)

The debris removal expense is less than 25% of the sum of the loss payable plus the deductible. The sum of the loss payable and the debris removal expense (\$49,500 + \$10,000 = \$59,500) is less than the Limit of Insurance. Therefore the full amount of debris removal expense is payable in accordance with the terms of Paragraph (3).

Example #2

Limit of Insurance	\$ 90,000
Amount of Deductible	\$ 500
Amount of Loss	\$ 80,000
Amount of Loss Payable	\$ 79,500
	(\$80,000 - \$500)
Debris Removal Expense	\$ 30,000
Debris Removal Expense Payable	\$ 10,500
	Basic Amount \$ 10,500
	Additional Amount \$ 10,000

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The basic amount payable for debris removal expense under the terms of Paragraph (3) is calculated as follows: \$80,000 (\$79,500 + \$500) x .25 = \$20,000; capped at \$10,500. The cap applies because the sum of the loss payable (\$79,500) and the basic amount payable for debris removal expense (\$10,500) cannot exceed the Limit of Insurance (\$90,000).

The additional amount payable for debris removal expense is provided in accordance with the terms of Paragraph (4), because the debris removal expense (\$30,000) exceeds 25% of the loss payable plus the deductible (\$30,000 is 37.5% of \$80,000), and because the sum of the loss payable and debris removal expense (\$79,500 + \$30,000 = \$109,500) would exceed the Limit of Insurance (\$90,000). The additional amount of covered debris removal expense is \$10,000, the maximum payable under Paragraph (4). Thus the total payable for debris removal expense in this example is \$20,500; \$9,500 of the debris removal expense is not covered.

b. Pollutant Clean Up And Removal

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

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

The most we will pay under this Coverage Extension is \$10,000 for the sum of all covered expenses arising out of Covered Causes of Loss occurring during each separate 12 month period of this policy.

The limit for this Coverage Extension is in addition to the Limit of Insurance.

c. Theft Damage To Buildings

- (1) We will pay for damage caused directly by theft or attempted theft to:
 - (a) That part of any building containing Covered Property; or
 - (b) Equipment within the building used to maintain or service the building; only if you own the building or are legally responsible for the damage.
- (2) But, we will not pay for damage:
 - (a) Caused by fire; or
 - (b) To glass or to lettering or art work on glass.

This Coverage Extension is included within the Limit of Insurance applicable to the Covered Property at the premises where the damage occurs.

B. Exclusions

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

a. Governmental Action

Seizure or destruction of property by order of governmental authority.

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

b. Nuclear Hazard

- (1) Any weapon employing atomic fission or fusion; or
- (2) Nuclear reaction or radiation, or radioactive contamination from any other cause. But if nuclear reaction or radiation, or radioactive contamination results in fire, we will pay for the direct loss or damage caused by that fire if the fire would be covered under this Coverage Form.

c. War And Military Action

- (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

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- (3) Insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these.

d. Water

(1) Flood, surface water, waves (including tidal wave and tsunami), tides, tidal waves, water, overflow of any body of water, or their spray from any of these, all whether or not driven by wind or not (including storm surge); or

(2) Waterborne material carried or otherwise moved by any of the water referred to in Paragraph (1).

This exclusion applies regardless of whether any of the above, in Paragraphs (1) and (2), is caused by an act of nature or is otherwise caused. An example of a situation to which this exclusion applies is the situation where a dam, levee, seawall or other boundary or containment system fails in whole or in part, for any reason, to contain the water.

But if water, as described any of the above, in Paragraphs (1) and (2), results in fire, explosion or theft, we will pay for the direct loss or damage caused by that fire, explosion or theft if these causes of loss would be covered under this Coverage Form.

This exclusion only applies to property at your premises.

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

- 2. We will not pay for loss or damage caused by or resulting from any of the following:
 - a. Delay, loss of use, loss of market or any other consequential loss.
 - b. Unexplained disappearance.
 - c. Shortage found upon taking inventory.
 - d. Dishonest or criminal act committed by:
 - (1) You, any of your partners, employees, directors, trustees, or authorized representatives;
 - (2) A manager or a member if you are a limited liability company;
 - (3) Anyone else with an interest in the property, or their employees or authorized representatives; or
 - (4) Anyone else to whom the property is entrusted for any purpose.

