

**JOINT MEETING
CITY OF MORRO BAY AND CAYUCOS SANITARY DISTRICT
WASTEWATER TREATMENT PLANT
(UNDER JOINT POWERS AGREEMENT)**

Cayucos Sanitary District Board of Directors:

Robert Enns, President
Harold Fones, Vice-President
Shirley Lyon, Director
Michael Foster, Director
Dan Chivens, Director

City of Morro Bay City Council:

William Yates, Mayor
Noah Smukler, Vice-Mayor
Carla Borchard, Councilmember
Nancy Johnson, Councilmember
George Leage, Councilmember

AGENDA

MEETING DATE:

6:00 p.m., Thursday, April 14, 2011

HOSTED BY:

Cayucos Sanitary District

MEETING PLACE:

Cayucos Veterans Hall
10 Cayucos Drive
Cayucos CA 93430

CALL TO ORDER AND ROLL CALL

PUBLIC COMMENT PERIOD

Members of the audience wishing to address the governing bodies on Morro Bay-Cayucos Wastewater Treatment Plant (WWTP) business matters may do so at this time. By the conditions of the Brown Act, the governing bodies may not discuss issues not on the agenda, but may set items for future agendas. When recognized by the Chair, please come forward to the podium and state your name and address for the record. Comments should be limited to three minutes. All remarks shall be addressed to the governing bodies, as a whole, and not to any individual member thereof. This governing body requests that you refrain from making slanderous, profane, or personal remarks. Please refrain from public displays or outburst such as unsolicited applause, comments, or cheering. Any disruptive activity that substantially interferes with the ability of this governing body to carry out its meeting will not be permitted and offenders will be requested to leave the meeting. Your participation in JPA meetings is welcome and your courtesy will be appreciated.

A. CONSENT CALENDAR

1. Minutes of March 10, 2011 JPA Meeting – Recommend approve.

B. OLD BUSINESS

1. Status Report on Upgrade Project as of April 1, 2011– Recommend receive and provide direction to staff
2. Discussion of Advocacy Consultant Status Report – Recommend receive and provide direction to staff

C. NEW BUSINESS

1. Discussion of Requests for Qualifications for a Substantial Issues Study to address California Coastal Commission Appeal with Consideration to Authorize Staff to Negotiate a Contract for JPA Consideration in May
2. Discussion of WWTP Flood and Earthquake Insurance Policies

ADJOURNMENT - (Next meeting will be hosted by the City of Morro Bay)

Copies of staff reports and other public documentation relating to each item of business for this meeting are available for inspection at Morro Bay City Hall at 595 Harbor Street and the Cayucos Sanitary District at 200 Ash Ave. A copy of this packet is available from the City of Morro Bay for copying at Mills Copy Center and from the Cayucos Sanitary District for a copy and duplication charge. Any person having questions regarding any agenda items may contact Bruce Keogh, Wastewater Division Manager (City of Morro Bay) at 772-6261 or Bill Callahan, District Manager (Cayucos Sanitary District) at 995-3290. In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Public Services' Administrative Technician at (805) 772-6261, or the Cayucos Sanitary District at (805) 995-3290. Notification 24 hours prior to the meeting will enable the City and District to make reasonable arrangements to ensure accessibility to this meeting.

Materials related to an item on this Agenda submitted to the Morro Bay/Cayucos Wastewater Treatment Plant Joint Powers Authority after distribution of the agenda packet are available for public inspection at; Public Services Office at 955 Shasta Avenue, Morro Bay, CA 93442; Morro Bay Library at 625 Harbor Street, Morro Bay, Ca 93442; Mills/ASAP Reprographics at 495 Morro Bay Boulevard, Morro Bay, CA 93442 during normal business hours.

Smukler asked the record to reflect that the no votes specify who voted no on an agenda item.

MORRO BAY MOTION: Smukler made a motion to approve Consent Calendar Item A1 as corrected. Borchard seconded and the motion passed unanimously (5-0).

CAYUCOS MOTION: Lyon made a motion to approve Consent Calendar Item A1 as corrected. Chivens seconded and the motion passed unanimously (4-0).

2 Financial Status Report as of December 31, 2010 – Recommend receive and file.

Foster asked Susan Slayton for a breakdown and clarification of the earthquake and flood insurance cost and inquired if there are other insurance bids, since this is a major expense.

Slayton responded that the insurance is not let out to bid but is provided through the California Joint Powers Insurance Authority (CJPIA). Foster provided a list of questions for Ms. Slayton to answer at the next JPA meeting.

CAYUCOS MOTION: Foster made a motion to approve the financial statements. Lyon seconded and the motion passed unanimously (4-0).

MORRO BAY MOTION: Borchard made a motion to approve the financial statements. Smukler seconded and the motion passed unanimously (5-0).

B. OLD BUSINESS

1 Status Report on Upgrade Project as of March 1, 2011 – Recommend receive and provide direction to staff.

Dennis Delzeit gave a status report discussing the status of the Upgrade Project including the hiring of the consultant, McCabe & Company who is now working on the JPA's behalf, the force majeure letters, and the request for a time extension which looks favorable.

Delzeit noted the Coastal Commission appeal meeting is tomorrow, March 11, 2011 in Santa Cruz and discussed the procedural steps to occur over the next several months.

Board members asked additional clarification regarding the hiring of the consultant and her assessment regarding the Coastal Commission appeal meeting. Delzeit noted that more information will be available after tomorrow's meeting.

C. NEW BUSINESS

1 Discussion regarding status of Advocacy Consultant Activities

Yates noted that a meeting was held today with Susan McCabe of McCabe & Company and after tomorrow's Coastal Commission meeting, the JPA will have a much better sense of what their chances are and what to expect.

Several JPA members agreed that Susan McCabe will be a valuable resource and helpful due to her expertise.

Yates discussed with staff the JPA's need to make progress and move forth with the project either as proposed or with "Plan B" (which is upgrading the existing plant to only meet full secondary treatment requirements), and also the need for the staff report to summarize the results of the Coastal Commission meeting.

Foster asked Delzeit for the status of the Plan B financial picture.

Delzeit and JPA members agreed that more will be known about other options after tomorrow's Coastal Commission meeting in Santa Cruz, including the time and financial limits to the upgrade project and potentially the plan B project.

DECLARATION OF FUTURE AGENDA ITEMS:

Smukler asked for status of the Project Manager position in regards to cost. Yates, Borchard, Leage and Johnson stated their support for Dennis Delzeit.

Cayucos also stated their support for the Project Manager.

ADJOURNMENT

Board members determined the next JPA meeting will be 6:00 p.m. on April 14th, 2011 in Cayucos.

Mayor Yates adjourned the meeting at 6:53.

Minutes Recorded by:

Cindy Jacinth, Morro Bay Public Services Dept.

MEMORANDUM

To: Honorable Mayor and City Council, City of Morro Bay
Honorable President and Board of Directors, Cayucos Sanitary District

From: Dennis Delzeit, P.E., Project Manager

Date: April 14, 2011

Subject: Status Report on Upgrade Project as of April 1, 2011

Recommendation:

By motion, receive this report and provide staff with comments and direction as deemed appropriate by the City Council and the District Board.

Activity During the Past Month:

The following is a condensed summary of the activity that has occurred since the March 10, 2011 JPA meeting:

- A *force majeure* open ended time extension was granted by the Regional Water Quality Control Board (RWQCB) on March 24, as the result of the appeals to the Coastal Commission.
- A meeting was held with the RWQCB staff on March 29 to discuss the project status.
- The California Coastal Commission (CCC) conducted the first hearing of the appeals on March 11, 2011 in Santa Cruz. At this hearing the CCC determined that there are substantial issues relative to conformance with the Local Coastal Plan or with the Coastal Act public access policies. As the result of this determination, the CCC took over jurisdiction of the coastal permit.
- The next step in the CCC process is the *de novo* hearing. At the *de novo* hearing the CCC will determine if the coastal permit for the project will be granted. The CCC is requiring additional studies before the hearing date is set. It is estimated that the *de novo* hearing will occur late this year or early next year.
- Requests for qualifications were issued to consulting firms to prepare the additional studies that were determined to be necessary by the CCC staff in their report to the CCC. Five proposals were received and a report is contained in a separate staff report.
- At the February 10, 2011 JPA meeting, the JPA authorized McCabe & Company to provide an analysis of the Coastal Commission appeals and related documents and provide a preliminary analysis for a fee not to exceed \$12,500. A separate report is provided on the April 14, 2011 JPA agenda.
- The current project is off schedule due to the CCC appeal process. The schedule will be updated when the additional studies are authorized by the JPA.

- Plan B is a possible alternative that could provide full secondary treatment while being exempt from the issuance of a coastal development permit. The MBCSD staff is continuing to explore the potential concepts. Meeting all of the parameters is complex and the solution is not ready for presentation to the JPA at this time.

Fiscal Impact:

- No new expenditures are requested at this time.

Discussion:

Major Milestone Schedule

The MBCSD has requested a time extension from the RWQCB and expects to receive a reply by late March. Although it is expected that the time extension will be granted we are required to meet the conversion schedule deadlines. The schedule below will be updated after the MBCSD receives a time extension from the RWQCB.

- | | |
|-------------------------------------------------------------------------------------------------------|------------------------------------------|
| • Council certified the EIR and approval of the Conditional Use Permit and Coastal Development Permit | January 11, 2011 |
| • Deadline for Coastal Commission Appeals | January 31, 2011 |
| • Coastal Commission <i>substantial issue</i> hearing | March 11, 2011 |
| • Coastal Commission <i>de novo</i> hearing | Not scheduled |
| • Submit SRF loan application to the State Board | On hold |
| • Issuance of SRF Financing Agreement | On hold |
| • Submit first SRF disbursement request to State Board | On hold |
| • Completion of the Design | On hold |
| • Advertise for Construction Bids | On hold |
| • Receive Construction Bids | On hold |
| • Award Construction Contract, after receiving State Revolving Fund Loan Approval | On hold |
| • Start Construction | On hold |
| • Completion of Construction | On hold |
| • Achieve full compliance with federal secondary treatment Requirements | Extended per <i>force majeure</i> action |

Design:

Final design of the project will resume after completion of the Coastal Commission Appeal Process.

MWH Contract Fee Status:

- | | |
|--------------------------------------------|----------------|
| • Contract Amount: | \$2,700,000.00 |
| • Addendum #1, updated flows and loadings: | \$ 9,000.00 |
| • Addendum #2, advanced treatment options: | \$ 9,600.00 |
| • Addendum #3, updated cost estimate | \$ 18,700.00 |
| • Revised MWH Contract Amount: | \$2,737,300.00 |

- Amount Billed to Date: \$ 371,407.62
- Amount Remaining: \$2,365,892.38
- Most Recent Billing Amount (1/26/11)¹ \$ 73,245.29
- Percent of Contract Billed: 14%

Environmental:

The Environmental Process is previously described in this report.

ESA Contract Fee Status:

- Contract Amount: \$377,317.90
- Amount Billed to Date: \$377,317.90
- Amount Remaining: \$ 0
- Most Recent Billing Amount (1/24/11) \$ 16,063.48
- Percent of Contract Billed: 100%

State Revolving Fund Loan:

The State Revolving Fund loan process is on hold for due to the *force majeure* time extension. The following issues will be resolved in the interim:

- The SRF processing is on hold pending the City's processing of the 2005 Urban Water Management Plan requirement to participate in the California Urban Water Conservation Council. The City is in the process of requesting and exemption from this requirement.
- Credit Review Check List: The Urban Water Management Plan is being prepared to meet the 2010 requirements.
- JPA Agreement: The City and the District are in the process of updating the JPA Agreement. The loan application will be a single application submitted by the JPA.

Project Manager Activities:

- Assisted in preparation of the McCabe contract;
- Participated in the MBCSD staff meeting of March 2;
- TV interview on March 8;
- Prepared the agenda and participated in the pre-JPA meeting of March 10;
- Attended the CCC meeting and the CCC staff meeting in Santa Cruz on March 11;
- Prepared and submitted notes from the CCC staff meeting of March 11;
- Prepared the RFQ for preparation of substantial issues analysis;
- Answered numerous requests for information from the SOQ consultants;
- Participated in the MBCSD staff meeting on March 14 to debrief on the CCC March 11 meeting;
- Prepared the agenda and attended the pre-JPA meeting on March 17;
- Set up meeting, prepared the agenda and met with the RWQCB on March 29;

¹ MWH work was suspended on 11/19/10 except for completion of surveying, geotechnical report, floor plan layout and support at the PC and CC meetings in support of the permits.

- Participated in discussions with MWH and MBCSD regarding Plan B issues;
- Prepared JPA staff reports for Monthly Update, Plan B, SOQ's for substantial issue studies;
- Coordinated with Susan McCabe;
- Responded to public inquiries.

Contract Fee Status:

▪ Original Contract amount:	\$250,000.00
▪ Contract Amendment (PERC)	\$ 3,000.00
▪ Revised Contract Amount:	\$253,000.00
▪ Amount billed to date:	\$ 70,378.41
▪ Amount remaining:	\$182,621.59
▪ Most Recent Billing Amount (2-9-11)	\$ 6,832.20
▪ Percentage of contract billed:	28%

Attachment:

None

STAFF REPORT

MORRO BAY-CAYUCOS J.P.A. WASTEWATER TREATMENT PLANT

To: Honorable Mayor and City Council, City of Morro Bay
Honorable President and Board of Directors, Cayucos Sanitary District

From: Dennis Delzeit, P.E., Project Manager

Date: April 14, 2011

Subject: Discussion of Advocacy Consultant Status Report

Recommendation: By motion, receive and provide direction to staff.

Fiscal Impact:

The fee for McCabe & Company is \$12,500 per month plus expenses. It is estimated that the *de novo* hearing of the Coastal Commission will be scheduled late this year or early 2012, approximately ten months from now. At the *de novo* hearing the Coastal Commission will consider issuance of the coastal development permit. Assuming that McCabe & Company services will be provided for a total of twelve months and the outside expenses will be \$5,000, the total fee will be in the range of \$155,000.

Background and Discussion:

On February 10, 2011 the JPA authorized the hiring of McCabe & Company. In accordance with the approved meeting minutes, the motions were:

Cayucos motion, approved 4-1:

"Fones motioned that we hire Ms. McCabe and that in the first month she report to Mayor Yates and President Enns on her potential for success. Her long-term goal is to be an advocate and her first job would be to advise the leadership. Lyon seconded. Motion passed 4-1, Foster opposed. "

Morro Bay motion, approved 4-1:

"Mayor Yates motioned that we hire Ms. McCabe and that in the first month she report to Mayor Yates and President Enns on her potential for success. Her long term goal is to be an advocate and her first job would be to advise the leadership. Borchard seconded. Motion carried 4-1, Smukler opposed."

McCabe & Company's intensity of services will experience peaks and valleys during the appeal process. The first month of services was very busy. McCabe & Company reviewed large quantities of MBCSD documents and the lengthy appeal documents. In

addition, McCabe attended the Coastal Commission meeting in Santa Cruz and the follow up meeting with MBCSD staff.

Conversely, there may be less levels of advocacy during the period of time that the supplemental studies are being prepared.

Susan McCabe's report of the first month with her comments on the potential for success are attached to this staff report.

Options:

1. Receive and file the report of McCabe & Company.
2. Provide direction as deemed appropriate.

Attachments:

McCabe & Company report dated April 3, 2011

MEMORANDUM

TO: Dennis Delzeit, Project Manager
FROM: McCabe & Company (Susan McCabe & Anne Blemker)
RE: Morro Bay/Cayucos WWTP Coastal Issues Progress Summary
DATE: April 3, 2011

ACTIVITY SUMMARY

McCabe & Company was retained by the Morro Bay-Cayucos Sanitary District (MBCSD) to provide an analysis of the appeals of the wastewater treatment plant (WWTP) upgrade project filed with the Coastal Commission and to provide a preliminary analysis as to the feasibility of obtaining Coastal Commission approval of the project. To date, we have conducted the following activities:

- Communicated with Coastal Commission Santa Cruz District staff by phone and e-mail and coordinated a meeting with Coastal Commission staff following the Substantial Issue hearing on March 11, 2011;
- Conducted a site visit of the project site and visited several alternative sites discussed in the EIR and identified by appellants;
- Participated in a strategy session with project representatives to discuss process and timing;
- Attended the Coastal Commission's Substantial Issue hearing and participated in a subsequent meeting with Coastal Commission staff to discuss appeal issues, supplemental information requested by Commission staff, and a processing timeframe;
- Participated in MBCSD team debriefing session to discuss the meeting with Coastal Commission staff; and
- Engaged in periodic communications with project manager, Dennis Delzeit, regarding the project and next steps.

MEETING WITH COASTAL COMMISSION STAFF

Upon review of the appeals of the WWTP project and related documents and participation in a meeting with Coastal Commission staff, we offer the following observations.

The meeting with Coastal Commission staff (District Director Dan Carl and Staff Analyst Madeline Cavalieri) was both informative and productive. The purpose of the meeting was to develop a clear understanding of the Commission staff's concerns relating to the project and actions MBCSD could take to address those concerns. Staff recognizes the water quality benefits provided by the project and made clear that their primary concern with the proposed project was a lack of a thorough alternatives analysis of other sites that might be preferable to the proposed project location from a Coastal Act perspective. Absent such an analysis, they said they could not conclude that the proposed project location is the best site under the standards of the Coastal Act and the Morro Bay Local Coastal Program (LCP). They offered to coordinate with MBCSD to develop a list of alternative sites to be analyzed, as well as criteria under which the sites should be reviewed. We discussed the other issues raised in the Commission appeals (reclaimed water, plant capacity, hazards, archeology, and public views) and agreed to provide supplemental information requested by Commission staff for their review of the project. We believe that if an alternatives analysis demonstrates that the proposed location for the WWTP is the most appropriate location for the project, Commission staff will be open to recommending approval of the project and that other issues raised in the appeal could be dealt with through conditions to the permit.

PROPOSED NEXT STEPS AND ROLE OF MCCABE & COMPANY

The meeting with Commission staff resulted in a better understanding of the issues raised by the Commission appeals and a road map MBCSD can follow to provide Commission staff with necessary supplemental information by which Commission staff can thoroughly evaluate the proposed WWTP project. Below is a list of activities we would propose that MBCSD undertake with the assistance of McCabe & Company leading up to and through Coastal Commission action on the WWTP project.

- Coordinating with MBCSD's technical consultants to ensure that supplemental studies and data submittals are responsive to Coastal Commission staff concerns and data gaps in the

policy areas identified in the Commission appeals (alternatives analysis, water reclamation plan, plant capacity, coastal hazards, archaeological resources, public views);

- Coordinating with Coastal Commission staff to facilitate timely communication exchanges and expeditious review of data submittals;
- Developing and communicating MBCSD's position on the project to Coastal Commissioners, Coastal Commission staff, regulatory agencies, other elected and appointed officials, decision-makers and stakeholders involved with the project;
- Providing briefings to Coastal Commissioners on a periodic basis, as appropriate, with particular emphasis on the commissioner representing the South Central Coast Region;
- Identifying and mobilizing support for the project, and creating appropriate messages for those entities;
- Developing appropriate oral and written communications (briefing materials) for Commissioners and Staff; and
- Assisting in preparing effective oral and Power Point presentations for the Coastal Commission hearing(s) on the project and recommending appropriate speakers for the public hearing(s).