This exclusion applies whether or not such persons are acting alone or in collusion with other persons or such acts occur during the hours of employment.

This exclusion does not apply to Covered Property that is entrusted to others who are carriers for hire or to acts of destruction by your employees. But theft by employees is not covered.

- e. Processing or work upon the property.

But if processing or work upon the property results in fire or explosion, we will pay for the direct loss or damage caused by that fire or explosion if the fire or explosion would be covered under this Coverage Form.

- f. Artificially generated current creating a short circuit or other electric disturbance within an article covered under this Coverage Form.

But if artificially generated current, as described above, results in fire or explosion, we will pay for the direct loss or damage caused by that fire or explosion if the fire or explosion would be covered under this Coverage Form.

This exclusion only applies to loss or damage to that article in which the disturbance occurs.

- g. Voluntary parting with any property by you or anyone entrusted with the property if induced to do so by any fraudulent scheme, trick, device or false pretense.
- h. Unauthorized instructions to transfer property to any person or to any place.
- i. Neglect of an insured to use all reasonable means to save and preserve property from further damage at and after the time of loss.

- 3. We will not pay for loss or damage caused by or resulting from any of the following. But if loss or damage by a Covered Cause of Loss results, we will pay for the loss or damage caused by that Covered Cause of Loss.

- a. Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in Paragraph 1. above to produce the loss or damage.
- b. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.

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- c. Faulty, inadequate or defective:
 - (1) Planning, zoning, development, surveying, siting;
 - (2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
 - (3) Materials used in repair, construction, renovation or remodeling; or
 - (4) Maintenance;
 - of part or all of any property wherever located.
- d. Collapse except as provided in the Additional Coverage – Collapse section of this Coverage Form.
- e. Wear and tear, any quality in the property that causes it to damage or destroy itself, hidden or latent defect, gradual deterioration, depreciation; mechanical breakdown; insects, vermin, rodents; corrosion, rust, dampness, cold or heat.

C. Limits Of Insurance

The most we will pay for loss or damage in any one occurrence is the applicable Limit of Insurance shown in the Declarations.

D. Deductible

We will not pay for loss or damage in any one occurrence until the amount of the adjusted loss or damage before applying the applicable Limits of Insurance exceeds the Deductible shown in the Declarations. We will then pay the amount of the adjusted loss or damage in excess of the Deductible, up to the applicable Limit of Insurance.

E. Additional Conditions

1. Valuation

General Condition F. **Valuation** in the Commercial Inland Marine Conditions is replaced by the following:

a. Unsold Property

The value of unsold property will be the least of the following amounts:

- (1) The actual cash value of that property;
- (2) The cost of reasonably restoring that property to its condition immediately before loss or damage; or
- (3) The cost of replacing that property with substantially identical property.

b. Sold Property

The value of property sold but not yet delivered will be your net selling price after all allowances and discounts.

c. Property Of Others

The value of property in your care, custody or control will be the lesser of:

- (1) The amount for which you are liable, plus the value of labor and materials you have added; or
- (2) Actual cash value, including labor and materials you have added.

In the event of loss or damage, the value of property will be determined as of the time of loss or damage.

2. The following conditions apply in addition to the Commercial Inland Marine Conditions and the Common Policy Conditions:

a. Coverage Territory

We cover property wherever located within:

- (1) The United States of America (including its territories and possessions);
- (2) Puerto Rico; and
- (3) Canada.

b. Coinsurance

If a Coinsurance percentage is shown in the Declarations, the following condition applies.

We will not pay the full amount of any loss if the value of Covered Property, except property in transit, at the time of loss times the Coinsurance percentage shown for it in the Declarations is greater than the Limit of Insurance for the property.

Instead, we will determine the most we will pay using the following steps:

- (1) Multiply the value of Covered Property, except property in transit, at the time of loss by the Coinsurance percentage;
- (2) Divide the Limit of Insurance of the property by the figure determined in Step (1);
- (3) Multiply the total amount of loss, before the application of any deductible, by the figure determined in Step (2); and
- (4) Subtract the deductible from the figure determined in Step (3).

We will pay the amount determined in Step (4) or the Limit of Insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

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c. Records And Inventory

You will keep accurate records of your business and retain them for 3 years after the policy ends.

These records will consist of:

- (1) An itemized inventory of your stock in trade;
- (2) Records of all purchases and sales whether cash or credit;
- (3) Records of property of others in your care, custody or control; and
- (4) Records of property you send to others for any purpose.

You will also take a physical inventory of all your stock in trade at least every 12 months.

d. Protective Safeguards

You must maintain the protective safeguards stated by you to be in effect at a location when this coverage began.

If you fail to keep the protective safeguards:

- (1) In working condition at a location; and
- (2) In operation when you are closed to business;

coverage for which the protective safeguards apply is automatically suspended at that location. This suspension will last until equipment or services are back in operation.

F. Definitions

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

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FLOOR PLAN COVERAGE FORM

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

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

Other words and phrases that appear in quotation marks have special meaning.

A. Coverage

We will pay for direct physical loss of or damage to Covered Property from any of the Covered Causes of Loss.

1. Covered Property, as used in this Coverage Form, means:
 - a. Property at your risk specified in the Declarations; and
 - b. Property at your risk specifically encumbered to a secured lender named in the Declarations.

2. Property Not Covered

Covered Property does not include:

- a. Property after your interest in it ceases;
- b. Property after it is sold and delivered or otherwise disposed of; or
- c. Contraband, or property in the course of illegal transportation or trade.

3. Covered Causes Of Loss

Covered Causes of Loss means RISKS OF DIRECT PHYSICAL LOSS OR DAMAGE to Covered Property except those causes of loss listed in the Exclusions.

4. Additional Coverage – Collapse

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

- a. Fire; lightning; windstorm; hail; explosion; smoke; aircraft; vehicles; riot; civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; breakage of building glass; falling objects; weight of snow, ice or sleet; water damage; earthquake; all only as insured against in this Coverage Form;

- b. Decay that is hidden from view, unless the presence of such decay is known to an insured prior to collapse;
- c. Insect or vermin damage that is hidden from view, unless the presence of such damage is known to an insured prior to collapse;
- d. Weight of people or personal property;
- e. Weight of rain that collects on a roof;
- f. Use of defective materials or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation. However, if the collapse occurs after construction, remodeling or renovation is complete and is caused in part by a cause of loss listed in Paragraphs a. through e., we will pay for the loss or damage even if use of defective material or methods, in construction, remodeling or renovation, contributes to the collapse.

This Additional Coverage does not increase the Limits of Insurance provided in this Coverage Form.

B. Exclusions

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

a. Governmental Action

Seizure or destruction of property by order of governmental authority.

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

b. Nuclear Hazard

- (1) Any weapon employing atomic fission or fusion; or

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- (2) Nuclear reaction or radiation, or radioactive contamination from any other cause. But if nuclear reaction or radiation, or radioactive contamination results in fire, we will pay for the direct loss or damage caused by that fire if the fire would be covered under this Coverage Form.

c. War And Military Action

- (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.

d. Water

- (1) Flood, surface water, waves (including tidal wave and tsunami), tides, tidal waves, water, overflow of any body of water, or their spray from any of these, all whether or not driven by wind or not (including storm surge); or
- (2) Waterborne material carried or otherwise moved by any of the water referred to in Paragraph (1).

This exclusion applies regardless of whether any of the above, in Paragraphs (1) and (2), is caused by an act of nature or is otherwise caused. An example of a situation to which this exclusion applies is the situation where a dam, levee, seawall or other boundary or containment system fails in whole or in part, for any reason, to contain the water.

But if water, as described any of the above, in Paragraphs (1) and (2), results in fire, explosion or theft, we will pay for the direct loss or damage caused by that fire, explosion or theft if these causes of loss would be covered under this Coverage Form.

This exclusion only applies to property at your premises.

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

- 2. We will not pay for loss or damage caused by or resulting from any of the following:
 - a. Delay, loss of use, loss of market or any other consequential loss.

- b. Bankruptcy, foreclosure or similar proceedings.

c. Dishonest or criminal act committed by:

- (1) You, any of your partners, employees, directors, trustees, or authorized representatives;
- (2) A manager or a member if you are a limited liability company;
- (3) Anyone else with an interest in the property, or their employees or authorized representatives; or
- (4) Anyone else to whom the property is entrusted for any purpose.