CHANCES FOR SUCCESS

We have learned much in the first month following the filing of appeals on the WWTP project. We have begun a productive dialog with Commission staff, have developed an understanding of Commission staff's concerns with the project, and have created a road map by which to address those concerns. While we cannot pre-judge the outcome of the alternatives analysis, we have every expectation that if the currently proposed site is found to be the environmentally preferred site, it will weigh heavily in the Commission staff recommendation. With regard to the Commission itself, we believe that a favorable staff recommendation coupled with appropriate communications and educational efforts with commissioners will best position MBCSD to obtain a favorable outcome on the project.

TIMING AND COASTAL COMMISSION CONSULTING SERVICES PROJECTED COSTS

The timing of the de novo hearing on the project will be dependent on several factors, including preparation and submittal of an alternatives analysis and other supplemental information requested by Commission staff, Commission staff workload, and Commission hearing dates near the South Central Coast Region. We are prepared to work closely with MBCSD, its technical consultants and Commission staff to reduce delays and ensure expeditious consideration of the project by the Coastal Commission. While it is difficult to accurately predict when the project will be scheduled for a Commission hearing based on the uncertainties of the above-mentioned factors, we believe that it is reasonable to expect a Commission hearing in approximately ten months.

McCabe & Company would charge a monthly fee of \$12,500.00 for services provided to MBCSD through the month of Coastal Commission action on the project. Although we believe that the activities to be performed by McCabe & Company as outlined above will involve a steady level of work on our part, there will be periods of varying levels of activity. During the first month in which we provided services based on an hourly rate to be capped at \$12,500.00, our fees would have totaled \$32,093.75. We've found that our fee structure evens out such periods and provides our firm, as well as our clients, with a level of budgeting consistency.

STAFF REPORT

MORRO BAY-CAYUCOS J.P.A. WASTEWATER TREATMENT PLANT

To: Honorable Mayor and City Council, City of Morro Bay
Honorable President and Board of Directors, Cayucos Sanitary District

From: Dennis Delzeit, P.E., Project Manager

Date: April 14, 2011

Subject: Discussion of Requests for Qualifications for a Substantial Issues Study to address California Coastal Commission appeal with consideration to authorize staff to negotiate a contract for JPA consideration in May.

Recommendation: By motion, direct that a contract for preparation of studies of substantial issues be presented for consideration at the May meeting of the JPA.

Fiscal Impact:

The fiscal impact has not been determined at this time. MBCSD staff and the project manager are in the process of analyzing the statements of qualifications. Further information will be provided at the meeting as the submittals are evaluated. Based upon information that was received in the five submittals, it is anticipated that a consultant contract will be negotiated in the range of \$200,000 to \$350,000.

Background and Discussion:

On March 11, 2011 the California Coastal Commission (CCC) determined that there are substantial issues on the project. The CCC will not place the project on the agenda for consideration of issuance of the permit until the additional studies are submitted.

The items that are required for further study are:

- Alternate sites evaluation
- Sea level rise
- Tsunami potential impact
- Shore line erosion
- Flood mitigation
- Archaeological
- Visual impact
- Recreational

Requests for qualifications were issued to consultants for preparation of the required studies. Five proposals were submitted. MBCSD staff and the project manager are in the process of reviewing and rating them. The consultants were asked to include a rough

work scope and fee estimated in their submittals. The fee range is from \$200,000 to \$650,000. However, it is believed that the work scope necessary to meet the expectations of the Coastal Commission will be in the range of \$200,000 to \$350,000.

Statements of Qualifications were submitted by the following firms:

1. RBF Consulting, Temecula
2. Dudek, Santa Barbara
3. Chambers Group, Santa Ana
4. Sage Institute, Atascadero
5. Kennedy/Jenks Consultants, Palo Alto

Interviews are in the process of being scheduled with RBF, Dudek and the Sage Institute. If the JPA authorizes, a contract will be negotiated with the best qualified firm and brought to the May JPA meeting for consideration of award.

Options:

1. Direct that a contract be negotiated and placed on the May agenda for consideration of the JPA. Please note that there is no assurance that the Coastal Commission will approve the coastal permit if the additional studies are prepared. Despite the risk, this is the recommended option.
2. Direct that no additional studies be prepared. If this option is chosen, it is predicted that the Coastal Commission will deny the permit in accordance with their staff's recommendation.
3. Provide alternative direction as deemed appropriate.

Attachments:

None

Agenda No. __C-2__

Date: April 14, 2011

STAFF REPORT

MORRO BAY/CAYUCOS J.P.A. WASTEWATER TREATMENT PLANT

To: Honorable Mayor and City Council, City of Morro Bay
Honorable President and Board of Directors, Cayucos Sanitary District

From: Susan Slayton, Administrative Services Director

Date: April 1, 2011

Subject: Discussion of WWTP Flood and Earthquake Insurance Policies

Recommendation: Accept the report

Summary: Attached please find the correspondence related to the questions asked about the earthquake and flood insurance. Also attached are copies of the earthquake and flood insurance coverage provided by our agent.

All questions that were asked have been answered. It is the City's hope that the Cayucos Sanitary District's concerns have been satisfied, and that they will approve the payment of the 2006/07 earthquake and flood insurance bill.

3/10/11 questions from Michael Foster and Shirley Lyons:

For the Agent:

1. What, in detail, are we insuring?

The City provided to Alliant Insurance Services, Inc., a detailed list of items on its property schedule that is being covered. The City provided a value for the equipment and property that is to be covered. The California JPIA property program is based on replacement cost valuation and thus the values the City declares should be replacement cost values. Annually, the values are inflated/deflated (based on the economy) using the Marshall Swift industry standard trend factors to maintain current replacement cost values. The inflation factor is based on CPI. For the 2010 coverage, the CPI was a negative 4.16% for real property and a negative 1.54% for personal property. Our total 2009 rates for real property were \$34,299,709. Applying the negative CPI factor of 4.16% resulted in a value reduction of \$32,872,841 on the 2010 property schedule.

2. What is the coverage amount?

The coverage amount is the replacement value of the equipment and property based on the values provided by the City. The deductible for earthquake and flood is 5% per unit, \$100,000 minimum (refer to complete definition shown on page #9 in the manuscript property policy form attached. For example, in 2010, our plant and outfall were valued at \$37,246,338. The deductible would be 5% per unit of that value, or \$1,862,316.90.

3. How has that amount been determined (detail by component)?

The City provided this information.

4. What is the coverage for loss interruption?

This is coverage for an interruption in your operations caused by a covered peril. An example common to municipalities could be, if a loss occurs and that may be required by a certificate of participation or revenue bond issue to have, it will cover the payments in the contract until such time as the loss has been adjusted and the City is made whole.

5. How much is earthquake, and how much is flood?

If earthquake insurance is purchased, flood insurance is dedicated to the location with EQ coverage. At this time, earthquake insurance is \$0.3801 per \$100 of

value. Using the 2010 values, this equates to \$141,573.33 plus administrative costs.

For Staff:

1. Who is responsible for entering this contract?

The CJPIA property schedule is provided to the City's Risk Manager, who distributes the schedule to the various department heads to review. Any changes are applied prior to the schedule being finalized and valued; this information is used in the 07/01/ annual property insurance renewals. The City's Risk Manager is Rob Schultz.

2. Please provide the written proposals of the other bidders on this coverage.

There are none.

3/28/11 from Lewis:

Can you have your agent explain the pollution coverage of the plan. It was not clear in the earthquake flood insurance policy to me.

Including:

Does the policy cover temporary sewer treatment costs? If so how much \$ and for how long because it could take many months to even years depending on damage

How about pollution clean up costs?

Response:

If an EQ/flood causes damage, the Extra Expense coverage in the property policy will pick up the temporary sewer treatment costs. The pollution clean-up would also be covered under the Extra Expense coverage. Keep in mind that EQ/Flood is subject to a 5% deductible, \$100,000 minimum per unit per the attached definition.

4/1/11 from Noah:

How long would this coverage be effective (days, months, years?) and would it also cover economic hardship caused directly from such an event?

Response:

Earthquake/Flood insurance kicks in after the deductible, 5% per unit (time element includes extra expense) is considered a separate unit) or \$100,000 minimum deductible per occurrence. Then the insurance will pay the amount of loss or damage in excess of the deductible up to the applicable limits of insurance for Earthquake at each premises. The total value means the 100% value of buildings, personal property and time element coverage scheduled on your property schedule. The coverage is replacement cost and extra expense coverage will continue until the work is completed and again operational. There is no time limitation for extra expense, ie. one month three months 6 months, etc. The insurance agent picked up the word temporary as it was used in one of the questions, but she was referencing until repairs are completed.

I. RISK DETAILS

**UNIQUE MARKET
REFERENCE:**

B040110926X10

TYPE:

All Risks of Direct Physical Loss or Damage including Flood and Earthquake Shock but excluding Boiler Explosion and Machinery Breakdown as more fully defined herein

ORIGINAL INSURED:

California Joint Powers (CJPIA) and its members agencies (as per agreed list endorsed in the Policy as defined herein)

It is agreed to included automatically under this Insurance the interest of additional Named Insureds and mortgagees and loss payees when applicable without advice.

Mailing address: 8081 Moody Street, La Palma, CA 90623

PERIOD:

From: 1 July 2010

To: 1 July 2011

Both Days at 12:01 a.m. local standard time at the location of the Property Insured

INTEREST:

Real and Personal Property and Business Interruption as more fully defined herein

SUM INSURED:

USD25,000,000 any one occurrence except as follows:

USD25,000,000 any one occurrence All Risks but excluding Flood and Earthquake Shock

USD25,000,000 any one occurrence and in the annual aggregate in respect of Flood and Earthquake Shock separately in respect of members purchasing Earthquake Shock coverage

USD10,000,000 any one occurrence and in the annual aggregate in respect of Flood in respect of members not purchasing Earthquake Shock coverage.

In no event will this policy pay more than USD25,000,000 any one occurrence and in the annual aggregate in respect of Flood.

This policy is subject to the schedule of sub-limits as attached; the sub-limits are to apply excess of deductibles and over all layers combined and to apply on an any one occurrence basis unless otherwise stated

Excess of
Schedule of deductibles as attached

*AMC
17/6/10*

SITUATION: Schedule of locations as declared in the United States of America as agreed by Lead Insurer only and kept on file by AmWins Insurance Brokerage of California

CONDITIONS: Policy wording based on expiring policy 09PYOM0833 as attached
Nominee for the purpose of issuing evidence of Insurance provided to Additional Named Insureds, and Mortgagees, and Loss Payees:

Alliant Insurance Services, Inc.
1301 Dove Street, Suite 200, Newport Beach, CA 92660

Notification of Claims to:

Crawford-THG
660 S. Figueroa Street, Suite 1780, Los Angeles, CA 90017

*- Hay Lex
Claims
Dept.*

Valuation: Replacement Cost, per definition/description as defined in the policy wording except:
Restoration valuation for historical buildings subject to a 10% margin
Reproduction valuation for buildings constructed with special features
Stated (actual) value per vehicle as respects all vehicles
All other valuation per definition/description of terms proposed – as defined in the policy wording
Conformity Clause - as attached

NOTICES: LSW1147C California Surplus Lines Notice - as attached

CHOICE OF LAW AND JURISDICTION: It is understood and agreed that the Service of Suit Clause Endorsement as contained herein shall apply with the Insured having the right to elect governing law between the state where the loss occurs and their head office address

PREMIUM: USD 4,250,000 (100%) Annual

PREMIUM PAYMENT TERMS: Premium Payment Condition (Time on Risk) 4/86 (Direct) 29 August 2010 as attached

TAXES PAYABLE BY INSURED AND ADMINISTERED BY INSURERS: None Applicable

*JMC
17-6-10*

**RECORDING,
TRANSMITTING AND
STORING
INFORMATION:**

Where Glencairn Limited maintains risk and claims data/information/ documents Glencairn Limited may hold data/information/documents electronically.

**INSURER CONTRACT
DOCUMENTATION:**

This document details the contract terms entered into by the insurer(s) and constitutes the contract document.

Handwritten signature and date:
JMC
17/6/10

2. INFORMATION

Information made available to, seen and agreed by all Subscribing Insurers and initialled by the Lead Insurer on behalf of all other Insurers hereon, including information booklet dated April 2010.

CONTENTS:

1. Summary of Values (1 page)
2. Schedule of Values in Descending Order (4 pages)
3. Schedule of Values – Total by Members (2 pages)
4. Schedule of Vehicles and Emergency Vehicles (2 pages)
5. Loss History (19 pages)

The Business

Municipalities

Total Insured Values (100%)

All Risks	USD 4,862,020,704
Earthquake and Flood	USD 1,639,174,093
All other Flood	USD 3,222,846,611

Loss Record

2003-2010 losses as per Underwriting Information Submission dated April 2010 as at 31 March 2010 as advised by AmWINS Insurance Brokerage of California

Source: Email from AmWINS Insurance Brokerage of California dated 2 April 2010 with four attachments being:

- CJPIA 10-11 Specs.doc
- 10-11 CJPIA - Pre Lim SOV as of 3-24-10 - With Subtotals.XLS
- 10-11 CJPIA Preliminary Spreadsheet with vehicle values as of 3-24-10.xls
- All Losses Combined - 1-1-03 to 7-1-10.xls

NOTICE

- 1. THE INSURANCE POLICY THAT YOU HAVE PURCHASED IS BEING ISSUED BY AN INSURER THAT IS NOT LICENSED BY THE STATE OF CALIFORNIA. THESE COMPANIES ARE CALLED "NONADMITTED" OR "SURPLUS LINE" INSURERS.**
- 2. THE INSURER IS NOT SUBJECT TO THE FINANCIAL SOLVENCY REGULATION AND ENFORCEMENT THAT APPLY TO CALIFORNIA LICENSED INSURERS.**
- 3. THE INSURER DOES NOT PARTICIPATE IN ANY OF THE INSURANCE GUARANTEE FUNDS CREATED BY CALIFORNIA LAW. THEREFORE, THESE FUNDS WILL NOT PAY YOUR CLAIMS OR PROTECT YOUR ASSETS IF THE INSURER BECOMES INSOLVENT AND IS UNABLE TO MAKE PAYMENTS AS PROMISED.**
- 4. CALIFORNIA MAINTAINS A LIST OF ELIGIBLE SURPLUS LINE INSURERS APPROVED BY THE INSURANCE COMMISSIONER. ASK YOUR AGENT OR BROKER IF THE INSURER IS ON THAT LIST, OR VIEW THAT LIST AT THE INTERNET WEB SITE OF THE CALIFORNIA DEPARTMENT OF INSURANCE: www.insurance.ca.gov.**
- 5. FOR ADDITIONAL INFORMATION ABOUT THE INSURER YOU SHOULD ASK QUESTIONS OF YOUR INSURANCE AGENT, BROKER, OR "SURPLUS LINE" BROKER OR CONTACT THE CALIFORNIA DEPARTMENT OF INSURANCE, AT THE FOLLOWING TOLL-FREE TELEPHONE NUMBER: 1-800-927-4357.**
- 6. IF YOU, AS THE APPLICANT, REQUIRED THAT THE INSURANCE POLICY YOU HAVE PURCHASED BE BOUND IMMEDIATELY, EITHER BECAUSE EXISTING COVERAGE WAS GOING TO LAPSE WITHIN TWO BUSINESS DAYS OR BECAUSE YOU WERE REQUIRED TO HAVE COVERAGE WITHIN TWO BUSINESS DAYS, AND YOU DID NOT RECEIVE THIS DISCLOSURE FORM AND A REQUEST FOR YOUR SIGNATURE UNTIL AFTER COVERAGE BECAME EFFECTIVE, YOU HAVE THE RIGHT TO CANCEL THIS POLICY WITHIN FIVE DAYS OF RECEIVING THIS DISCLOSURE. IF YOU CANCEL COVERAGE, THE PREMIUM WILL BE PRORATED AND ANY BROKER'S FEE CHARGED FOR THIS INSURANCE WILL BE RETURNED TO YOU.**

12/08
LSW1147C

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176-10

**SCHEDULE AND MEMORANDA ATTACHING TO AND FORMING PART OF
LEXINGTON MANUSCRIPT FORM**

SCHEDULE

Policy Number: As per UMR stated in the Risk Details

Interest:

As per Risk Details

Name of Insured:

As per Risk Details

Mailing Address:

As per Risk Details

Period of Insurance:

As per Risk Details

Situation:

As per Risk Details

Limits of Indemnity:

As per Risk Details

Sub-limits:

As per schedule attached

Deductibles:

As per schedule attached

Nominee for the purposes of issuing evidence of Insurance provided to Additional Named Insureds, and Mortgagees, and Loss Payees:

As per Risk Details

Notification of Claims to:

As per Risk Details

Choice of Law and Jurisdiction:

As per Risk Details

*DMC
17/6/10*

Premium:

As per Risk Details

Memoranda:

As attached

Handwritten signature
1/26/10

SCHEDULE OF PROGRAMME SUB-LIMITS

This policy is subject to the following sub-limits to apply excess of deductibles and over all layers combined and to apply on an any one occurrence basis unless otherwise stated

- USD 100,000,000 Earthquake Sprinkler Leakage
- USD 75,000,000 Ordinance or Law in respect Earthquake Shock and Flood only, and in the Annual Aggregate
- USD 50,000,000 Final Contract Value in respect of Real Property in the Course of Construction, including new projects at new locations. Includes Earthquake Shock and Flood for existing insured members **reported within 90 days**. Excludes Earthquake Shock and Flood for new insured members
- USD 25,000,000 Newly Acquired Property per building or structure for existing insured members. Includes Earthquake Shock for existing insured members **reported within 90 days**.
- USD 50,000,000 Newly Acquired Property per existing insured member. Includes Earthquake Shock for existing insured members **reported within 90 days**.
- USD 25,000,000 Newly Acquired Property per building or structure for new insured members **reported within 90 days**. Excludes Earthquake Shock for new insured members.
- USD 50,000,000 Newly Acquired Property per new insured member **reported within 90 days**. Excludes Earthquake Shock for new insured members
- USD 25,000,000 Newly Acquired for all piers, docks, wharves and dams per member **reported within 90 days**. Includes Earthquake Shock and Flood for existing insured members **reported within 90 days**. Excludes Earthquake Shock and Flood for new insured members
- USD 50,000,000 Unnamed or Temporary Locations
- USD 10,000,000 Flood for locations not covered for Earthquake Shock, and in the Annual Aggregate
- USD 500,000 Animals
- USD 250,000 Newly Acquired Fine Arts per member

*smc
22-6-10*

SCHEDULE OF DEDUCTIBLES

Individual member deductibles apply as scheduled, each and every loss, before application of the CJPIA occurrence deductible and apply to the exhaustion of the aggregate deductible, and as a maintenance deductible after exhaustion of the aggregate deductible, as follows:

USD 100,000 per occurrence, subject to a USD 400,000 annual aggregate

NOTE:

Gross loss inclusive of individual member's deductible, shall apply toward the aggregate

MEMBER DEDUCTIBLES:

USD 5,000 per occurrence, all perils and property including emergency vehicles and vehicles on the premises and boats

EXCEPT:

USD 1,000 per occurrence, radio and telephone equipment in vehicles

USD 1,000 per occurrence, auto physical damage – comprehensive

USD 1,000 per occurrence, auto physical damage – collision

USD 1,000 per occurrence, sea doo's

FLOOD:

USD 100,000 per occurrence except USD 250,000 in respect of locations in Flood Zones A and V, including all suffixes of A and V

FLOOD AND/OR WAVE WASH IN RESPECT OF PIERS:

USD 500,000 per occurrence, per pier.