This exclusion applies whether or not such persons are acting alone or in collusion with other persons or such acts occur during the hours of employment.

This exclusion does not apply to Covered Property that is entrusted to others who are carriers for hire or to acts of destruction by your employees. But theft by employees is not covered.

- d. Artificially generated current creating a short circuit or other electric disturbance within an article covered under this Coverage Form.

But if artificially generated current, as described above, results in fire or explosion, we will pay for the direct loss or damage caused by that fire or explosion if the fire or explosion would be covered under this Coverage Form.

This exclusion only applies to loss or damage to that article in which the disturbance occurs.

- e. Breakage of glass or similar fragile property.

But we will pay for such loss or damage caused directly by fire, lightning, explosion, windstorm, vandalism, falling aircraft, rioters, strikers, collapse of buildings, theft or attempted theft, or by accident to the vehicle carrying the property if these causes of loss would be covered under this Coverage Form.

- f. Rain, hail, sleet, snow or freezing with respect to property in the open. This exclusion does not apply to property in transit.

- g. Voluntary parting with any property by you or anyone entrusted with the property if induced to do so by any fraudulent scheme, trick, device or false pretense.

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- h. Unauthorized instructions to transfer property to any person or to any place.
- i. Neglect of an insured to use all reasonable means to save and preserve property from further damage at and after the time of loss.

3. We will not pay for loss or damage caused by or resulting from any of the following. But if loss or damage by a Covered Cause of Loss results, we will pay for the loss or damage caused by that Covered Cause of Loss.

- a. Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in Paragraph 1. above to produce the loss or damage.
- b. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.
- c. Faulty, inadequate or defective:
 - (1) Planning, zoning, development, surveying, siting;
 - (2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
 - (3) Materials used in repair, construction, renovation or remodeling; or
 - (4) Maintenance;
 - of part or all of any property wherever located.
- d. Collapse except as provided in the Additional Coverage – Collapse section of this Coverage Form.
- e. Wear and tear, any quality in the property that causes it to damage or destroy itself, hidden or latent defect, gradual deterioration or mechanical breakdown.

C. Limits Of Insurance

The most we will pay for loss or damage in any one occurrence is the applicable Limit of Insurance shown in the Declarations.

D. Deductible

We will not pay for loss or damage in any one occurrence until the amount of the adjusted loss or damage before applying the applicable Limits of Insurance exceeds the Deductible shown in the Declarations. We will then pay the amount of the adjusted loss or damage in excess of the Deductible, up to the applicable Limit of Insurance.

E. Additional Conditions

1. Valuation

General Condition **F. Valuation** in the Commercial Inland Marine Conditions is replaced by the following:

a. Unsold Property

The value of unsold property will be the least of the following amounts:

- (1) The cost of reasonably restoring that property to its condition immediately before loss or damage;
- (2) The cost of replacing that property with substantially identical property; or
- (3) The purchase price to the dealer, including transportation charges.

b. Sold Property

The value of property sold but not yet delivered will be your net selling price after all allowances and discounts.

c. Loss Limitation – Single Interest

We will pay only that proportion of any loss or damage that the amount of your interest in the property bears to the value of the property.

In the event of loss or damage, the value of property will be determined as of the time of loss or damage.

2. The following conditions apply in addition to the Commercial Inland Marine Conditions and the Common Policy Conditions:

a. Coverage Territory

We cover property wherever located within:

- (1) The United States of America (including its territories and possessions);
- (2) Puerto Rico; and
- (3) Canada.

b. Transit Coverage In The Event Of Cancellation

If this policy is cancelled, we will cover property already in transit until it reaches its destination.

c. Dual Interest

All provisions are binding on all parties of interest. But the protection given a secured lender named in the Declarations will not be impaired by the failure of another party of interest to comply with all provisions, if the secured lender is diligent in trying to obtain compliance with all provisions.

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d. Records And Inventory

You will keep accurate records of your business and retain them for 3 years after the policy ends.

These records will consist of:

- (1) An itemized inventory of your stock in trade including:
 - (a) Actual locations;
 - (b) Property in transit;
 - (c) Purchase price of property to the dealer; and
 - (d) Transportation charges.
- (2) Records of outstanding balances, payments or values at risk, as required to be reported by Additional Condition 2.e. Reports And Premium;
- (3) Records of all purchases and sales whether cash or credit;
- (4) Records of property of others in your care, custody or control; and
- (5) Records of property you send to others for any purpose.

You will also take a physical inventory of all your stock in trade at least every 12 months.

e. Reports And Premium

(1) Reporting Requirements

Within 30 days after the end of each month, you will report to us as determined by Additional Condition 2.d. Records And Inventory:

- (a) Dual Interest – total values.
- (b) Single Interest – the value of the property as of the last day of that month:
 - (i) If you are a lender, the total amount of outstanding balances; or
 - (ii) If you are a dealer, the total amount of your payments.

(2) Rates And Premium

Premium will be computed at the monthly rate(s) stated in the Declarations applied to the total amounts at all locations.

This monthly premium will be applied to the premium charged for this coverage until fully earned. After that you will pay us additional premium earned for each month.

The due date for any additional premium is the date shown as the due date on the bill.

(3) Minimum Premium

You must pay at least the minimum annual premium shown in the Declarations.

(4) Failure To Submit Reports

If as of the time of loss or damage you have failed to submit the required reports:

- (a) Our liability will not exceed the amounts included in your last report; or
- (b) If you have not submitted any reports, our liability will be limited to no more than 90% of the amount for which we should otherwise be liable.

(5) Reports In Excess Of Limits Of Insurance

Although the total amount reported will be used in calculating earned premium, we will not pay more than the applicable Limit of Insurance stated in the Declarations.

(6) Reporting Less Than The Total Amount Required

If your last report before any loss or damage is for less than the total amount required to be reported, we will pay only that proportion of the loss or damage that the amounts you reported bear to the actual total amount as of the last report.

(7) Annual Rerating

This coverage will be rerated at each anniversary. The premium will be changed to reflect the rates then in effect. You will furnish us with information we require for rerating purposes within 30 days after each anniversary.

(8) Cancellation

If this coverage is cancelled you will report the total amount required up to and including the date of cancellation. Premium for less than a full month will be computed on a pro rata basis.

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JEWELERS BLOCK COVERAGE FORM

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

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

Other words and phrases that appear in quotation marks have special meaning.

A. Coverage

We will pay for direct physical loss of or damage to Covered Property from any of the Covered Causes of Loss.

1. Covered Property, as used in this Coverage Form, means:

- a. Your stock in trade consisting of jewelry, precious and semi-precious stones, precious metals and alloys and other stock used in your business;
- b. Such property sold but not yet delivered;
- c. Similar property of others not in the jewelry trade in your care, custody or control; and
- d. Similar property of others in the jewelry trade in your care, custody or control. But we only cover to the extent of money you have advanced or your legal liability for that property.

2. Property Not Covered

Covered Property does not include:

- a. Property sold under a deferred payment sales agreement after it leaves your premises;
- b. Property while at any exhibition promoted or financially assisted by any public authority or trade association;
- c. Property while exhibited in showcases or show windows away from your premises;
- d. Property while being worn by you or one of the following:
 - (1) Any officer, director, employee, agent, member or messenger of your or any other organization engaged in the jewelry trade;
 - (2) Any member of the family, relative or friend of the above;
 or while in your or their care, custody or control for the purpose of being worn.

But we do cover watches while being worn solely for the purpose of adjustment.

e. Property in transit by:

- (1) Mail unless sent by U.S. Postal Service Registered Mail.
- (2) Express carriers.
- (3) Railroads, waterborne or air carriers.

But we do cover shipments under receipt of their passenger parcel transportation or baggage services.

Air carriers' passenger baggage service subject to air freight tariffs with delivery to the passenger at destination shall be considered as accompanied baggage and subject to the Limit of Insurance specified in the Declarations as applicable to "Property away from your premises and not included above".

(4) Motor carriers.

But we do cover shipments:

- (a) By a carrier operating exclusively as a merchant's parcel delivery service;
- (b) By armored car service; or
- (c) By parcel transportation or baggage services of passenger bus lines.

f. Contraband, or property in the course of illegal transportation or trade.

3. Covered Causes Of Loss

Covered Causes of Loss means RISKS OF DIRECT PHYSICAL LOSS OR DAMAGE to the Covered Property except those causes of loss listed in the Exclusions.