EARTHQUAKE SHOCK DEDUCTIBLES:

This Insurance will not pay for loss or damage caused by "earthquake shock" until the amount of loss or damage exceeds 5% per unit of insurance (Time Element coverage is considered a unit of insurance) subject to a minimum deductible of USD 100,000 per occurrence. The deductible applies separately to each Insured member and to each "earthquake shock" occurrence. This Insurance will then pay the amount of loss or damage in excess of the deductible, up to the applicable limits of insurance for "earthquake shock" at each premises shown above. "Total values" mean the 100% value of buildings, personal property and Time Element coverage insured (using the applicable policy valuation clause), without regard to the limit of insurance.

DEDUCTIBLE PROVISIONS

- A) If two or more deductible amounts provided above apply for a single 'occurrence', the total to be deducted shall not exceed the largest per 'occurrence' deductible amount applicable.
- B) When two deductibles are involved, the amount of loss in excess of the higher deductible will be considered as the common loss.

UNIT OF INSURANCE DEFINED:

In the application of the Earthquake Shock Deductible Clause and Apportionment of Loss Clause made a part of this Insurance, each of the following shall be considered a Separate Unit of Insurance

- Each Separate Building or Structure
- The Contents of each separate Building or Structure and Property in each Yard
- Applicable Time Element Coverage of each separate Building or Structure

This Insurance shall not be liable for loss to any Unit of Insurance covered hereunder unless such loss exceeds the percentages stated in this Insurance of the replacement values of such Unit of Insurance at the time when such loss shall happen, and then only for its proportion of such excess.

The Deductible Provisions apply only to the Primary Insurers' Coverage

*pmc
11-6-10*

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SECTION I
DECLARATIONS

In consideration of the premium paid by the insured to this Company, the Company agrees to insure the following per the terms and conditions herein:

1) NAME OF INSURED

CALIFORNIA JOINT POWERS INSURANCE AUTHORITY

and its Member Agencies

and any entities or individuals for whom the Named Insured is required to provide coverage as their interests may appear and other organizations and enterprises which now exist or which hereafter may be created or acquired and which are owned, financially controlled or actively managed by the herein named interest, all jointly, severally or in any combination of their interests, for account of whom it may concern.

Lessors and other party(ies) of interest in all property of every description covered hereunder are included herein as additional Insureds for their respective rights and interests, it being understood that the inclusion hereunder of more than one covered party shall not serve to increase the Company's limit of liability.

Mortgagees to whom certificates of coverage have been issued are covered hereunder in accordance with the terms and conditions of Form 438 BFU NS, CP12 18 1091, or equivalent attached.

Loss, if any, shall be adjusted with the member agencies or insured and payable to the named insureds as their respective interests may appear, subject however, to the provisions of any mortgagees or payee clauses which may otherwise be herein provided or endorsed hereon.

It is agreed to included automatically under this Insurance the interest of additional Named Insureds and/or mortgagees and/or loss payees where applicable without advice.

2) MAILING ADDRESS OF INSURED

8081 Moody Street
La Palma, CA 90623

3) POLICY PERIOD

July 1, 2010

July 1, 2011

Both days at 12.01 a.m. Local Standard Time at the address of the property insured

4) LIMITS OF LIABILITY

The limit of liability as stated below is per occurrence and in the annual aggregate as respects the peril of earthquake shock and also in the annual aggregate as respects the peril of flood. It is also hereby understood that the inclusion hereunder of more than one Named Insured shall not serve to increase the Company's Limit of Liability.

The provisions of the reinstatement clause as stated elsewhere herein, are null and void as respects the perils of earthquake shock and flood.

Subject to specific exclusions, modifications, and conditions hereinafter provided, the liability of this Company in any one occurrence regardless of whether one or more of the coverages of this Policy are involved shall not exceed:

USD 25,000,000	Per occurrence, all risk perils except earthquake shock and flood
USD 25,000,000	any one policy year as respects flood
USD 25,000,000	any one policy year as respects earthquake shock, all agreed Members

SUB-LIMITS OF LIABILITY

USD Various see attached Endorsement No. 8

4A) OPTIONAL COVERAGE PARTICIPATION

It is understood and agreed that certain Member Agencies participate in Optional Coverage on this Policy as set forth below

OPTIONAL COVERAGES IDENTIFICATION:

- A) Earthquake Shock
- B) Flood
- C) Licensed Vehicles
- D) Contractors Equipment/Unlicensed Vehicles
- E) Scheduled Fine Arts

5) DEDUCTIBLES

INDIVIDUAL MEMBER DEDUCTIBLES APPLY AS SCHEDULED, EACH AND EVERY LOSS, BEFORE APPLICATION OF THE CJPIA OCCURRENCE DEDUCTIBLE AND APPLY TO THE EXHAUSTION OF THE AGGREGATE DEDUCTIBLE AND AS A MAINTENANCE DEDUCTIBLE AFTER EXHAUSTION OF THE AGGREGATE DEDUCTIBLE, AS FOLLOWS:

USD100,000 PER OCCURRENCE SUBJECT TO A USD400,000 ANNUAL AGGREGATE

NOTE: GROSS LOSS INCLUSIVE OF INDIVIDUAL MEMBER'S DEDUCTIBLE, SHALL APPLY TOWARD THE AGGREGATE

MEMBER DEDUCTIBLES: USD 5,000 PER OCCURRENCE, ALL PERILS AND PROPERTY INCLUDING EMERGENCY VEHICLES AND VEHICLES ON THE PREMISES AND BOATS

EXCEPT:

- USD 1,000 PER OCCURRENCE, RADIO AND TELEPHONE EQUIPMENT IN VEHICLES
- USD 1,000 PER OCCURRENCE, AUTO PHYSICAL DAMAGE - COMPREHENSIVE
- USD 1,000 PER OCCURRENCE, AUTO PHYSICAL DAMAGE - COLLISION
- USD 1,000 PER OCCURRENCE, SEA DOO'S

FLOOD: USD 100,000 PER OCCURRENCE EXCEPT USD 250,000 IN RESPECT OF LOCATIONS IN FLOOD ZONES A AND V, INCLUDING ALL SUFFIXES OF A AND V

FLOOD AND/OR WAVE WASH IN RESPECT OF PIERS: USD 500,000 PER OCCURRENCE, PER PIER.

EARTHQUAKE SHOCK DEDUCTIBLES:

THIS INSURANCE WILL NOT PAY FOR LOSS OR DAMAGE CAUSED BY "EARTHQUAKE SHOCK" UNTIL THE AMOUNT OF LOSS OR DAMAGE EXCEEDS 5% PER UNIT OF INSURANCE (TIME ELEMENT COVERAGE IS CONSIDERED A UNIT OF INSURANCE) SUBJECT TO A MINIMUM DEDUCTIBLE OF USD 100,000 PER OCCURRENCE. THE DEDUCTIBLE APPLIES SEPARATELY TO EACH INSURED MEMBER AND TO EACH "EARTHQUAKE SHOCK" OCCURRENCE. THIS INSURANCE WILL THEN PAY THE AMOUNT OF LOSS OR DAMAGE IN EXCESS OF THE DEDUCTIBLE, UP TO THE APPLICABLE LIMITS OF INSURANCE FOR "EARTHQUAKE SHOCK" AT EACH PREMISES SHOWN ABOVE. "TOTAL VALUES" MEAN THE 100% VALUE OF BUILDINGS, PERSONAL PROPERTY AND TIME ELEMENT COVERAGE INSURED (USING THE APPLICABLE POLICY VALUATION CLAUSE), WITHOUT REGARD TO THE LIMIT OF INSURANCE.

6) DEDUCTIBLE PROVISIONS

- A) If two or more deductible amounts provided above apply for a single 'occurrence', the total to be deducted shall not exceed the largest per 'occurrence' deductible amount applicable.
- B) When two deductibles are involved, the amount of loss in excess of the higher deductible will be considered as the common loss.

7) UNIT OF INSURANCE DEFINED

In the application of the Earthquake Shock Deductible Clause and the Apportionment of Loss Clause, made a part of this Endorsement, each of the following shall be considered a Separate Unit of Insurance:

- (a) Each Separate Building or Structure
- (b) The Contents of each Building or Structure; and
- (c) Property in each Yard
- (d) Applicable Time Element Coverage of each separate Building or Structure

This Company shall not be liable for loss to any Unit of Insurance covered hereunder unless such loss exceeds the percentages stated in this Policy of the replacement values of such Unit of Insurance at the time when such loss shall happen, and then only for its proportion of such excess.

The Deductible Provisions apply only to the Primary Insurers' coverage.



SECTION II

PHYSICAL DAMAGE TO PROPERTY

1) COVERAGE

Subject to the terms, conditions and exclusions hereinafter contained, this Policy insures all property of every description of an insurable nature, both real (including vehicles) and personal (including improvements and betterments), of the Insured or property of others in the care, custody or control of the Insured, for which the Insured is liable or under obligation to keep insured.

It is also understood and agreed that the interest of additional covered parties and/or loss payees are automatically included.

2) EXTENSIONS OF COVERAGE

The following Extensions of Coverage do not act to increase the liability of this Company for any amount greater than stated in the Limits of Liability or Sub-limits of Liability shown in this Policy.

A) PERSONAL EFFECTS

This Policy is extended to cover only such personal effects and wearing apparel of any of the officials, employees, students and personal effects of the Insured named in this Policy for which the Insured may elect to assume liability while located in accordance with the coverage hereof, but loss, if any, on such property shall be adjusted with and payable to the Insured. This extension does not apply to the peril of Theft.

B) PROPERTY IN COURSE OF CONSTRUCTION

It is understood and agreed that as respects course of construction and remodelling projects, this Policy will provide automatic coverage subject to the following conditions:

- (1) Project involves only real property additions or modifications to Insured member locations (excluding dams, piers, roads, and bridges unless specifically declared and on file with this Company), foundations and building materials including new locations.
- (2) Values of the project are reported to this company in accordance with the provisions of this Policy regarding changes, additions or deletions.
- (3) The peril of Earthquake Shock is excluded as respects property newly constructed, erected or assembled unless specifically declared and on file with this Company.
- (4) Additional Expense Soft Cost: This coverage applies to new buildings or structures in the course of construction up to the time that the new building (s) or structure (s) is initially occupied or put to its intended use whichever occurs first.



This Company will cover your additional expenses as defined below for up to 25% of the estimated completed value of the project, not to exceed the policy limit, which results from a delay in the completion of the project beyond the date it would have been completed had no loss or damage occurred. The delay must be due to direct physical loss or damage to Covered Property and be caused by or result from a Covered Cause of Loss. We will pay covered expenses when they are incurred.

- a. Additional Interest Coverage – We will pay the additional interest on money you borrow to finance construction or repair.
- b. Rent or Rental Value Coverage – We will pay the actual loss of net rental income that results from delay beyond the projected completion date. But we will not pay more than the reduction in rental income less charges and expenses that do not necessarily continue.
- c. Additional Real Estate Taxes or Other Assessments – We will pay the additional real estate taxes or other assessments you incur for the period of time that construction is extended beyond the completion date.
- d. Additional Advertising and Promotional Expenses – We will pay the additional advertising and promotional expense that becomes necessary as a result of a delay in the completion of the project.
- e. Additional Commissions Expense – We will pay the additional expenses which result from the renegotiating of leases following an interruption in the project.
- f. Additional Architectural and Engineering Fees – We will pay the additional architectural and engineering fees that become necessary as a result of a delay in the completion of the project.
- g. Additional License and Permit Fees – We will pay the additional license and permit fees that become necessary as a delay in the completion of the project.
- h. Legal and Accounting Fees – We will pay the additional legal and accounting fees you incur as a result of a delay in the completion of the project.

C) FIRE FIGHTING EXPENSES

It is understood and agreed that the Company shall be liable for the actual charges of fire fighting expenses including but not limited to those charged by municipal or private fire departments, or assumed by contract prior to loss responding to and fighting fire in/on, and/or protecting property included in coverage provided by this Policy.

D) OFF PREMISES SERVICES CLAUSE

It is understood and agreed that coverage under this Policy is extended to include physical damage, business interruption loss and/or extra expense incurred and/or sustained by the member as a result of damage to or destruction of, by the perils insured against, to property of the type not excluded by this Policy of any suppliers furnishing heat, light, power, gas, water, telephone, steam or similar services to an Insured's premises.



E) ARCHITECTS AND ENGINEERS FEES AND LOSS ADJUSTMENT EXPENSES

This Policy also insures any of the following:

- (1) Architects' and engineers' fees
- (2) Loss adjustment expenses including, but not limited to, auditors, consultants and accountants and excluding Public Adjusters.

F) EXPEDITING EXPENSES

It is understood and agreed that coverage under this Policy includes the reasonable extra cost of temporary repair and of expediting the repair of such damaged property of the Insured, including overtime and the extra costs of express or other rapid means of transportation.

G) DEBRIS REMOVAL

This Policy also covers expenses incurred in the removal of debris of the property covered hereunder that may be destroyed or damaged by a covered peril(s). This debris removal coverage does not apply to the cost to extract pollutants from land or water, or to remove, restore or replace polluted land, water or groundwater, unless result of a covered peril subject to a maximum limit of 25% of the total Property Damage and Business Income, combined, not to exceed USD500,000.

This agreement also insures:

The expense incurred in the removal of debris of property covered hereunder, within one thousand (1,000) feet of the Insured's premises, which may be occasioned by loss caused by any of the perils insured against in this policy. However, coverage for expense of removal of debris of property covered shall not apply to removal of:

- 1) any discharge, release or escape of any property, pollutant or contamination into, under or upon the land, the atmosphere or any watercourse or body of water; or
- 2) any fines or penalties incurred or sustained by or imposed on the Insured at the order of any government agency, court or other Authority arising from any cause whatsoever in excess of USD15,000 annually aggregated as respects all insured locations.

It is a condition precedent to recovery under this extension that the company shall have paid or agreed to pay for direct physical loss or damage to property insured hereunder and that the Insured shall give written notice of intent to claim for cost of removal of debris.

The provisions of these clauses are subject otherwise to all of the terms and conditions of this Policy and do not increase the limit of liability or amounts recoverable as specified or provided for elsewhere in this Policy.



Section II, Physical Damage to Property, is also extended to include:

H) BUILDING LAWS

The loss occasioned by the enforcement of any local or state ordinance or law regulating the construction, repair or demolition of buildings or structures, which is in force at the time such a loss occurs, which necessitates the demolition of any portion of the covered building not damaged by the covered peril(s).

I) DEMOLITION COST

The cost of demolishing any undamaged portion of the covered property including the cost of clearing the site thereof, caused by loss from any covered peril(s) under this Policy and resulting from enforcement of any local or state ordinance or law regulating the construction, repair or demolition of buildings or structures and in force at the time of loss which necessitates such demolition;

J) INCREASED COST OF CONSTRUCTION

The increased cost of repair or replacement occasioned by the enforcement of any local state ordinance or law regulating the construction, repair or demolition of buildings or structures which necessitates in repairing or replacing the building covered hereunder which has suffered damage or destruction by the covered peril(s) or which has undergone demolition, limited, however, to the minimum requirements of such ordinance or law.

K) ERRORS & OMISSIONS

No unintentional errors or omissions in description location of property or valuation of property will prejudice the Insured's right of recovery but will be reported to the Company as soon as practicable when discovered.

L) ANIMALS

Including police dogs, horses and other specially trained animals. Coverage includes retraining expenses.

M) VALUABLE PAPERS

Valuable papers or the cost to research, replace, restore or reconstruct valuable papers lost or by perils insured against while inside or outside the Insured's premises during the term of this Policy.

N) TRANSIT

Personal property of the Insured member or property held by the Insured member in trust or on commission or on consignment for which the Insured member may be held legally liable while in due course of transit, worldwide, against All Risks of Direct Physical Loss or Damage to the property insured occurring during the period of this Policy.



3) PROPERTY NOT COVERED

A) PROPERTY EXCLUSIONS

This Property Policy does not provide coverage for any of the following:

- (1) Aircraft, retaining walls, piers, docks, wharves and rolling stock, unless specifically declared and on file with this Company
- (2) Standing timber, bodies of water, and growing crops
- (3) Land, (including land on which covered property is located), and land values
- (4) Property in due course of ocean marine transit
- (5) Shipment by mail after delivery into the custody of the United States Post Office
- (6) Tunnels, bridges, dams, and catwalks, except those not for public use, unless specifically declared and on file with this Company
- (7) Power transmission, feeder lines and underground pipes more than 1 mile from the premises of the Insured member
- (8) As respects course of construction the following exclusions shall apply:
 - (a) The cost of making good, faulty or defective workmanship, material, construction or design, but this exclusion shall not apply to damage resulting from such faulty or defective workmanship, material, construction or design
 - (b) The cost of non-compliance of or delay in completion of contract
 - (c) The cost of non-compliance with contract conditions
 - (d) Contractors' equipment or tools not a part of or destined to become a part of the installation.

The following additional exclusions apply to loss or damage to animals covered under this Policy:

- (1) Death of any animal(s) from natural causes.
- (2) Death of any animal(s) that dies from an unknown cause unless:
 - (a) upon the death of such animal a post-mortem examination made of such animal by a licensed veterinarian, and if
 - (b) the veterinarian's post-mortem report shows the cause of death to clearly fall within the coverages of this Policy.
- (3) Death of any animal(s) as a result of surgical operation, including inoculation, unless the necessity for same arises from an event covered by this Policy.



- (4) The death or destruction of any animal(s) caused by, resulting from or made necessary by physical injury caused by or resulting from the activities of the injured animal or other animals unless such death or destruction is the result of any event otherwise covered by the Policy. This exclusion does not apply to the Death, destruction or injury of any covered animal while acting in the line of duty.
- (5) The death of any animal(s) caused directly or indirectly by the neglect or abuse of the Insured member, his agent, employees or bailees (carriers for hire excepted) unless such loss is a result of an event otherwise covered by this Policy.
- (6) The loss by death of any animal(s) as a result of parturition or abortion.
- (7) Loss resulting from depreciation in value caused by any animal(s) covered hereunder becoming unfit for or incapable of filling the function or duties for which it is kept, employed or intended unless such loss is the result of an event otherwise covered by this Policy.
- (8) Loss by destruction of any animal(s) on the order of the federal or any state government, or otherwise as a result of having contracted or been exposed to any contagious or communicable disease.
- (9) The removal or disposal of the remains of neither any animal(s) nor the expense thereof unless such loss is the result of an event otherwise covered by this Policy.
- (10) The loss of any animal(s) that has been unnerved (the term "unnerved" to be considered as meaning the operation of neurotomy for lameness).
- (11) Any claim consequent upon delay, deterioration, or loss of use or loss of market arising from an event covered by this Policy.