4. Additional Coverage - Collapse

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

- a. Fire; lightning; windstorm; hail; explosion; smoke; aircraft; vehicles; riot; civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; breakage of building glass; falling objects; weight of snow, ice or sleet; water damage; all only as insured against in this Coverage Form;

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- b. Decay that is hidden from view, unless the presence of such decay is known to an insured prior to collapse;
- c. Insect or vermin damage that is hidden from view, unless the presence of such damage is known to an insured prior to collapse;
- d. Weight of people or personal property;
- e. Weight of rain that collects on a roof;
- f. Use of defective materials or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation. However, if the collapse occurs after construction, remodeling or renovation is complete and is caused in part by a cause of loss listed in Paragraphs a. through e., we will pay for the loss or damage even if use of defective material or methods, in construction, remodeling or renovation, contributes to the collapse.

This Additional Coverage does not increase the Limits of Insurance provided in this Coverage Form.

5. Coverage Extension

THEFT DAMAGE TO BUILDINGS

- a. We will pay for damage caused directly by theft or attempted theft to:
 - (1) That part of any building containing Covered Property; or
 - (2) Equipment within the building used to maintain or service the building;
 - only if you own the building or are legally responsible for the damage.
- b. But, we will not pay for damage:
 - (1) Caused by fire; or
 - (2) To glass or to lettering or art work on glass.

This Coverage Extension is included within the Limit of Insurance applicable to the Covered Property at the premises where the damage occurs.

6. Coverage Options

a. Show Windows

If Limits of Insurance for show windows are shown in the Declarations, we will pay for loss or damage to Covered Property in show windows at your premises from theft or attempted theft resulting from the smashing or cutting of your show windows.

b. Money

If a Limit of Insurance for money is shown in the Declarations, we will pay for loss or damage of money, in locked safes or vaults within your premises, by theft when the safes or vaults are broken open.

These Coverage Options are included within the Limit of Insurance applicable to the Covered Property at the premises where the damage occurs.

B. Exclusions

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

a. Earthquake

But if earthquake results in fire, we will pay for the direct loss or damage caused by that fire if the fire would be covered under this Coverage Form.

This exclusion only applies to property while at your premises.

b. 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.

c. Nuclear Hazard

- (1) Any weapon employing atomic fission or fusion; or
- (2) Nuclear reaction or radiation, or radioactive contamination from any other cause. But if nuclear reaction or radiation, or radioactive contamination results in fire, we will pay for the direct loss or damage caused by that fire if the fire would be covered under this Coverage Form.

d. War And Military Action

- (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

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- (3) Insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these.

e. Water

(1) Flood, surface water, waves (including tidal wave and tsunami), tides, tidal waves, water, overflow of any body of water, or their spray from any of these, all whether or not driven by wind or not (including storm surge); or

(2) Waterborne material carried or otherwise moved by any of the water referred to in Paragraph (1).

This exclusion applies regardless of whether any of the above, in Paragraphs (1) and (2), is caused by an act of nature or is otherwise caused. An example of a situation to which this exclusion applies is the situation where a dam, levee, seawall or other boundary or containment system fails in whole or in part, for any reason, to contain the water.

But if water, as described any of the above, in Paragraphs (1) and (2), results in fire, explosion or theft, we will pay for the direct loss or damage caused by that fire, explosion or theft if these causes of loss would be covered under this Coverage Form.

This exclusion only applies to property at your premises.

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

- 2. We will not pay for loss or damage caused by or resulting from any of the following:
 - a. Delay, loss of use, loss of market or any other consequential loss.
 - b. Theft from any vehicle unless you, an employee, or other person whose only duty is to attend the vehicle are actually in or upon such vehicle at the time of theft.

But this exclusion does not apply to shipments of Covered Property in the custody of the U.S. Postal Service or other carriers.
 - c. Unexplained disappearance.
 - d. Shortage found upon taking inventory.
 - e. Shortage of property claimed to have been shipped when the package is received by the consignee in apparent good condition with the seals unbroken.

f. Dishonest or criminal act committed by:

- (1) You, any of your partners, your employees, directors, trustees, or authorized representatives;
- (2) A manager or a member if you are a limited liability company;
- (3) Anyone else with an interest in the property, or their employees or authorized representatives; or
- (4) Anyone else to whom the property is entrusted, except:
 - (a) When the property has been deposited for safe custody by you or any of your officers or members, or salesmen while traveling;
 - (b) To shipments of Covered Property in the custody of the U.S. Postal Service or other carriers; or
 - (c) When the property is in the custody of a porter or helper not on your payroll.

This exclusion applies whether or not such persons are acting alone or in collusion with other persons or such acts occur during the hours of employment. This exclusion does not apply to acts of destruction by your employees. But theft by employees is not covered.

- g. Theft or attempted theft of property in show windows at your premises resulting from the smashing or cutting of such windows.

But if Limits of Insurance are shown in the Declarations for show windows, this exclusion does not apply.
- h. Processing or work upon the property.

But if processing or work upon the property results in fire or explosion, we will pay for the direct loss or damage caused by that fire or explosion if the fire or explosion would be covered under this Coverage Form.
- i. Insufficient or defective packing.
- j. Breakage of fragile articles.

But we will pay for such loss or damage caused directly by fire, lightning, explosion, windstorm, vandalism, aircraft, rioters, strikers, theft or attempted theft, or by accident to the vehicle carrying the property if these causes of loss would be covered under this Coverage Form.

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- k. Voluntary parting with any property by you or anyone entrusted with the property if induced to do so by any fraudulent scheme, trick, device or false pretense.
- l. Unauthorized instructions to transfer property to any person or to any place.
- m. Neglect of an insured to use all reasonable means to save and preserve property from further damage at and after the time of loss.

- 3. We will not pay for loss or damage caused by or resulting from any of the following. But if loss or damage by a Covered Cause of Loss results, we will pay for the loss or damage caused by that Covered Cause of Loss.
 - a. Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in Paragraph 1. above to produce the loss or damage.
 - b. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.
 - c. Faulty, inadequate or defective:
 - (1) Planning, zoning, development, surveying, siting;
 - (2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
 - (3) Materials used in repair, construction, renovation or remodeling; or
 - (4) Maintenance;
of part or all of any property wherever located.
 - d. Collapse except as provided in the Additional Coverage - Collapse section of this Coverage Form.
 - e. Gradual deterioration, hidden or latent defect, any quality in the property that causes it to damage or destroy itself; insects, vermin or rodents; corrosion, rust, dampness, cold or heat.

C. Limits Of Insurance

The most we will pay for loss or damage in any one occurrence is the applicable Limit of Insurance shown in the Declarations.

D. Deductible

We will not pay for loss or damage in any one occurrence until the amount of the adjusted loss or damage before applying the applicable Limits of Insurance exceeds the Deductible shown in the Declarations. We will then pay the amount of the adjusted loss or damage in excess of the Deductible, up to the applicable Limit of Insurance.

E. Additional Conditions

1. Valuation

General Condition **F. Valuation** in the Commercial Inland Marine Conditions is replaced by the following:

The value of property will be the least of the following amounts:

- a. The actual cash value of that property;
- b. The cost of reasonably restoring that property to its condition immediately before loss or damage;
- c. The cost of replacing that property with substantially identical property; or
- d. The lowest figure you put on the property in your inventories, stock books, stock papers or lists existing as of the time of loss or damage.

The value of property does not include any antique or historical value.

In the event of loss or damage, the value of property will be determined as of the time of loss or damage.

2. The following conditions apply in addition to the Commercial Inland Marine Conditions and the Common Policy Conditions:

a. Coverage Territory

We cover property wherever located within or between:

- (1) The United States of America (including its territories and possessions);
- (2) Puerto Rico; and
- (3) Canada.