B) ASBESTOS CLEAN-UP AND REMOVAL (WEH ASBESTOS ENDORSEMENT (1994))

- (1) This Policy only insures asbestos physically incorporated in an insured building or structure, and then only that part of the asbestos which has been physically damaged during the policy period by one of these Listed Perils:

Fire; Explosion; Earthquake Shock; Flood, Water Damage; Lightning; Windstorm; Hail; Direct impact of vehicle, aircraft or vessel; Riot or civil commotion; vandalism or malicious mischief; or accidental discharge of fire protective equipment.

This coverage is subject to all limitations in the Policy to which this endorsement is attached and, in addition, to each of the following specific limitations:

- (i) the said building or structure must be insured under this policy for damage by that Listed Peril



- (ii) the Listed peril must be the immediate, sole cause of the damage to the asbestos
 - (iii) the Insured must report to Underwriters the existence and cost of the damage as soon as practicable after the Listed Peril first damaged the asbestos. However this policy does not insure any such damage first reported to Underwriters more than 12 (twelve) months after the expiration, or termination, of the Policy
 - (iv) insurance under this Policy in respect of asbestos shall not include any sum relating to:
 - (a) any faults in the design, manufacture or installation of the asbestos
 - (b) Asbestos not physically damaged by the Listed Peril including any governmental or regulatory authority direction or request of whatsoever nature relating to undamaged asbestos.
- (2) Except as set forth in the foregoing Section B, this Policy does not insure asbestos or any sum relating thereto.

4) LOSS PAYMENT BASIS/VALUATION

In case of loss to property of an Insured member covered hereunder, the basis of adjustment shall be as of the time and place of loss as follows:

- (A) On all real and personal property, including property of others at the replacement value, that is replacement with materials of like kind and quality, at the time of the loss without deduction for depreciation. If property is not replaced within a reasonable period of time, then the actual cash value.
- (B) On improvements and betterments at the replacement value at time of loss without deduction for depreciation. If property is not repaired or replaced within a reasonable period of time, then the actual cash value. If replaced or repaired by others for the use of the Insured member, there shall be no liability hereunder. The Company agrees to accept and consider the Insured member as sole and unconditional owner of all improvements and betterments, any contract or lease the Insured member may have made to the contrary notwithstanding.
- (C) On manuscripts, mechanical drawings, patterns, electronic data processing media, books of accounting and other valuable papers, the full replacement cost of the property at the time of loss (including expenses incurred to recreate the information lost, damaged or destroyed) or what it would then cost to repair, replace or reconstruct the property with other of like kind and quality. If not repaired, replaced or reconstructed within a reasonable period of time, then not to exceed the cost of blank or unexposed material.
- (D) On antique, restored or historical buildings, the cost of acquisition, relocation to the site and renovation, restoration, reproduction or reconstruction. The valuation must be of like kind and quality, with the amount recoverable limited to the schedule of values, subject to a 10% margin. In the event of a partial loss, normal replacement cost coverage as set forth in item (A) above would apply.



- (E) On property of others for which the Insured is liable under contract or lease agreement the Company's liability in the event of loss is limited to the Insured's obligation as defined in said contract or lease agreement.
- (F) Recovery for loss or damage to covered vehicles and contractors' equipment/unlicensed vehicles on or off premises, we shall not be liable for more than the cost to repair or replace the same with material of like kind and quality, except when the repair costs exceed the market value of the vehicle (as established by the most recent edition of the "Kelly Blue Book"), in which case the Scheduled Limit shall apply.
- (G) Animals: The stated value as per schedule on file with the Insured.
- (H) The valuation of library contents is based on the raw costs of each category of books as established from the library association at time of loss. These figures do not include the "shelving cost" of each book as we recognize that not all books will be replaced. The coverage for shelving is a "valuable papers" exposure i.e. and covered elsewhere in this Policy.

Therefore, the formula for adjusting a library loss is:

of items in a category X valuation figure + shelving cost under "valuable papers" coverage if item is replaced.

This eliminates the need to adjust each item on its specific actual cash value or replacement cost.

The actual cost per item in the final adjustment is to be computed as of the time and place of loss or damage.

Definitions

Wherever the term "actual cash value" is used as respects real property or improvements and betterments in this clause, or elsewhere herein, it shall mean replacement value less physical depreciation.

The aforementioned valuations shall also be used for the purpose of the assessment adjustment clause of this Policy.

5) SPECIAL CONDITION

AUTOMATIC COVERAGE/REPORTING CONDITIONS

It is understood and agreed that:

- (1) The first named insured may add/delete named insured members to coverage herein provided.



- (2) As respects existing insured members, this Policy is automatically extended to cover all additional property as described in this Policy and associated Business Interruption / Extra Expense which may be purchased, leased, acquired or otherwise become at the risk of existing insured members during the term of this Policy; subject to a sub-limit of USD25,000,000 per building or structure; and USD50,000,000 all property per member.

EARTHQUAKE SHOCK IS EXCLUDED FROM THIS PROVISION

- (3) As respects new insured members, this Policy is automatically extended to cover all additional property as described in this Policy and associated Business Interruption / Extra Expense which may be purchased, leased, acquired or otherwise become at the risk of new insured members during the term of this Policy; subject to such increase in values being reported to this carrier within ninety (90) days of acquisition, and subject to a sub-limit of USD25,000,000 per building or structure; and USD50,000,000 for all property per member.

EARTHQUAKE SHOCK IS EXCLUDED FROM THIS PROVISION

- (4) As respects existing insured members and new insured members, this Policy is automatically extended to cover all additional piers, docks, wharves and dams and associated Business Interruption / Extra Expense which may be purchased, leased, acquired or otherwise become at the risk of existing insured members and new insured members during the term of this Policy; **subject to such increase in values being reported to this carrier within ninety (90) days of acquisition**; and subject to a sub-limit of USD25,000,000 for all piers, docks, wharves and dams per member.

EARTHQUAKE SHOCK IS EXCLUDED FROM THIS PROVISION

- (5) It is understood and agreed as respects Earthquake Shock
- a) As respects existing insured members, this Policy is automatically extended to cover Earthquake Shock for all additional property as described in this Policy and associated Business Interruption / Extra Expense which may be purchased, leased, acquired or otherwise become at the risk of existing insured members during the term of this Policy; subject to such increase in values being reported to this carrier within ninety (90) days of acquisition, and subject to a sub-limit of USD25,000,000 per building or structure; and USD50,000,000 for all property per member.
- b) As respects new insured members automatic coverage applies for the peril of Earthquake Shock for a period of 30 days from date of contractual requirement by any bond, certificate of participation or any similar investment, for any new locations where there is such a contractual requirement to provide Earthquake Shock coverage.

Otherwise there is no Automatic Coverage for Earthquake Shock for any other new locations

- (6) This Company shall automatically cover such property and/or properties, subject to all the terms and conditions of the Policy to which this clause is attached; provided, however, that if there shall be any other insurance covering such additional property this Policy shall not attach or provide coverage thereon until liability of all such other insurance shall have first been exhausted and shall then attach and cover only for its proportion of the excess of loss, if any, over and above the amount due from such other insurance, whether valid or invalid or by solvent or insolvent insurers.



- (7) Any additional or return premium declared under this clause shall be computed as follows:

All additions or deletions to schedules will be done at anniversary date, on an ensuring year basis. No additional or return premium will be required for additions or deletions during a Policy year except:

- (a) New Insured Members/Insured Members Deletions:

The reporting of new/deleted named insured members to the Company and the applicable additional or return premium will be provided to/from the Company based on the date of addition/or deletion of the member.

- (b) Earthquake Shock:

There is no automatic coverage for Earthquake Shock except as provided in Paragraph 5 above. In the event of any increase of the total insured values as respects Earthquake Shock, as agreed by the Company, the premium shall be charged from the date of change at rates to be agreed. In the event of any decrease of the total insured values as respects Earthquake Shock, premium will be returned from the date of change at the policy rate.

6) DEFINITIONS

- A) **OCCURRENCE.** The term occurrence shall mean any one loss, disaster, casualty or series of losses, disasters or casualties, arising out of one event. When the term applies to occurrence(s) from earthquake shock, flood, and/or windstorm, the following provisions shall apply:

(1) WINDSTORM

Each loss by windstorm shall constitute a single claim hereunder; provided, if more than one windstorm shall occur within any period of one hundred and sixty-eight (168) hours during the term of this Policy, such windstorm shall be deemed to be a single windstorm within the meaning thereof. The Insured may elect the moment from which each of the aforesaid periods of one hundred and sixty-eight (168) hours shall be deemed to have commenced but no two such one hundred and sixty-eight (168) hour periods shall overlap. The Company shall not be liable for any loss occurring before the effective date and time of the Policy. The Company will be liable for any losses occurring for a period of up to one hundred and sixty-eight (168) hours after the expiration of this Policy provided that the first windstorm loss or damage within that one hundred and sixty-eight (168) hours occurs prior to the date and time of expiration of this Policy.

In the event of there being a difference of opinion between the Insured and the Company as to whether or not all windstorm losses sustained by the Insured during an elected period of one hundred and sixty-eight (168) hours arose out of, or was caused by a single atmospheric disturbance, the stated opinion of the United States Weather Bureau or comparable Authority in any other country or locality shall govern as to whether or not a single atmospheric disturbance continued throughout the period at the location(s) involved.



(2) FLOOD

Each loss by flood shall constitute a single loss hereunder.

- (a) If any flood occurs within a period of the continued rising or overflow of any river(s) or stream(s) and the subsidence of same within the banks of such river(s) or stream(s); or
- (b) If any flood results from any tidal wave or series of tidal waves caused by any one disturbance

such flood shall be deemed to be a single occurrence within the meaning of this Policy.

Should any time period referred to above extend beyond the expiration date of this Policy and commence prior to expiration, the Company shall pay all such flood losses occurring during such period as if such period fell entirely within the term of this Policy.

The Company shall not be liable, however, for any loss caused by any flood occurring before the effective date and time of this Policy or commencing after the expiration date and time of this Policy.

Flood shall mean a general condition of partial or complete inundation of normally dry land area from:

- (a) overflow of inland or tidal water
- (b) unusual and rapid accumulation or run off of surface waters from any source.

Flood shall also mean mudslide or mudflow, which is a river or flow of liquid mud caused by flooding as defined in (a) or (b) above.

The definition of flood does not include ensuing loss or damage CAUSED BY FIRE, EXPLOSION OR SPRINKLER LEAKAGE.

(3) EARTHQUAKE SHOCK

With respect to the peril of earthquake shock, any and all losses from this cause within a one hundred sixty-eight (168) hour period shall be deemed to be one loss. The Insured may elect the moment from which each of the aforesaid periods of one hundred sixty eight (168) hours shall be deemed to have commenced but no two such one hundred sixty eight (168) hour periods shall overlap.

The Company shall not be liable for any loss caused by an earthquake shock occurring before the effective date and time of this Policy. The Company will be liable for any losses occurring for a period of up to one hundred sixty eight (168) hours after the expiration of this Policy provided that the first earthquake shock loss or damage within that one hundred sixty eight (168) hours occurs prior to the date and time of the expiration of this Policy.



In the event of there being a difference of opinion between the Insured and the Company as to whether or not all earthquake shock losses sustained by the Insured member during an elected period of one hundred sixty eight (168) hours arose out of, or were caused by a single earthquake shock, the stated opinion of the National Earthquake Shock Information Service of the United States Department of the Interior or comparable Authority in any other country or locality shall govern as to whether or not a single earthquake shock continued throughout the period at the locations involved.

The term earthquake shock is defined as: earth movement, landslide, subsidence, earth sinking, rising or shifting, including collapse, cracking, or shifting of buildings, structures or their parts, caused by a shaking or trembling of the earth that is tectonic in origin. The definition of earthquake shock does not include ensuing loss CAUSED BY FIRE, EXPLOSION OR SPRINKLER LEAKAGE. Further Earthquake Sprinkler Leakage is covered outside of the "Earthquake Shock" definition and subject to the basic peril deductible.

(4) PERSONAL PROPERTY OF OTHERS

Any property (other than real property) belonging to others for which an Insured member has assumed liability. This includes but is not limited to:

- Articles of Clothing
- Jewellery
- Sound Equipment
- Fine Arts (up to the sub-limit of unscheduled fine arts)
- EDP Media & Hardware
- Valuable Papers
- Portable Electronic Equipment
- Employee Tools

This extension does not apply to the peril of Theft.

(5) IMPROVEMENTS AND BETTERMENTS

Additions or changes made by an Insured/lessee at their own expense to a building they are occupying that enhance the building's value.



SECTION III

INTERRUPTION OF BUSINESS EARNINGS/EXTRA EXPENSE AND RENTAL INCOME

Subject to the terms, conditions and exclusions stated elsewhere herein, this Policy provides coverage for:

1) COVERAGE

(A) BUSINESS INTERRUPTION

Against loss resulting directly from interruption of business, services or rental value caused by direct physical loss or damage, resulting from a covered peril to real and/or personal property, occurring during the term of this Policy.

In the event of such loss or damage the Company shall be liable for the actual loss sustained by the Insured member for gross earnings as defined herein and rental value as defined herein resulting from such interruption of business, services, or rental value; less all charges and expenses which do not necessarily continue during interruption of business for only such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair or replace such part of the property as has been damaged or destroyed, commencing with the date of such damage or destruction and not limited by the date of expiration of this Policy. Due consideration shall be given to the continuation of normal charges and expenses including payroll expenses to the extent necessary to resume operations of the Insured member with the same quality of service which existed immediately preceding the loss.

(B) EXTRA EXPENSE

This Policy is extended to cover the necessary extra expenses as hereinafter defined, incurred by the Insured member in order to continue as nearly as practicable the normal operation of the Insured member's business following damage to or destruction of real or personal property which is owned, leased or occupied by the Insured member. In the event of such damage or destruction, the Company shall be liable for such necessary extra expense incurred for only such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair or replace such part of the property as has been damaged or destroyed commencing with the date of damage or destruction and not limited by the date of expiration of this Policy (hereinafter referred to as the period of restoration).

2) EXTENSIONS OF COVERAGE

(A) INGRESS/EGRESS

This Policy is extended to insure the actual loss sustained during the period of time not exceeding thirty consecutive days when, as a direct result of a covered peril(s) by this Policy to property of a type insured hereunder occurring within five statute miles of an insured location, ingress to or egress from property covered by this Policy is prevented.



F) EXTENDED PERIOD OF INDEMNITY EXTENSION

Subject to the terms, conditions and exclusions of the Policy to which this extension is attached, the business interruption and/or extra expense and/or rental value coverage provided by this Policy is extended to provide coverage for the additional length of time required to restore the business of the Insured to the condition that would have existed had no loss occurred commencing on either

- (1) the date on which the Company's liability would otherwise terminate or
- (2) the date on which rebuilding, repairing or replacement of such property as has been lost, damaged or destroyed is actually completed, whichever is later.

The Company's liability under this extension shall terminate no later than twelve (12) months from the commencement date set forth above.

3) EXCLUSION

The Company shall not be liable for any increase of loss which may be occasioned by the suspension, lapse, or cancellation of any lease or license, contract or order, unless such suspension, lapse, or cancellation results directly from the interruption of business and, then this Company shall only be liable for such loss as affects the Insured member's earnings during and limited to, the period of indemnity covered under this Policy.

4) LOSS PAYMENT VALUATION

EXPENSES TO REDUCE LOSS

This Policy also covers such expenses as are necessarily incurred for the purpose of reducing loss under this section (except incurred to extinguish a fire); but in no event to exceed the amount by which loss is thereby reduced.

5) SPECIAL CONDITION APPLICABLE TO BUSINESS INTERRUPTION/EXTRA EXPENSE AND RENTAL VALUE

If the Insured member could reduce the loss resulting from the interruption of business:

- (1) by complete or partial resumption of operation of the property whether or not such property be lost or damaged, or
- (2) by making use of merchandise or other property at the Insured member's location or elsewhere

(such reduction shall be taken into account in arriving at the amount of the loss hereunder).



6) DEFINITIONS

A) GROSS EARNINGS

"Gross Earnings" is defined as the sum of:

- (1) total net sales and
- (2) other earnings derived from the operation of the business
less the cost of
- (3) merchandise sold including packaging materials and
- (4) materials and supplies consumed directly in supplying the service(s) sold by the Insured member, and
- (5) service(s) purchased from outside (not employees of the Insured member) for resale that does not continue under contract.

No other cost shall be deducted in determining gross earnings.

In determining gross earnings, due consideration shall be given to the experience of the business before the date of loss or damage and the probable experience thereafter, had no loss occurred.

B) MERCHANDISE

Shall be understood to mean goods kept for sale by the Insured member that are not the products of manufacturing operations conducted by the Insured member.

C) EXTRA EXPENSE

The term "extra expense", whenever used in this Policy, is defined as the excess (if any) of the total cost incurred during the period of restoration chargeable to the operation of the Insured's business over and above the total cost that would normally have been incurred to conduct the business during the same period had no damage or destruction occurred. Any salvage value of property obtained for temporary use during the period of restoration, which remains after the resumption of normal operations, shall be taken into consideration in the adjustment of any loss hereunder.

D) RENTAL VALUE

The term "rental value" is defined as the sum of:

- (1) the total anticipated gross rental income from tenant occupancy, and
- (2) the amount of all charges which are the legal obligation of the tenant(s) and which would otherwise be obligations of the Insured, and
- (3) the fair rental value of any portion of said property which is occupied by the Insured, and

- (4) any amount in excess of (1), (2) and (3) (above) which is an obligation due under the terms and conditions of any revenue bond, certificate of participation or other financial instrument.

In determining rental value, due consideration shall be given to the experience before the date of loss or damage and the probable experience thereafter had no loss occurred.

E) PERIOD OF RESTORATION

The period during which business interruption and or rental interruption applies will begin on the date direct physical loss occurs and interrupts normal business operations and ends on the date that the level of income prior to the loss is restored (normal operations) with due diligence and dispatch.

F) EXPEDITING EXPENSE

The reasonable and necessary extra cost of temporary repair of property insured hereunder, including but not limited to the extra cost of express or other rapid means of transportation.



SECTION IV

GENERAL CONDITIONS

1) PERILS COVERED

Subject to the terms, conditions and exclusions stated elsewhere herein, this Policy provides insurance against all risk of direct physical loss or damage occurring during the period of this Policy.