b. Protective Safeguards

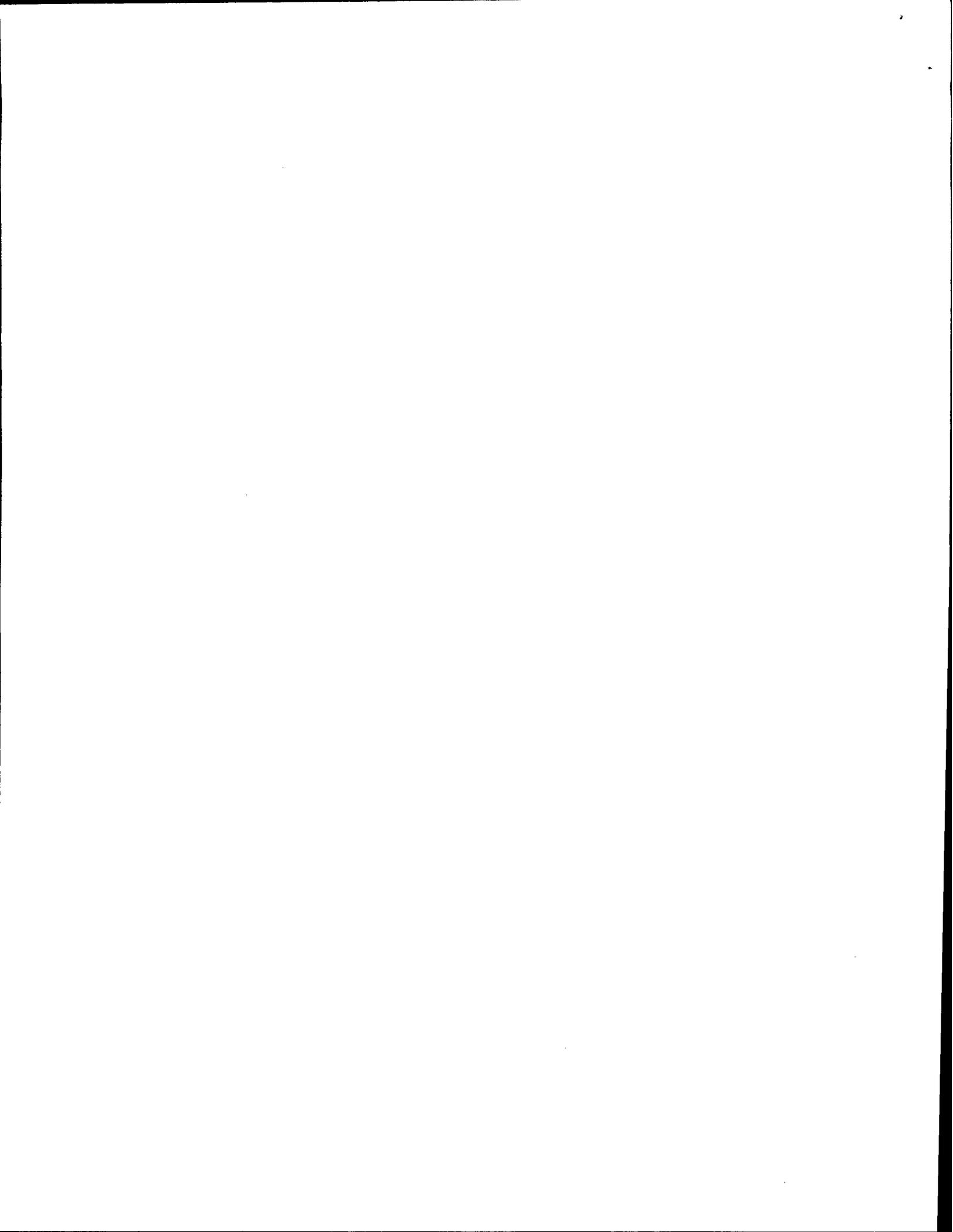
You must maintain the protective safeguards stated by you to be in effect at a location when this coverage began.

If you fail to keep the protective safeguards:

- (1) In working condition at a location; and
- (2) In operation when you are closed to business;

coverage to which the protective safeguards apply is automatically suspended at that location. This suspension will last until the equipment or services are back in operation.

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c. Records And Inventory

You will keep accurate records of your business and retain them for 3 years after the policy ends.

These records will consist of:

- (1) An itemized inventory of all your stock in trade;
- (2) Records of all purchases and sales whether cash or credit;
- (3) Records of the property of others in your care, custody or control;
- (4) A detailed listing of travelers stock; and
- (5) Records of all other property away from your premises.

You will also take a physical inventory of all your stock in trade at least every 12 months.

d. Changes To Premises

Unless we agree in writing, we do not cover:

- (1) Property where the risk of loss or damage has been materially increased by changes in your premises; or
- (2) Property located in expansions of your premises shown in the Declarations.

e. Attachment Of Proposal

The Proposal for Jewelers Block Coverage Form signed by you is attached to and made part of this Coverage Form.

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