2) PERILS EXCLUDED

This Policy does not insure against any of the following:

- A) Loss or damage caused by or resulting from moths, vermin, termites, or other insects, inherent vice, latent defect, wear, tear or gradual deterioration, contamination, rust, wet or dry rot, mold, fungus, unless caused by a peril not otherwise excluded, or loss or damage by normal settling, shrinkage or expansion in building or foundation.
- B) Delay or loss of markets (this exclusion shall be inapplicable to the extent inconsistent with any time element coverage provided elsewhere herein).
- C) Unless otherwise endorsed, herein, breakdown or derangement of machinery and/or steam boiler explosion, unless physical loss not otherwise excluded herein ensues and then only for such ensuing loss. (This exclusion applicable only to boilers owned or controlled by Insured member.) This exclusion does not apply to data processing equipment or media.
- D) Loss or damage caused by or resulting from misappropriation, conversion, inventory shortage, unexplained disappearance, infidelity or any dishonest act on the part of the Insured member, it's employees or agents or others to whom the property may be entrusted (bailees and carriers for hire excepted) or other party of interest.
- E) Loss or damage caused by or resulting from electrical injury or disturbance from artificial causes to electrical appliances, devices of any kind or wiring, unless loss not otherwise excluded herein ensues and then only for such ensuing loss. This exclusion does not apply to data processing equipment or media.
- F) Loss or damage to personal property resulting from shrinkage, evaporation, loss of weight, leakage, breakage of fragile articles, marring, scratching, exposure to light or change in color, texture or flavor, unless such loss is caused directly by fire or the combating thereof, lightning, windstorm, hail, explosion, strike, riot, or civil commotion, aircraft, vehicles, breakage of pipes or apparatus, sprinkler leakage, vandalism and malicious mischief, theft, attempted theft, flood or earthquake shock (earthquake shock shall apply to all locations that are scheduled for earthquake shock. This applies only to California).
- G) Loss or shortage disclosed upon taking inventory or mysterious disappearance of property (except property in the custody of carriers or bailees for hire).



- H) Loss caused directly or indirectly by:
- (1) hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack
 - (a) by any government or sovereign power (de jure or de facto) or by any Authority maintaining or using military, naval or air forces; or
 - (b) by military, naval or air forces; or
 - (c) by an agent of any such government, power, authority or forces
 - (2) any weapon of war employing atomic fission or radioactive force whether in time of peace or war
 - (3) insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority or hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade.
- I) Loss by nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by the covered peril(s) in this Policy; however, subject to the foregoing and all provisions of this Policy, direct loss by fire resulting from nuclear reaction or nuclear radiation or radioactive contamination is insured by this Policy.
- J) This Policy does not provide coverage for the following, but, if physical damage not excluded by this Policy results, then only that resulting damage is insured:
- (1) Defective workmanship, material, construction or design from any cause
 - (2) Loss or damage to the interior portion of buildings under construction from rain, sleet or snow, whether or not driven by wind, when the installation of the roof, walls and windows of such buildings has not been completed. But damage by surface water is covered.

3) TERRITORIAL LIMITS

This Policy insures property within the United States and Canada. Personal property while in transit therein is extended to worldwide coverage.

4) REINSTATEMENT

Any reduction in the amount insured hereunder due to payment of any loss or losses shall be automatically reinstated for the balance of the term of this contract except as respects to those perils that are subject to annual aggregate limitation.



5) F.O.B. SHIPMENTS

This Company shall be liable for the interest of the Insured member at sole option of the Insured member, the interest of the consignee in merchandise which has been sold by the Insured member under terms of F.O.B. point of origin or other terms usually regarded as terminating shippers' responsibility short of point of delivery.

6) PROTECTION AND PRESERVATION OF PROPERTY

This Policy covers:

- A) reasonable and necessary costs incurred for actions to temporarily protect or preserve insured property; provided such actions are necessary due to actual, or to prevent immediately impending, insured physical loss or damage to such insured property
- B) reasonable and necessary:
 - (1) fire department fire fighting charges imposed as a result of responding to a fire in, on or exposing the insured property
 - (2) costs incurred of restoring and recharging fire protection systems following an insured loss
 - (3) costs incurred for the water used for fighting a fire in, on or exposing the insured property.

This additional coverage is subject to the deductible provisions that would have applied had the physical loss or damage occurred.

7) BREACH OF CONDITIONS

If any breach of a clause, condition or warranty of this Company contract or Policy shall occur prior to a loss affected thereby under this Policy, such breach shall not void the Policy nor avail the Company to avoid liability unless such breach shall exist at the time of such loss under this contract or Policy, and be a contributing factor to the loss for which claim is presented hereunder, it being understood that such breach of clause or condition is applicable only to the property affected thereby. Notwithstanding the foregoing, if the Insured establishes that the breach, whether contributory or not, occurred without its knowledge or permission or beyond its control, such breach shall not prevent the Insured from recovering under this Policy.

8) PERMITS AND PRIVILEGES

Anything in the printed conditions of this Policy to the contrary notwithstanding, permission is hereby granted

- A) to maintain present and increased hazards, provided that the Company is given notice as soon as reasonably practicable of any increase in hazard and reserves the right to alter the terms and conditions of the Policy accordingly.
- B) to make additions, alterations, extensions, improvements and repairs, to delete, demolish, construct and reconstruct, and also to include all materials, equipment and supplies incidental to the foregoing operations of the property covered hereunder while in, on and/or about the premises or adjacent thereto



C) for such use of the premises as usual and/or incidental to the business as conducted therein and to keep and use all articles and materials usual and/or incidental to said business in such quantities as the exigencies of the business require

D) to be or become vacant or unoccupied without limit of time.

Nor shall this Policy be prejudiced by

E) error in stating the name, number, street, or location of any building(s) and contents covered hereunder, or any error or omission involving the name or title of the Insured

F) any act or neglect of the owner of the building, if the Insured member hereunder is not the owner, or of any occupant of the within described premises other than the Insured, when such act or neglect is not within the control of the Insured named herein; or

G) by failure of the Insured to comply with any of the warranties or conditions endorsed hereon in any portion of the premises over which the Insured has no control.

9) PROTECTIVE SAFEGUARDS

The Insured shall exercise due diligence in maintaining in complete working order all protective safeguard equipment and services.

10) NOTICE OF LOSS

In the event of loss or damage insured against under this Policy, the Insured shall give immediate notice thereof to Crawford-THG, 660 S. Figueroa Street, Suite 1780, Los Angeles, CA 90017 who is hereby authorized to represent the Company in the investigation and adjustment of any loss or damage under this Policy at the expense of the company and without regard to the amount of loss or damage and/or applicable deductible if any.

11) PROTECTION OF PROPERTY

The Insured shall protect the property from further damage forthwith, separate the damaged and undamaged personal property stored in the best possible order and furnish a complete inventory of the destroyed, damaged and undamaged property. The expense for same are covered expenses under this Policy.

12) ARBITRATION OF VALUE

In case the Insured and the Company shall fail to agree as to the amount of loss, then, on the written demand of either, each shall select a competent and disinterested appraiser and notify the other of the appraisers selected. The appraiser shall first select a competent and disinterested umpire, and failing to agree upon such umpire, then, on request of the Insured or the Company such umpire shall be selected by judge of a court of record in the state in which the property covered is located.

The appraisers shall as soon as practicable, appraise the loss stating separately the loss of each item and failing to agree, shall submit their differences only to the umpire. An award in writing so itemized, of any two appraisers when filed with the Company shall determine the amount of loss. The party selecting him shall pay each appraiser and the expenses of appraisal and umpire shall be paid by the parties equally.

13) PROOF OF LOSS

The Insured shall render a signed and sworn proof of loss as soon as practical after the occurrence of a loss, stating the time, place and cause of loss, the interest of the Insured member and of all others in the property, the value thereof and the amount of loss or damage thereto.

14) SUBROGATION

In the event of any loss payment under this Policy, the Company, shall be subrogated to all the Insured's rights of recovery thereof against any person or organization and the Insured shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights

As respects subrogation it is agreed that, after expenses incurred in subrogation are deducted, the Insured and the Company shall share proportionately to the extent of their respective interests as determined by the amount of their net loss. Any amount thus found to be due to either party from the other shall be paid promptly.

This Policy shall not be prejudiced by agreement made by the Insured member releasing or waiving the Insured's right to recovery against third parties responsible for the loss, under the following circumstances only:

- A) If made before the loss has occurred, such agreement may run in favor of any third party
- B) If made after loss has occurred, such agreement may run only in favor of a third party falling within one of the following categories at the time of loss
 - (1) a third party covered under this Policy, or
 - (2) a corporation, firm, or entity
 - (i) owned or controlled by the Insured member or in which the Insured owns capital stock or other proprietary interest, or
 - (ii) owning or controlling the Insured member or owning or controlling capital stock or other proprietary interest in the Insured
- C) whether made before or after loss had occurred, such agreement must release or waive the entire Right of Recovery of the named Insured against such Third party or
- D) a Tenant of the Named Insured.

15) CANCELLATION

This Policy may be cancelled by the Insured at any time by written notice or surrender of this Policy. This Policy may also be cancelled by or on behalf of the Company by delivering to the Insured or by mailing to the Insured by registered, certified or other first class mail at the Insured's address as shown in this Policy, written notice, not less than ninety (90) days prior to the Company's intent to cancel. The mailing of such notice as aforesaid shall be sufficient proof and this Policy and shall terminate at the date and hour specified in such notice. Notwithstanding what has been stated above, however, should this Policy be cancelled for non-payment of assessment, the Company shall only be required to give the Insured ten (10) days notice.



If this insurance in total shall be cancelled by the Insured, the Company shall retain the customary short rate proportion of the premium hereon. If an individual program member elects to cancel coverage mid-term, then such cancellation shall be handled on a pro-rata basis without short rate penalty.

In the event of cancellation the aggregate retention and specific limit amount shall be applied pro rata with the balance, if any, to be paid to the Insured.

Payment or tender of any unearned premium by the Company shall not be condition precedent to the effectiveness of cancellation but such payment shall be made forthwith.

Cancellation shall not effect coverage on any shipment in transit or date of cancellation. Coverage will continue in full force until such property is safely delivered and accepted at place of final destination.

16) ABANDONMENT

There shall be no abandonment to the Company of any property.

17) ASSIGNMENT

Assignment or transfer of this Policy shall not be valid except with the written consent of the Company.

18) SALVAGE

When, in connection with any loss hereunder, any salvage is received prior or subsequent to the payment of such loss, the loss shall be figured on the basis on which it would have been settled had the amount of salvage been known at the time the loss was originally determined.

19) OTHER INSURANCE

Permission is hereby granted to the Insured to carry more specific insurance on any property covered under this Policy. This Policy shall not attach or become insurance upon any property which at the time of loss is more specifically described and covered under any other policy form until the liability of such other insurance has first been exhausted and shall then cover only the excess of value of such property over and above the amount payable under such other insurance, whether collectible or not. This Policy, subject to its conditions and limitations, shall attach and become insurance upon such property as respects any peril not covered by such other insurance and not otherwise excluded herein.

In the event of a loss that is covered by other insurance, wherein this Policy is excess of any amount paid by such other insurer shall be applied to the deductible amount stated elsewhere. Should the amount paid by such other insurance exceed these deductibles, no further deductibles shall be applied under this Policy.

20) EXCESS INSURANCE

Permission is granted the Insured to maintain excess insurance over the limit of liability set forth in this Policy without prejudice to this Policy and the existence of such insurance, if any, shall not reduce any liability under this Policy. Also it is understood and agreed as respects earthquake shock or flood, that in the event of reduction or exhaustion of the aggregate limits of liability under the underlying policy(ies) by reason of loss(es) thereunder, this Policy shall:

- (A) in the event of reduction, pay out excess of the reduced underlying limit and
- (B) in the event of exhaustion, continue in force as the underlying policy.

21) RIGHT TO REVIEW RECORDS FOLLOWING AN INSURED LOSS

The Insured as often as may be reasonably required, shall submit and so far as within their power, cause all other persons interested in the property or employees to submit to examination under oath by any person named by the Company relative to any and all matters in connection with a claim, and produce for examination all books of account, bills, invoices and other vouchers or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by the Company or their representatives and shall permit extracts and copies thereof to be made.

22) CONCEALMENT AND FRAUD

This entire Policy shall be void, if whether before or after a loss, the Insured has willfully concealed or misrepresented any material facts or circumstance concerning this Policy of the subject thereof, or the interest of the Insured therein, or in case of any fraud or false swearing by the Insured relating thereto.

23) LIBERALIZATION

If during the period that coverage is in force under this Policy, or within forty-five (45) days prior to the inception date thereof, on behalf of this Insured there be adopted, or filed with an approved or accepted insurance authority, all in conformity with law, any changes in the form attached to this Policy by which this form of Policy could be extended or broadened without increased assessment charge by endorsement or substitution of form, then such extended broadened Policy shall inure to the benefit of the Insured hereunder as though such endorsement or substitution of form had been made.

24) LOSS PAYABLE CLAUSE

In the event of a loss occurring under this Policy, the loss payment will be made in favor of the member(s) submitting the claim alone, and not to the program name.

25) FULL WAIVER

The terms and conditions of this form and endorsements attached thereto are substitute for those of the policy to which it is attached, all terms, conditions and endorsements of latter being waived.

26) REPORT OF VALUES/PREMIUM

Premium shall be computed by applying the agreed rate against values commensurate with the valuation clause. Values declared to the Company are for premium purposes only and shall not limit the recovery under any area of coverage afforded by this Policy.

SECTION V

DATA PROCESSING MEDIA

This Policy is extended to provide coverage for loss or damage to data processing media:

1) COVERAGE

A) PROPERTY COVERED

Active data processing media, being property of the Insured member or property of others for which the Insured member may be liable.

B) PERILS COVERED

This extension insures against all risks of direct physical loss or damage to the property covered except as hereinafter provided.

2) EXTENSIONS OF COVERAGE

None.

3) EXCLUSIONS

A) PROPERTY EXCLUDED

This extension does not insure accounts, bills, evidences of debt, valuable papers, records, abstracts, deeds, manuscripts or other documents except as they may be converted to data processing media form, and then only in that form, or any data processing media which cannot be replaced with other of like kind and quality.

B) PERILS EXCLUDED

This extension does not insure against loss, damage or expense resulting from or caused directly or indirectly by any of the following:

- (1) Data processing media failure or breakdown or malfunction of the data processing system including equipment and component parts while said media is being run through the system unless fire or explosion ensues and then only for the loss, damage or expense caused by such ensuing fire or explosion.
- (2) Dryness or dampness of atmosphere, extremes of temperature, corrosion, or rust unless directly resulting from physical damage to the data processing system's air conditioning facilities caused by a peril not excluded by the provisions of this Policy.
- (3) Delay, loss of market, loss of use or interruption of business, except as provided for elsewhere in this Policy.
- (4) Inherent vice, wear, tear, gradual deterioration or depreciation.



- (5) Any dishonest, fraudulent or criminal act by the Insured member, a partner therein or an officer, director or trustee thereof, whether acting alone or in collusion with others.
- (6) War risks or nuclear risks as excluded in the Policy to which this extension is attached.

Exclusions 1, 2, and 3 above do not apply to ensuing loss or damage unless another exclusion applies.

4) **LOSS PAYMENT BASIS/VALUATION**

The limit of this Company's liability for loss or damage shall not exceed:

- A) The amount per article specified at the time of loss, said amount being the agreed value thereof for the purpose of this Policy.
- B) As respects all other property, the full reproduction cost of the property as detailed elsewhere in this Policy; if not replaced or reproduced, blank value of media; all subject to the applicable limit of liability stated in the schedule of values.

5) **DEFINITIONS**

A) **ACTIVE DATA PROCESSING MEDIA**

Wherever used in this contract, shall mean all forms of converted data and/or program and/or instruction vehicles employed in the Insured member's data processing operation.

B) **COMPUTER VIRUS**

A computer program whose sole design and intent is to disrupt, destroy or otherwise cause physical damage to other valid and useful computer software.



SECTION VI

FINE ARTS FLOATER

1) COVERAGE

The provisions and stipulations of this Section shall apply only to the property covered hereunder.

If any of the property covered by this Section is also covered under any other provisions of the Policy of which this Section is made a part, those provisions are hereby amended to exclude such property, the intent being that the coverage under this Section is the sole coverage on such property.

This Policy is extended to cover fine arts, which are the property of the Insured or the property of others in the custody or control of the Insured while on exhibition or otherwise within the limits of the Continental United States and Canada.

A) PROPERTY COVERED

- (1) Objects of art of every kind and description, the property of the Insured, the property of others and property in which the Insured shall have a fractional ownership interest which are owned by or have been leased, loaned, rented or otherwise made available to the Insured member. "Property" shall mean paintings, drawings, etchings, prints, rare books, manuscripts, rugs, tapestries, furniture, statuary and all other bonafide works of art and other objects of rarity, historic value, cultural interest or artistic merit, which are part of the collections of the Insured, or in the care, custody or control of the Insured, and their frames, glazing and shadow boxes.
- (2) Objects of art, and property incidental thereto, the property of the Insured, or of others for which the Insured may be liable and while such property is on or away from the Insured's premises in accordance with the terms and conditions of this Policy.

B) THIS FLOATER INSURES AGAINST

All risks of loss of or damage to the above described property except as hereinafter provided.

C) "WALL TO WALL" ("NAIL TO NAIL") COVERAGE

This Policy covers the Insured member's property on a "Wall to Wall" ("Nail to Nail") basis, or domicile to domicile basis, as applicable, from the time said property is removed from its normal repository incidental to shipment until returned thereto or other point designated by the owner or owner's agent prior to return shipment, including while in transit to or from points of consolidation or deconsolidation, packing, repacking or unpacking, while at such locations during such processes or awaiting shipment.

Coverage shall terminate upon arrival of the covered property at the final destination designated by the owner or owner's agent, or upon expiration of this Policy, whichever may occur first, except that expiration of this Policy shall not prejudice coverage of any risk then in transit.



2) EXTENSIONS OF COVERAGE

None.

3) EXCLUSIONS

A) Loss or damage occasioned by: wear and tear, gradual deterioration, insects, vermin, inherent vice or damage sustained due to and resulting from any repairing, restoration or retouching process.

B) Loss or damage caused by or resulting from:

(1) hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack

(a) by any government or sovereign power (de jure or de facto), or by any authority maintaining or using military, naval or air forces, or

(b) by military, naval or air forces, or

(c) by an agent of any such government, power, authority or forces

(2) any weapon of war employing atomic fission or radioactive force whether in time of peace or war

(3) insurrection, rebellion, revolution, civil war, usurped power or action taken by governmental authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority or risks of contraband or illegal transportation or trade.

C) Loss by nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by the covered perils covered against in this endorsement; however, subject to the foregoing and all provisions of this endorsement, direct loss by fire resulting from nuclear reaction or nuclear radiation or radioactive contamination is covered against by this endorsement.

4) LOSS PAYMENT BASIS/VALUATION

A) VALUATION

The valuation of each article of property covered by this Policy shall be determined as follows:

(1) Property of the Insured shall be covered for and valued at the current fair market value of each article indicated on the books and records of the Insured prior to loss, according to the Insured member's valuation of each object covered.



- (2) Property of others loaned to the Insured and for which the Insured may be legally liable, or which the Insured has been instructed to insure, shall be covered for and valued at the amount agreed upon for each article by the Insured and owner(s) as recorded on the books and records of the Insured prior to loss.
- (3) Otherwise, in the absence of recorded current fair market values or agreed values for each article covered, the Company shall not be liable beyond the fair market value of the property at the time any loss or damage occurs. Said value shall be ascertained by the Insured and the Company or, if they differ, then the amount of value or loss shall be determined as provided in the following appraisal clause.

5) SPECIAL CONDITIONS

- (1) **Misrepresentation and Fraud:** This entire endorsement shall be void if, whether before or after a loss, the Insured has concealed or misrepresented any material fact or circumstance concerning this Policy or the subject thereof, or the interest of the Insured therein, or in case of any fraud or false swearing by the Insured relating thereto.
- (2) **Notice of Loss:** The Insured shall as soon as practicable report in writing to the Company or its agent every loss, damage or occurrence which may give rise to a claim under this endorsement and shall also file with the Company or its agent within ninety (90) days from the date of discovery of such loss, damage or occurrence, a detailed sworn proof of loss.
- (3) **Examination under Oath:** The Insured, as often as may be reasonably required, shall exhibit to any person designated by the Company all that remains of any property herein described, and shall submit, and insofar as is within its power cause its employees, Insured members and others to submit to examination under oath by any person named by the Company and subscribe the same; and, as often as may be reasonably required, shall produce for examination all writings, books of account, bills, invoices and other vouchers, or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by the Company or its representative and shall permit extracts and copies thereof to be made. No such examination under oath or examination of books or documents, nor any act of the Insured member or any of its employees or representatives in connection with the investigation of any loss or claim hereunder, shall be deemed a waiver of any defense which the Insured might otherwise have with respect to any loss or claim, but all such examinations and acts shall be deemed to have been made or done without prejudice to the Company's liability.
- (4) **Settlement of Loss:** All adjusted claims shall be paid or made good to the Insured within sixty (60) days after presentation and acceptance of satisfactory proof of interest and loss at the office of the Company. No loss shall be paid or made good if the Insured has collected the same from others.
- (5) **No Benefit to Bailee:** This Policy shall in no way inure directly or indirectly to the benefit of any carrier or other bailee.

- (6) **Subrogation or Loan:** If in the event of loss or damage the Insured shall acquire any right of action against any individual, firm or corporation for loss of, or damage to, property covered hereunder, the Insured will, if requested by the Company, assign and transfer such claim or right of action to the Company or, at the Company's option, execute and deliver to the Company the customary form of loan receipt upon receiving an advance of funds in respect of the loss or damage; and will subrogate the Company to, or will hold in trust for the Company, all such rights of action to the extent of the amount paid or advanced, and will permit suit to be brought in the Insured member's name under the direction of and at the expense of the Company.
- (7) **Protection of Property:** In case of loss, it shall be lawful and necessary for the Insured member, their factors, servants and assigns, to sue, labor, and travel for, in and about the defense, safeguard and recovery of the property covered hereunder, or any part thereof, without prejudice to this Policy, nor shall the acts of the Insured or the Pool member in recovering, saving and preserving the property covered in case of loss, be considered a waiver or an acceptance of abandonment. The expenses so incurred shall be borne by the Insured member and the Company proportionately to the extent of their respective interests.
- (8) **Suits:** No suit, action or proceeding for the recovery of any claim under this endorsement shall be sustainable in any court of law or equity unless the same be commenced within twelve (12) months next after discovery by the Insured of the occurrence which gives rise to the claim, provided however, that if by the laws of the state within which this endorsement is issued, such limitation is invalid, then any such claims shall be void unless such action, suit or proceeding be commenced within the shortest limit of time permitted by the laws of such state.
- (9) **Appraisal:** If the Insured and the Company fail to agree as to the amount of loss, each shall on the written demand of other, made within sixty (60) days after receipt of proof of loss by the Company, select a competent and disinterested appraiser, and the appraisal shall be made at a reasonable time and place. The appraisers shall first select a competent and disinterested umpire, and failing for fifteen (15) days to agree upon such umpire, then on the request of the Insured or the Company, such umpire shall be selected by a judge of a court of record in the state in which such appraisal is pending. The appraisers shall then appraise the loss, stating separately the actual cash value at the time of loss and the amount of loss, and failing to agree shall submit their differences to the umpire. An award in writing of any two shall determine the amount of loss. The Insured and the Company shall each pay their chosen appraiser and shall bear equally the other expenses of the appraisal and umpire. The Insured shall not be held to have waived any of its rights by any act relating to appraisal.
- (10) **Civil Authority:** Property covered under this Section against the peril of fire is also covered against the risk of damage or destruction by Civil authority during a conflagration and for the purpose of retarding the same; provided that neither such conflagration nor such damage or destruction is caused or contributed to by a peril otherwise excluded herein.
- (11) **Conformity to Statute:** Terms of this Section that are in conflict with the statutes of the state wherein this Section is issued are hereby amended to conform to such statutes.



- (12) Changes: Notice to any agent or knowledge possessed by any agent or by any other person shall not effect a waiver or a change in any part of this Section or stop the Insured from asserting any right under the terms of this Section, nor shall the terms of this endorsement be waived or changed except by endorsement issued to form a part of this Section.
- (13) Additional Covered Party(ies): The owner and owners defined as associations, corporations, firms, institutions, museums, persons and others who own or control collections, objects or articles who make them available to the Insured, and temporary borrowers or custodians (but not carriers, packers or shippers) of property covered, are additional Covered Party(ies) hereunder, but only as respects coverage afforded said Insured member's property.
- (14) Packing: It is agreed by the Insured member that the property covered hereunder be packed and unpacked by competent packers.
- (15) Other Insurance: Coverage provided by this Section is excess coverage over any other valid and collectible insurance which may apply to any objects of art for which coverage would apply under this Policy.
- (16) Pair and Set: In the event of the total loss of any article or articles which are a part of a set, the Company agrees to pay the Insured the full amount of the value of such set and the Insured agrees to surrender the remaining article or articles of the set to the Company.

6) DEFINITIONS

Fine Arts includes but is not limited to:

Paintings, rare books, manuscripts, pictures, prints, etchings, drawings, tapestries, bronzes, statuary potteries, porcelains, marbles and other bonafide works of art or items of rarity or historical value of the Insured member or in their care, custody or control.



SECTION VII

EXTRA EXPENSE

ELECTRONIC DATA PROCESSING

1) COVERAGE

This extension insures against the necessary extra expense as hereinafter defined, incurred by the Insured in order to continue, as nearly as practicable the normal operation of its business, immediately following damage to or destruction of the data processing system including equipment and component parts thereof and data processing media therefor, owned, leased, rented or under the control of the Insured member, as a direct result of all risks of physical loss or damage, but in no event to exceed the amount indicated in the declarations.

The extension is extended to include actual loss sustained, as covered hereunder, during the period of time, hereinafter defined,

- (1) when as a direct result of a covered peril, the premises in which the property is located is so damaged as to prevent access to such property or
- (2) when as a direct result of a covered peril, the air conditioning system or electrical system necessary for the operation of the data processing equipment is so damaged as to reduce or suspend the Insured member's ability to actually perform the operations normally performed by the data processing system.

This extension is further extended to include necessary extra expense incurred by the Insured member as covered hereunder, during the length of time, not exceeding four (4) consecutive weeks, when as a direct result of damage to or destruction of property adjacent to the premises herein described by the covered perils, access to such described premises is specifically prohibited by order of Civil authority.

A) MEASURE OF RECOVERY

If the above described property is destroyed or so damaged by the covered perils occurring during the term of this extension so as to necessitate the incurrence of extra expense (as defined in this extension), this Company shall be liable for the extra expense so incurred, not exceeding the actual loss sustained, for not exceeding such length in time, hereinafter referred to as the "Period of Restoration", commencing with the date of damage or

destruction and not limited by the date of expiration of this Policy, as shall be required with the exercise of due diligence and dispatch to repair, rebuild or replace such part of said property as may be destroyed or damaged.

This Company's liability during the determined period of restoration, shall be limited to the declared amount per period of time indicated in the declarations (if a time period is declared), but in no event to exceed the amount of coverage provided.

2) EXTENSIONS OF COVERAGE

None.



3) **EXCLUSIONS**

This extension does not insure extra expense incurred as a result of the following perils:

- A) The suspension, lapse, or cancellation of any lease, license, contract or order except as a result of physical damage caused by an insured peril.
- B) Interference at premises by strikers or other persons with repairing or replacing the property damaged or destroyed or with the resumption or continuation of the Insured's occupancy.
- C) Loss or destruction of accounts, bills, evidences of debt, valuable papers, records, abstracts, deeds, manuscripts or other documents except as they may be converted to data processing media form and then only in that form.
- D) Loss of or damage to property rented or leased to others while away from the premises of the Insured.
- E) Error in machine programming or instructions to machine.
- F) Inherent vice, wear, tear, gradual deterioration or depreciation.
- G) Any dishonest, fraudulent or criminal act by the Insured member, a partner therein or an officer, director or trustee thereof, whether acting alone or in collusion with others.
- H) Damage due to mechanical failure, faulty construction, error in design unless fire or explosion ensues, and then only for loss, damage or expense caused by such ensuing fire or explosion.
- I) Delay or loss of market.
- J) War or nuclear risks as excluded in the Policy to which this extension is attached.

4) **LOSS PAYMENT BASIS/DETERMINATION/VALUATION**

A) **DEDUCTIBLE**

Each and every loss occurring hereunder shall be adjusted separately and from the amount of each such loss when so adjusted the amount indicated in the declarations shall be deducted.

5) **SPECIAL CONDITION**

A) **RESUMPTION OF OPERATIONS**

As soon as practicable after any loss, the Insured member shall resume complete or partial business operations of the property herein described and, in so far as practicable, reduce or dispense with such additional charges and expenses as are being incurred.



6) DEFINITIONS

A) EXTRA EXPENSE

The term "Extra Expense" wherever employed in this extension is defined as the excess (if any) of the total cost during the period of restoration of the operation of the business over and above the total cost of such operation that would normally have been incurred during the same period had no loss occurred; the cost in each case to include the expense of using other property or facilities of other concerns or other emergency expenses. In no event however, shall this Company be liable for loss of profits or earnings resulting from diminution of business, nor for any direct or indirect property damage loss insurable under property damage policies, or for expenditures incurred in the purchase, construction, repair or replacement of any physical property unless incurred for the purpose of reducing any loss under this extension not exceeding, however, the amount in which the loss is so reduced. Any salvage value of the property so acquired that may be sold or utilized by the Insured member upon resumption of normal operations, shall be taken into consideration in the adjustment of any loss hereunder.

B) NORMAL

The term "normal" wherever used in this extension shall mean: the condition that would have existed had no loss occurred.



SECTION VIII

MOBILE/CONTRACTORS EQUIPMENT

1) COVERAGE

This extension covers only mobile machines, including equipment thereof while attached thereto or located thereon, such as bulldozers, drag lines, power shovels, derricks, drills, concrete mixers and other machinery of a mobile nature.

This extension insures against all risks of direct loss or damage to the above described property from any external cause except as provided below.

- A) Loss or damage due to wear, tear, rust, corrosion, latent defect, mechanical breakage, or improper assemblage.
- B) Loss or damage due to the weight of the load imposed on the machine exceeding the capacity for which such machine was designed.
- C) Loss or damage to crane or derrick boom(s) and jib(s) of lattice construction while being operated unless directly caused by fire, lightning, hail, windstorm, earthquake shock, explosion, riot, riot attending a strike, civil commotion, actual physical contact with an aircraft or airborne missile including objects falling therefrom, collision with other vehicles or other contractors equipment whether or not such other equipment is covered hereunder, landslide, or upset of the unit of which it is a part (but only when and to the same extent that such other perils are covered by the Policy).
- D) Loss or damage due to explosion arising from within steam boilers.
- E) Loss or damage to dynamos, exciters, lamps, switches, motors or other electrical appliances or devices, including wiring, caused by lightning or other electrical currents (artificial or natural) unless fire ensues and then for the loss by fire only.
- F) Loss or damage due to dishonesty of Insured member's employees or persons to whom the Insured member's property is entrusted.
- G) Loss or damage caused by or contributed to failure of the Insured member to keep and maintain the property in a thorough state of repair.
- H) Loss or damage caused by or resulting from:
 - (1) hostile or warlike action in time of peace or, including action in hindering, combating or defending against an actual, impending or expected attack
 - (a) by any government or sovereign power (de jure or de facto) or by any authority maintaining using military, naval or air forces, or
 - (b) any military, naval or air forces, or
 - (c) by an agent of any such government, power, authority or forces
 - (2) any weapon of war employing atomic fission or radioactive force whether in time of peace or war



- (3) insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade.
- D) Loss by nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by the peril(s) covered against in this endorsement; however, subject to the foregoing and all provisions of this Policy, direct loss by fire resulting from nuclear reaction or nuclear radiation or radioactive contamination is covered against by this Policy.

2) EXTENSIONS OF COVERAGE

None.

3) EXCLUSIONS

- A) Automobiles, motorcycles, motor trucks, or parts thereof.
- B) Buildings used as camps or otherwise.
- C) Machinery or equipment or building materials to be installed in any building for the purpose of becoming a part thereof; nor on any property which has become a permanent part of any structure.
- D) Property that is located underground.
- E) Property while waterborne except while being transported on any regular ferry.
- F) Storage risks at premises controlled or leased by the Insured member, except where incidental to the regular or frequent use of the equipment or property.
- G) Plans, blue prints, designs or specifications.

4) LOSS PAYMENT BASIS/VALUATION

See Section II, Item 4.F

5) SPECIAL CONDITION

This extension covers only within the limits of the United States of America and Canada.

It is a condition of this Policy that all articles covered hereunder are in sound condition at the time of attachment of this Policy.

6) DEFINITIONS

Contractors' Equipment shall include but is not limited to:

Land vehicles including equipment and apparatus attached thereto, whether or not self propelled and not subject to motor vehicle registration.

SECTION IX

ACCOUNTS RECEIVABLE

1) COVERAGE

This Policy covers the loss of or damage to the Insured member's records of accounts receivable as defined below, occurring during the Policy period as a result of direct physical loss or damage as insured by this Policy.

2) EXTENSIONS OF COVERAGE

None.

3) EXCLUSIONS

This Policy does not apply:

- A) To loss due to any fraudulent, dishonest or criminal act by the Insured member, a partner therein, or an officer, director or trustee thereof, while working or otherwise and whether acting alone or in collusion with others.
- B) To loss due to bookkeeping, accounting or billing errors or omissions.
- C) To loss, the proof of which as to factual existence, is dependent upon an audit of records or an inventory computation; but this shall not preclude the use of such procedures in support if claim for loss which the Insured member can prove through evidence wholly apart therefrom, is due solely to a risk of loss to records of accounts receivable not otherwise excluded hereunder.
- D) To loss due to alteration, falsification, manipulation, concealment, destruction or disposal of records of accounts receivable committed to conceal the wrongful giving, taking, obtaining or withholding of money, securities or other property, but only to the extent of such wrongful giving, taking, obtaining or withholding.

4) LOSS PAYMENT BASIS/VALUATION

A) DETERMINATION OF RECEIVABLES; DEDUCTIONS

When there is proof that a loss covered by this endorsement has occurred but the Insured cannot accurately establish the total amount of accounts receivable outstanding as of the date of such loss, such amount shall be based on the Insured's monthly statements and shall be computed as follows:

- (1) Determine the amount of all outstanding accounts receivable at the end of the same fiscal month in the year immediately preceding the year in which the loss occurs
- (2) Calculate the percentage of increase or decrease in the average monthly total of accounts receivable for the twelve (12) months immediately preceding the month in which the loss occurs as compared with such average for the months of the preceding year



- (3) The amount determined under (1) above, increased or decreased by the percentage calculated under (2) above, shall be the agreed total amount of accounts receivable as of the last day of the fiscal month in which said loss occurs
- (4) The amount determined under (3) above shall be increased or decreased in conformity with the normal fluctuations in the amount of accounts receivable during the fiscal month involved, due consideration being given to the experience of the business since the last day of the last fiscal month for which statement has been rendered.

There shall be deducted from the total amount of accounts receivable, however established, the amount of such accounts evidenced by records not lost or damaged or otherwise established or collected by the member, and an amount to allow for probable bad debts which would normally have been uncollectible by the Insured. All unearned interest and service charges shall be deducted.

5) SPECIAL CONDITIONS

None.

6) DEFINITION

A) ACCOUNTS RECEIVABLE

- (1) All sums due the Insured member from customers, provided the Insured member is unable to effect collection thereof as the direct result of loss or damage to records of accounts receivable.
- (2) Interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage.
- (3) Collection expense in excess of normal collection cost and made necessary because of such loss or damage.
- (4) Other expenses, when reasonably incurred by the Insured, in re-establishing records of accounts receivable following such loss or damage.



ENDORSEMENT NO. 1

PROPERTY JOINT LOSS ADJUSTMENT ENDORSEMENT

In the event of damage to or destruction of property at a location designated in this Policy and also designated in an excess insurance policy(ies) and if there is disagreement between the Insurers with respect to:

- (1) whether such damage or destruction was caused by a single event or by multiple events or
- (2) the extent of participation of this Policy and any excess insurance policy in a loss covered against partially or wholly, by one of said Policy or policy(ies).

This Company shall, upon written request of the Insured, pay to the Insured one-half of the amount of the loss which is in disagreement, but in no event more than this Company would have paid if there had been no excess insurance or policy(ies) in effect, subject to the following conditions:

- (1) the amount of loss which is in disagreement after making provisions for any undisputed claims payable under the said policy(ies) and after the amount of the loss is agreed by the Insured and the insurers is limited to the minimum amount remaining payable under either the primary insurance policy or excess insurance policy(ies)
- (2) the excess insurers shall simultaneously pay to the Insured one-half of the said amount which is in disagreement and,
- (3) the payments by the insurers hereunder and acceptance of the same by the member signify the agreement of the insurers to submit to and proceed with arbitration within ninety(90) days of such payments.

The arbitrators shall be three (3) in number, one of whom shall be appointed by the excess insurer(s) and one of whom shall be appointed by the Insured and the third appointed by consent of the other two, and the decision by the arbitrators shall be binding on the insurers and the Insured, and that judgment upon such award may be entered in any court of competent jurisdiction.

- (4) The Insured agrees to cooperate in connection with such arbitration but not to intervene therein.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED



ENDORSEMENT NO. 1 A

JOINT LOSS ADJUSTMENT ENDORSEMENT

In the event of damage to or destruction of property, at a location designated in this Policy and also designated in a Boiler and Machinery Insurance policy(ies) and there is a disagreement between the Insurers with respect to:

- (1) Whether such damage or destruction was caused by an accident insured against by this Policy or by a peril insured against by such Boiler and Machinery Insurance policy(ies) or
- (2) The extent of participation of this Policy and of such Boiler and Machinery Insurance policy(ies) in a loss which is insured against, partially or wholly, by one or all of said policies.

This Company shall, upon written request of the Insured, pay to the Insured one-half of the amount of the loss which is in disagreement, but in no event more than this Company would have paid if there had been no Boiler and Machinery policy(ies) in effect, subject to the following Conditions:

- (1) The amount of loss which is in disagreement, after making provisions for any undisputed claims payable under the said Policies and after the amount of the loss is agreed by the Insured and the Insurers, is limited to the minimum amount remaining payable under either the Boiler and Machinery policy(ies) or this Policy
- (2) The Boiler and Machinery Insurer(s) shall simultaneously pay to the Insured one-half of the said amount that is in disagreement:
- (3) The payments by the Company hereunder and acceptance of the same by the Insured signify the agreement of the Company to submit to and proceed with Arbitration within ninety (90) days of such payments.

The Arbitrators shall be three (3) in number, one of whom shall be appointed by the Boiler Insurer(s) and one of whom shall be appointed by the Company hereon and the third appointed by consent of the other two, and the decision by the Arbitrators shall be binding on the Insurers and that judgement upon such award may be entered in any Court of Competent Jurisdiction.

- (4) The Insured agrees to cooperate in connection with such arbitration but not to intervene therein.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED



ENDORSEMENT NO. 2

SEEPAGE AND/OR POLLUTION AND/OR CONTAMINATION EXCLUSION

Notwithstanding any provision in the Policy to which the endorsement is attached, this Policy does not insure against loss, damage, costs or expenses in connection with any kind or description of seepage and/or pollution and/or contamination, direct or indirect, arising from any cause whatsoever.

Nevertheless if fire is not excluded from this Policy and a fire arises directly or indirectly from seepage and/or pollution and/or contamination, any loss or damage covered under this Policy arising directly from that fire shall, (subject to the terms, conditions and limitations of the Policy) be covered.

However, if the covered property is the subject of direct physical loss or damage for which the Insured has paid or agreed to pay, then this Policy (subject to its terms, conditions and limitations) insures against direct physical loss or damage to the property covered hereunder caused by resulting seepage and/or pollution and/or contamination.

The Insured shall give notice to the Company of intent to claim **NO LATER THAN TWELVE (12) MONTHS AFTER THE DATE OF THE ORIGINAL PHYSICAL LOSS OR DAMAGE.**

DEBRIS REMOVAL AND COST OF CLEAN UP EXTENSION

Notwithstanding the provisions of the preceding exclusions in this endorsement or any provision respecting seepage and/or pollution and/or contamination, and/or debris removal and/or cost of clean up in the Policy to which this endorsement is attached, in the event of direct physical loss or damage to the property covered hereunder, this Policy (subject otherwise to its terms, conditions and limitations, including but not limited to any applicable deductible) also insures, within the sum covered:

- (a) expenses reasonably incurred in removal of debris of the property hereunder destroyed or damaged from the premises of the Insured member and/or covered party;

and/or

- (b) cost of clean up at the premises of the Insured member made necessary as a result of such direct physical loss or damage;

PROVIDED that this Policy does not insure against the costs of decontamination or removal of water, soil or any other substance on or under such premises.

It is a condition precedent to recovery under this extension that the Company shall have paid or agreed to pay for direct physical loss or damage to the property covered hereunder unless such payment is precluded solely by the operation of any deductible and that the Insured shall give notice to the Company of intent to claim for cost of removal of debris or cost of clean up **NO LATER THAN TWELVE (12) MONTHS AFTER THE DATE OF SUCH PHYSICAL LOSS OR DAMAGE.**



CIVIL AUTHORITIES EXCLUSION

Notwithstanding any of the preceding provisions of this endorsement or any provision of the Policy to which this endorsement is attached, this Policy does not insure against loss, damage, costs, expenses, fines or penalties incurred or sustained by or imposed on the Insured member at the order of any government agency, court or other civil authorities arising from any cause whatsoever.

Nothing in this endorsement shall override any radioactive contamination exclusion clause in the Policy to which this endorsement is attached.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, or limitations of the Policy to which this endorsement is attached other than as above stated.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

ENDORSEMENT NO. 3
MINIMUM EARNED ASSESSMENTS

It is understood and agreed that this Policy is subject to 25% minimum earned assessments regardless of time in force.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

ENDORSEMENT NO. 4

LENDER'S LOSS PAYABLE ENDORSEMENT

1. Loss or damage, if any, under this policy, shall be paid to the Payee named on the first page of this policy, its successors and assigns, hereinafter referred to as "the Lender", in whatever form or capacity its interests may appear and whether said interest be vested in said Lender in its individual or in its disclosed or undisclosed fiduciary or representative capacity, or otherwise, or vested in a nominee or trustee of said Lender.
2. The insurance under this policy, or any rider or endorsement attached thereto, as to the interest only of the Lender, its successors and assigns, shall not be invalidated nor suspended: (a) by any error, omission, or change respecting the ownership, description, possession, or location of the subject of the insurance or the interest therein, or the title thereto; (b) by the commencement of foreclosure proceedings or the giving of notice of sale of any of the property covered by this policy by virtue of any mortgage or trust deed; (c) by any breach of warranty, act, omission, neglect, or non-compliance with any of the provisions of this policy, including any and all riders now or hereafter attached thereto, by the named insured, the borrower, mortgagor, trustor, vendee, owner, tenant, warehouseman, custodian, occupant, or by the agents of either or any of them or by the happening of any event permitted by them or either of them, or their agents, or which they failed to prevent, whether occurring before or after the attachment of this endorsement, or whether before or after a loss, which under the provisions of this policy of insurance or of any rider or endorsement attached thereto would invalidate or suspend the insurance as to the named insured, excluding herefrom, however, any acts or omissions of the Lender while exercising active control and management of the property.
3. In the event of failure of the insured to pay any premium or additional premium which shall be or become due under the terms of this policy or on account of any change in occupancy or increase in hazard not permitted by this policy, this Company agrees to give written notice to the Lender of such non-payment of premium after sixty (60) days from and within one hundred and twenty (120) days after due date of such premium and it is a condition of the continuance of the rights of the Lender hereunder that the Lender when so notified in writing by this Company of the failure of the insured to pay such premium shall pay or cause to be paid the premium due within ten (10) days following receipt of the Company's demand in writing therefor. If the Lender shall decline to pay said premium or additional premium, the rights of the Lender under this Lender's Loss Payable Endorsement shall not be terminated before ten (10) days after receipt of said written notice by the Lender.
4. Whenever this Company shall pay to the Lender any sum for loss or damage under this policy and shall claim that as to the insured no liability therefor exists, this Company, at its option, may pay to the Lender the whole principal sum and interest and other indebtedness due or to become due from the insured, whether secured or unsecured, (with refund of all interest not accrued), and this Company, to the extent of such payment, shall thereupon receive a full assignment and transfer, without recourse, of the debt and all rights and securities held as collateral thereto.



5. If there be any other insurance upon the within described property, this Company shall be liable under this policy as to the Lender for the proportion of such loss or damage that the sum hereby insured bears to the entire insurance of similar character on said property under policies held by, payable to and expressly consented to by the Lender. Any Contribution Clause included in any Fallen Building Clause Waiver or any Extended Coverage Endorsement attached to this contract of insurance is hereby nullified, and also any Contribution Clause in any other endorsement or rider attached to this contract of insurance is hereby nullified except Contribution Clauses for the compliance with which the insured has received reduction in the rate charged or has received extension of the coverage to include hazards other than fire and compliance with such Contribution Clause is made a part of the consideration for insuring such other hazards. The Lender upon the payment to it of the full amount of its claim, will subrogate this Company (pro rata with all other insurers contributing to said payment) to all of the Lender's rights of contribution under said other insurance.
6. This Company reserves the right to cancel this policy at any time, as provided by its terms, but in such case this policy shall continue in force for the benefit of the Lender for ten (10) days after written notice of such cancellation is received by the Lender and shall then cease.
7. This policy shall remain in full force and effect as to the interest of the Lender for a period of ten (10) days after its expiration unless an acceptable policy in renewal thereof with loss thereunder payable to the Lender in accordance with the terms of this Lender's Loss Payable Endorsement, shall have been issued by some insurance company and accepted by the Lender.
8. Should legal title to and beneficial ownership of any of the property covered under this policy become vested in the Lender or its agents, insurance under this policy shall continue for the term thereof for the benefit of the Lender but, in such event, any privileges granted by this Lender's Loss Payable Endorsement which are not also granted the insured under the terms and conditions of this policy and/or under other riders or endorsements attached thereto shall not apply to the insurance hereunder as respects such property.
9. All notices herein provided to be give by the Company to the Lender in connection with this policy and this Lender's Loss Payable Endorsement shall be mailed to or delivered to the Lender at its office or branch described on the first page of the policy.

Approved:

Board of Fire Underwriters of the Pacific,
California Bankers' Association
Committee on Insurance.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED



ENDORSEMENT NO. 5

**U.S. TERRORISM RISK INSURANCE ACT OF 2002 AS AMENDED NOT PURCHASED
CLAUSE**

This Clause is issued in accordance with the terms and conditions of the "U.S. Terrorism Risk Insurance Act of 2002" as amended as summarized in the disclosure notice.

It is hereby noted that the Underwriters have made available coverage for "insured losses" directly resulting from an "act of terrorism" as defined in the "U.S. Terrorism Risk Insurance Act of 2002" as amended ("TRIA") and the Insured has declined or not confirmed to purchase this coverage.

This Insurance therefore affords no coverage for losses directly resulting from any "act of terrorism" as defined in TRIA except to the extent, if any, otherwise provided by this policy.

All other terms, conditions, insured coverage and exclusions of this Insurance including applicable limits and deductibles remain unchanged and apply in full force and effect to the coverage provided by this Insurance.

21/12/2007

LMA5092

Form approved by Lloyd's Market Association

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED



ENDORSEMENT NO. 6

ACCIDENTAL CONTAMINATION EXTENSION

In consideration of the premium charged and notwithstanding the terms, conditions and stipulations contained in the Policy (except as regards the Policy term and limits of liability), including all other endorsements attached thereto, to which this endorsement is attached this Policy is hereby extended to cover Business Interruption and Property Damage loss from accidental contamination from any source to insured Property, as covered by this Policy, including expenses necessarily incurred to clean up, remove and dispose of contaminated substances so as to restore the Insured Property as covered by this Policy to the same condition as existed prior to loss, all as a result of accidental contamination, discharge or dispersal is itself caused by fire, lightning, impact from aircraft, explosion, riot, civil commotion, smoke, collapse, vehicles, windstorm, hail, vandalism, malicious mischief or leakage and accidental discharge from automatic fire protective systems whereupon this extension shall provide coverage up to USD1,000,000 annual aggregate for all properties combined, of liability provided by this Policy.

For the purposes of this extension the term "Insured Property" as covered by this Policy, it is held to include land, (including Land on which Covered Property is located), and Land Values, as part of the above stated sublimit, whether or not the same are excluded by this Policy. It being specifically understood and agreed that this extension shall not afford coverage to land, (including land on which Covered Property is located), and land Values for loss in excess of the USD1,000,000 sublimit liability stated above and shall be subject to a 180 day reporting period.

It is further understood and agreed that this extension shall not override anything contained in Asbestos Clean Up and Removal in this policy.

The sublimit of liability stated above forms part of the limit(s) of liability provided by this Policy and does not increase it (them).

ALL OTHER TERMS AND CONDITIONS REMAIN THE UNCHANGED



ENDORSEMENT NO. 7

AUTOMATIC ADDITIONAL INSUREDS AND/OR LOSS PAYEES

It is hereby understood and agreed that the interest of Additional Insureds and/or Loss Payees is automatically included, as per Schedule on File with Broker.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

ENDORSEMENT NO. 8

SUB-LIMITS OF LIABILITY

It is hereby understood and agreed, the following Sub-limits of Liability, stated below, referenced on Page 14, Section I, Declarations, are made part of this Policy:

- USD 100,000,000 Earthquake Sprinkler Leakage
- USD 75,000,000 Ordinance or Law in respect Earthquake Shock and Flood only, and in the Annual Aggregate
- USD 50,000,000 Final Contract Value in respect of Real Property in the Course of Construction, including new projects at new locations. Includes Earthquake Shock and Flood for existing insured members **reported within 90 days**. Excludes Earthquake Shock and Flood for new insured members
- USD 25,000,000 Newly Acquired Property per building or structure for existing insured members. Includes Earthquake Shock for existing insured members **reported within 90 days**.
- USD 50,000,000 Newly Acquired Property per existing insured member. Includes Earthquake Shock for existing insured members **reported within 90 days**.
- USD 25,000,000 Newly Acquired Property per building or structure for new insured members **reported within 90 days**. Excludes Earthquake Shock for new insured members.
- USD 50,000,000 Newly Acquired Property per new insured member **reported within 90 days**. Excludes Earthquake Shock for new insured members
- USD 25,000,000 Newly Acquired for all piers, docks, wharves and dams per member **reported within 90 days**. Includes Earthquake Shock and Flood for existing insured members **reported within 90 days**. Excludes Earthquake Shock and Flood for new insured members
- USD 50,000,000 Unnamed or Temporary Locations
- USD 10,000,000 Flood for locations not covered for Earthquake Shock, and in the Annual Aggregate
- USD 500,000 Animals
- USD 250,000 Newly Acquired Fine Arts per member

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

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ENDORSEMENT NO. 9

PRIORITY OF PAYMENTS

In the event of loss caused by or resulting from more than one peril or coverage, the limit of liability of the primary/underlying coverage shall apply first to the peril(s) or coverage(s) not insured by this policy and the remainder, if any, to the peril(s) or coverage(s) insured hereunder. Upon exhaustion of the limit of liability of the primary/underlying coverage, this policy shall then be liable for loss uncollected from the peril(s) or coverage(s) insured hereunder, subject to the limit of liability and the other terms and conditions as specified.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED



ENDORSEMENT NO. 10

LEASEHOLD INTEREST ENDORSEMENT

In the event of physical loss or damage of the type insured against by this Policy to real property of the type insured by this Policy which is leased by the Insured, this Policy is extended to cover:

- (1) If as a result of such loss or damage the property becomes wholly untenable or unusable and the lease agreement requires continuation of the rent, the Company shall indemnify the Insured for the actual rent payable for the unexpired term of the lease, or
- (2) If as a result of such loss or damage the property becomes partially untenable or unusable and the lease agreement requires continuation of the rent, the Company shall indemnify the Insured for the proportion of the rent applicable thereto, or
- (3) If as a result of such loss or damage the lease is cancelled by the lessor pursuant to the lease agreement or by operation of law, the Company shall indemnify the Insured for its Lease Interest for the first three months following such loss or damage and for its Net Lease Interest for the remaining unexpired term of the lease

provided, however, that the Company shall not be liable for any increase in the amount recoverable hereunder resulting from the suspension, lapse or cancellation of any license, or from the Insured exercising an option to cancel the lease; or from any act or omission of the Insured which constitutes a default under the lease; and provided further that the Insured shall use any suitable property or service owned or controlled by the Insured or obtainable from another source to reduce the loss hereunder.

The following definitions shall apply to this coverage:

- (1) Lease Interest means the excess rent paid for the same or similar replacement property over actual rent payable plus cash bonuses or advance rent paid (including any maintenance or operating charges) for each month during the unexpired term of the Insured's lease.
- (2) Net Lease Interest means that sum which placed at 8% interest compounded annually would equal the Lease Interest (less any amounts otherwise payable hereunder).

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED



ENDORSEMENT NO. 11

REVENUE INTERRUPTION PROTECTION

- 1) Type of revenue to be covered: XX Sales Tax, XX Property Tax, XX Other - whenever the word "Revenue" appears in this form, it shall mean only such revenue as specified.
- 2) Except as hereinafter or heretofore excluded, this Policy covers only against loss resulting directly from necessary interruption of revenue as specified above collected by or due to the member/entity caused by damage to or destruction of any of the real or personal property as described and referred to any contribution property(ies) and which is not operated by the Insured against all risks of direct physical loss or damage during the term of this Policy, which wholly or partially prevents the generation of revenue for the account of the Insured.
- 3) In the event of such damage or destruction, the Company shall be liable, with limitations as indicated, if the following conditions (A) and (B) are both met:
 - (A) The total revenue is reduced to less than 97.5% of the insured's anticipated revenue had no loss occurred.
 - (B) The Company shall be liable for the actual loss sustained by the insured from direct damage by perils insured to one or more contributing properties which results in the interruption of revenue for only the length of time as would be required with exercise of due diligence and dispatch to rebuild, replace or repair the contributing property commencing with the date of damage to the contributing property, but not limited by the expiration date of this Policy.

Such loss recovery after deductible shall be limited to whichever is the least of:

1. The limit insured on the Policy
 2. The actual loss sustained
 3. The difference in amount between 97.5% of the anticipated revenue and the actual total revenue after the loss.
- 4) **DEDUCTIBLE:** Each loss or series of losses arising out of one event at each location shall be adjusted separately and from the aggregate amount of all such losses 2.50% of the annual revenue value shall be deducted.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED



ENDORSEMENT NO. 12

ADDITIONAL EXTENSIONS OF COVERAGE

SUBJECT TO THE TERMS AND CONDITIONS OF THE POLICY OF WHICH THIS ENDORSEMENT FORMS A PART, IT IS HEREBY UNDERSTOOD AND AGREED THAT THE FOLLOWING, ADDITIONAL EXTENSIONS OF COVERAGE ARE INCLUDED:

A) BRANDS, LABELS, AND TRADEMARKS

If the Insured decides to stamp salvage and/or remove brands, labels, trademarks, or information that carries or implies your guarantee or warranty on your Covered Property from covered causes of loss, we will pay your expenses to perform those tasks and the re-labeling of the property in compliance with the requirements of the law.

B) CONSEQUENTIAL DAMAGE

When damaged by covered causes of loss, without the intervention of any other independent cause, results in a sequence of events which causes physical loss or damage not otherwise excluded to other covered property, we will cover the resulting physical loss or damage and the actual loss sustained under Business Income coverage during the time period as would be required with the exercise of due diligence and dispatch to repair or replace the damaged property.

C) CONSEQUENTIAL REDUCTION IN VALUE

We will pay for the reduction in value of insured components or parts of products due to covered causes of loss to other components or parts of such products.

D) EXHIBITION, EXPOSITION, FAIR OR TRADE SHOW

We will pay for covered causes of loss to your Personal Property situated on the premises of any exhibition, exposition, fair or trade show.

E) IMPOUNDED WATER

We will pay for covered causes of loss to Covered Property and Business Income resulting from the lack of adequate water supply stored behind dams or in reservoirs on the Described Premises; only if the water is used as a raw material, for power or for other manufacturing purposes and the water is released from storage as a result of damage to, or destruction of the dam, reservoir, or control equipment due to covered causes of loss.

Coverage is limited to thirty (30) consecutive days after the length of time required, with the exercise of due diligence and dispatch to repair or replace the damaged or destroyed dam, reservoir or control equipment.

F) REWARD

We will pay a reward to any individual or group (except you, the officers of your insured corporation or your partners), for the capture of, or for information which results in the arrest and conviction, of any, any person(s) related to covered loss or damage to Buildings and Personal Property.



G) WATER BACKUP FROM SEWER OR DRAIN

We will pay for covered causes of loss to Covered Property from water that backs up from a sewer or drain.

H) REAL PROPERTY DEFINITION is extended to include paths, walks, walkways, fences, driveways, awnings, signs, canopies, and landscaping, where values are included in the Real Property values reported and on file with this Company.

I) PREMISES definition is extended to 1,000 feet of the Insured's Real Property.

J) UNNAMED OR TEMPORARY LOCATIONS

We will pay, for covered causes of loss, excluding Flood and Earthquake Shock, to Property at any other location (including buildings or structures, owned, occupied or which the Insured is obligated to maintain insurance) located within the territorial limitations set by this policy. Coverage provided by this clause is subject to the terms and conditions of this policy.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

ENDORSEMENT NO. 13

MEMBER LIST

CITY OF AGOURA HILLS	CITY OF LAWNSDALE
AGOURA HILLS CALABASAS COMMUNITY CENTER AUTHORITY	CITY OF LOMA LINDA
CITY OF ALISO VIEJO	CITY OF LOMITA
TOWN OF APPLE VALLEY	CITY OF LOS ALAMITOS
CITY OF ARROYO GRANDE	CITY OF MALIBU
CITY OF ARTESIA	CITY OF MAMMOTH LAKES
CITY OF ATASCADERO	
CITY OF BELL GARDENS	MIDPENINSULA REGIONAL OPEN SPACE DISTRICT
	CITY OF MISSION VIEJO
CITY OF BELLFLOWER	MONTEREY PENINSULA REGIONAL PARK DISTRICT
CITY OF BELVADERE	CITY OF MOORPARK
BIG BEAR CITY COMMUNITY SERVICES DISTRICT	CITY OF MORRO BAY
CITY OF BIG BEAR LAKE	MOUNTAIN AREA REGIONAL TRANSIT AUTHORITY
CITY OF BISHOP	CITY OF NEEDLES
	CITY OF NORWALK
BLACK GOLD COOPERATIVE LIBRARY	CITY OF OJAI
CITY OF BRADBURY	CITY OF PALM DESERT
CITY OF BRAWLEY	CITY OF PALOS VERDES ESTATES
CITY OF BUELLTON	CITY OF PARAMOUNT
	CITY OF PASO ROBLES
CITY OF CALABASAS	CITY OF PICO RIVERA
CITY OF CALEXICO	CITY OF PISMO BEACH
CALIFORNIA JPIA	CITY OF PORT HUENEME
CITY OF CAMARILLO	CITY OF PORT HUENEME HOUSING AUTHORITY
CITY OF CARPINTERIA	CITY OF POWAY
CITY OF CERRITOS	
CERRITOS CENTER FOR PERFORMING ARTS	CITY OF RANCHO PALOS VERDES
CITY OF CHINO HILLS	CITY OF ROLLING HILLS
CITY OF CLAREMONT	CITY OF ROLLING HILLS ESTATES
COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS	
COASTAL ANIMAL SERVICES AUTHORITY	CITY OF ROSEMEAD
CITY OF COMMERCE	CITY OF SAN CLEMENTE
CITY OF CUDAHY	CITY OF SAN DIMAS
CITY OF DANA POINT	CITY OF SAN GABRIEL
CITY OF DIAMOND BAR	CITY OF SAN JUAN CAPISTRANO
CITY OF DUARTE	CITY OF SAN LUIS OBISPO
CITY OF EL CENTRO	CITY OF SAN MARCOS
EASTERN SIERRA TRANSIT AUTHORITY	CITY OF SAN MARINO
CITY OF FILLMORE	CITY OF SANTA FE SPRINGS
CITY OF FOUNTAIN VALLEY	CITY OF SANTA PAULA
CITY OF GOLETA	CITY OF SEAL BEACH
CITY OF GRAND TERRACE	CITY OF SEASIDE
CITY OF GROVER BEACH	CITY OF SIERRA MADRE
CITY OF GUADALUPE	CITY OF SIGNAL HILL



CITY OF HAWAIIAN GARDENS

CITY OF HIDDEN HILLS
CITY OF IMPERIAL
CITY OF INDIAN WELLS
CITY OF INDIO

CITY OF IRWINDALE
CITY OF LA CANADA/FLINTRIDGE
CITY OF LA HABRA HEIGHTS
CITY OF LA MIRADA
CITY OF LA PALMA

CITY OF LA PUENTE
CITY OF LA VERNE
CITY OF LAGUNA NIGUEL
CITY OF LAGUNA WOODS
CITY OF LAKE ELSINORE
CITY OF LAKE FOREST
CITY OF LAKEWOOD

SOUTHERN CALIFORNIA
ASSOCIATION OF GOVERNMENTS
CITY OF SOLVANG
CITY OF SOUTH EL MONTE
CITY OF SOUTH PASADENA
SOUTHEAST AREA ANIMAL CONTROL
AUTHORITY
CITY OF TEMPLE CITY
VENTURA PORT DISTRICT
CITY OF VILLA PARK
CITY OF WALNUT
WEST CITIES COMMUNITY CENTER
JPA
CITY OF WEST HOLLYWOOD
CITY OF WESTLAKE VILLAGE



ENDORSEMENT NO. 14

Y2K NOTICE TO POLICY HOLDERS

NO COVERAGE IS PROVIDED BY THIS POLICYHOLDER NOTICE NOR CAN IT BE CONSTRUED TO REPLACE ANY PROVISION OF YOUR POLICY. YOU SHOULD READ YOUR POLICY AND REVIEW YOUR DECLARATIONS PAGE FOR COMPLETE INFORMATION ON THE COVERAGES YOU ARE PROVIDED. IF THERE IS ANY CONFLICT BETWEEN THE POLICY AND THIS SUMMARY, THE PROVISIONS OF THE POLICY SHALL PREVAIL.

An exclusion has been added to your policy to explicitly state that coverage is not provided for loss caused by a computer's inability, or that of computerized or other electronic equipment, to properly recognize a particular date or time. An example of this is a loss caused by the inability of the computer to recognize the year 2000 (Y2K). However, coverage is provided under certain circumstances: if the computer's inability to recognize a date or time results in a covered cause of loss—for example, fire—the loss resulting from that fire will be covered.

If you are interested in purchasing coverage for Y2K incidents that could potentially affect your business operations, you should contact your insurance carrier or its agent.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

ENDORSEMENT NO. 15

Y2K EXCLUSION

- A. This Policy does not insure against loss or damage caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss or damage.
1. The failure, malfunction or inadequacy of:
 - a. Any of the following, whether belonging to any Insured or to others:
 - (1) computer hardware, including micro-processors;
 - (2) computer application software;
 - (3) computer operating systems and related software;
 - (4) computer networks;
 - (5) microprocessors (computer chips) not part of any computer system;or
 - (6) any other computerized or electronic equipment or components; or
 - b. Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed in paragraph A.1.a. of this endorsement due to the inability to correctly recognize, process, distinguish, interpret or accept one or more dates or times. An example includes but is not limited to the inability of computer software to recognize the year 2000.
 2. Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by the Insured or for the Insured to determine, rectify or test for, any potential or actual problems described in paragraph A.1. of this endorsement.
- B. If an excluded cause of loss as described in Paragraph A. of this endorsement results in a loss not otherwise excluded, the Company will pay only for the loss caused by a peril not otherwise excluded.
- C. The Company will not pay for repair, replacement or modification of any items in Paragraphs A.1.a. and A.1.b. of this endorsement to correct any deficiencies or change any features.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

ENDORSEMENT NO.16

ELECTRONIC DATA ENDORSEMENT B

1. Electronic Data Exclusion

Notwithstanding any provision to the contrary within the Insurance or any endorsement thereto, it is understood and agreed as follows:

- (a) This Insurance does not insure loss, damage, destruction, distortion, erasure, corruption or alteration of ELECTRONIC DATA from any cause whatsoever (including but not limited to COMPUTER VIRUS) or loss of use, reduction in functionality, cost, expense of whatsoever nature resulting therefrom, regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

ELECTRONIC DATA means facts, concepts and information converted to a form useable for communications, interpretation or processing by electronic and electromechanical data processing or electronically controlled equipment and includes programmes, software and other coded instructions for the processing and manipulation of data or the direction and manipulation of such equipment.

COMPUTER VIRUS means a set of corrupting, harmful or otherwise unauthorised instructions or code including a set of maliciously introduced unauthorised instructions or code, programmatic or otherwise, that propagate themselves through a computer system or network of whatsoever nature. COMPUTER VIRUS includes but is not limited to 'Trojan Horses', 'worms' and 'time or logic bombs'.

- (b) However, in the event that a peril listed below results from any of the matters described in paragraph (a) above, this Insurance, subject to all its terms, conditions and exclusions, will cover physical damage occurring during the Insurance period to property insured by this Insurance directly caused by such listed peril.

Listed Perils

All Covered Perils

2. Electronic Data Processing Media Valuation

Notwithstanding any provision to the contrary within the Insurance or any endorsement thereto, it is understood and agreed as follows:

Should electronic data processing media insured by this Insurance suffer physical loss or damage insured by this Insurance, then the basis of valuation shall be the cost of the blank media plus the costs of copying the ELECTRONIC DATA from back-up or from originals of a previous generation. These costs will include research and engineering and costs of recreating, gathering or assembling such ELECTRONIC DATA. If the media is not repaired, replaced or restored the basis of valuation shall be the cost of the blank media. However this Insurance does not insure any amount pertaining to the value of such ELECTRONIC DATA to the Assured or any other party, even if such ELECTRONIC DATA cannot be recreated, gathered or assembled.

25/01/01
NMA2915

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED



ENDORSEMENT NO. 17

TERRORISM EXCLUSION ENDORSEMENT

Notwithstanding any provision to the contrary within this insurance or any endorsement thereto it is agreed that this insurance excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any act of terrorism regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

For the purpose of this endorsement an act of terrorism means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s) or government(s), committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear.

This endorsement also excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to any act of terrorism.

If the Underwriters allege that by reason of this exclusion, any loss, damage, cost or expense is not covered by this insurance the burden of proving the contrary shall be upon the Assured.

In the event any portion of this endorsement is found to be invalid or unenforceable, the remainder shall remain in full force and effect.

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NMA2920

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

ENDORSEMENT NO. 18

BIOLOGICAL OR CHEMICAL MATERIALS EXCLUSION

It is agreed that this Insurance excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with the actual or threatened malicious use of pathogenic or poisonous biological or chemical materials regardless of any other cause or event contributing concurrently or in any other sequence thereto.

NMA2962

06/02/03

Form approved by Lloyd's Market Association (Non-Marine)

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED



ENDORSEMENT NO. 19

**MOLD, MILDEW & FUNGUS CLAUSE AND MICROORGANISM EXCLUSION (MAP)
(Time Limit & Sublimit)**

- A. This policy only insures physical loss or damage to insured property by mold, mildew or fungus when directly caused by a peril insured by this Policy occurring during the policy period.

This coverage is subject to all limitations in the policy to which this endorsement is attached and, in addition, to each of the following specific limitations:

1. The said property must otherwise be insured under this policy for physical loss or damage by that peril.
 2. The Insured must report to the Company the existence and cost of the physical loss or damage by mold, mildew or fungus as soon as practicable, but no later than twelve (12) months after the peril first caused any physical loss or damage to insured property during the policy period. This policy does not insure any physical loss or damage by mold, mildew or fungus first reported to the Company after that twelve (12) month period.
 3. Regardless of circumstance or other policy provisions, the maximum amount insured and payable under this policy for all mold, mildew or fungus caused by or resulting from such peril is USD10,000 per occurrence for all parts of any claim and in total USD100,000 in the aggregate for the policy period. This sublimit applies to all sections or extensions of the policy combined under which any claim arises or is made.
- B. Except as set forth in the foregoing Section A, this policy does not insure any loss, damage, claim, cost, expense or other sum directly or indirectly arising out of or relating to:

mold, mildew, fungus, spores or other microorganism of any type, nature, or description, including but not limited to any substance whose presence poses an actual or potential threat to human health.

This exclusion applies regardless whether there is (i) any physical loss or damage to insured property; (ii) any insured peril or cause, whether or not contributing concurrently or in any sequence; (iii) any loss of use, occupancy, or functionality; or (iv) any action required, including but not limited to repair, replacement, removal, cleanup, abatement, disposal, relocation, or steps taken to address medical or legal concerns.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED



ENDORSEMENT NO. 20

Notwithstanding the following Service of Suit Clause that shall apply, the Insured has the right to elect governing law between the state where the loss occurs and their head office address.

SERVICE OF SUIT ENDORSEMENT

In the event of the failure of the Company to pay any amount claimed to be due hereunder, the Company, at the request of the Insured, will submit to the jurisdiction of any court of competent jurisdiction within the United States. Nothing in this condition constitutes or should be understood to constitute a waiver of the Company's rights to commence an action in any court of competent jurisdiction in the United States to remove an action to a United States District Court or seek a transfer of a case to another court as permitted by the laws of the United States or of any state in the United States. It is further agreed that service of process in such suit may be made upon Counsel, Legal Department, Lexington Insurance Company, 100 Summer Street, Boston, MA 02110-2103 or his or her representative, and that in any suit instituted against the Company upon this contract, the Company will abide by the final decision of such court or of any appellate court in the event of an appeal.

Further, pursuant to any statute of any state, territory or district of the United States which makes provision therefore, the Company designates the Superintendent, Commissioner or Director of Insurance, or other officer specified for that purpose in the statute, or his successor or successors in office as its true and lawful attorney upon whom may be served any lawful process in any action, suit, or proceeding instituted by or on behalf of the Insured or any beneficiary hereunder arising out of this contract of insurance, and hereby designates the above named Counsel as the person to whom the said officer is authorized to mail such process or a true copy thereof.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED



ENDORSEMENT NO. 21

JOINT LOSS ADJUSTMENT

ALL RISK AND DIFFERENCE IN CONDITIONS

In the event of damage to or destruction of property, at a location designated in a "Difference in Conditions" policy and also designated in a Fire or All Risk Insurance policy(ies) and there is a disagreement between the insurers with respect to:

1. Whether such damage or destruction was caused by an accident insured against by a "Difference in Conditions" policy or by a peril insured against by such Fire or All Risk Insurance policy(ies) or
2. The extent of participation of a "Difference in Conditions" policy and of such Fire or All Risk Insurance policy(ies) in a loss which is insured against, partially or wholly, by one or all of said policies.

The companies shall, upon written request of the insured, pay to the insured one-half of the amount of the loss which is in disagreement, but in no event more than each company would have paid if there had been no other policy(ies) in effect, subject to the following conditions:

1. The amount of loss which is in disagreement, after making provisions for any undisputed claims payable under the said policies and after the amount of the loss is agreed by the insured and the insurers, is limited to the minimum amount remaining payable under either the Fire or All Risk policy(ies) or Difference in Conditions policy(ies);
2. Each insurer(s) shall simultaneously pay to the insured one-half of the said amount which is in disagreement;
3. The payments by the insurers hereunder and acceptance of the same by the insured signify the agreement of the insurers to submit to and proceed with arbitration within ninety (90) days of such payments;

The arbitrators shall be three (3) in number, one of whom shall be appointed by the Fire or All Risk Insurer(s) and one of whom shall be appointed by the Difference in Conditions Insurer(s) and the third appointed by consent of the other two, and the decision by the arbitrators shall be binding on the insurers and that judgment upon such award may be entered in any court of competent jurisdiction.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED



ENDORSEMENT NO. 22

COURSE OF CONSTRUCTION ENDORSEMENT

It is hereby noted and agreed that with effect from 1 July 2010 that Course of Construction projects for all members, including new projects at new locations, are automatically covered hereon for All Risks coverage excluding Flood and Earthquake Shock, subject to the applicable account rate.

As respects existing insured members, this Policy is automatically extended to cover Earthquake Shock and Flood for property in the course of construction at the applicable account rate, subject to such projects being reported to this carrier within ninety (90) days of attachment.

However, should members require Earthquake Shock and Flood coverage, projects must be declared and agreed by Insurers prior to attachment.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

Memoranda attaching to and forming part of Policy Number B040110926X10

Page 83

B040110926X10
Glencairn Limited
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Memorandum One

PREMIUM PAYMENT CONDITION
(Time on Risk) 4/86 (DIRECT) (AMENDED)

It is a condition of this contract of insurance that the premium due at inception is to be paid to and received by Insurers on or before midnight on the date stated in the Risk Details.

If this conditions is not complied with, Insurers shall have the right to cancel this Policy by giving 15 days notice to the Insured of the effective date of cancellation. Such notice shall be deemed as automatically given on the date that the premium should have been paid as stated above. However, the Insurers agree that if the full premium due is paid to them before the notice period expires, the notice of cancellation shall automatically be withdrawn.

If this condition is not complied with, this contract of insurance will terminate on the above date with the Insured hereby agreeing to pay premium calculated at not less than pro rata temporis.

All other terms and conditions remain unaltered.

Memorandum Two

CONFORMITY CLAUSE

It is hereby noted and agreed that:

- Wherever the words "the Policy" or "this Policy" appear in this Contract, they shall be deemed to read "this Contract"
- Wherever the words "Assured" and "Underwriter(s)" appear in this Contract, they shall be deemed to read "Insured" and "Insurers" respectively.

All other terms and conditions remain unaltered.

3. SECURITY DETAILS

(RE)INSURERS LIABILITY CLAUSE

(Re)insurer's liability several not joint

The liability of a (re)insurer under this contract is several and not joint with other (re)insurers party to this contract. A (re)insurer is liable only for the proportion of liability it has underwritten. A (re)insurer is not jointly liable for the proportion of liability underwritten by any other (re)insurer. Nor is a (re)insurer otherwise responsible for any liability of any other (re)insurer that may underwrite this contract.

The proportion of liability under this contract underwritten by a (re)insurer (or, in the case of a Lloyd's syndicate, the total of the proportions underwritten by all the members of the syndicate taken together) is shown next to its stamp. This is subject always to the provision concerning "signing" below.

In the case of a Lloyd's syndicate, each member of the syndicate (rather than the syndicate itself) is a (re)insurer. Each member has underwritten a proportion of the total shown for the syndicate (that total itself being the total of the proportions underwritten by all the members of the syndicate taken together). The liability of each member of the syndicate is several and not joint with other members. A member is liable only for that member's proportion. A member is not jointly liable for any other member's proportion. Nor is any member otherwise responsible for any liability of any other (re)insurer that may underwrite this contract. The business address of each member is Lloyd's, One Lime Street, London EC3M 7HA. The identity of each member of a Lloyd's syndicate and their respective proportion may be obtained by writing to Market Services, Lloyd's, at the above address.

Proportion of liability

Unless there is "signing" (see below), the proportion of liability under this contract underwritten by each (re)insurer (or, in the case of a Lloyd's syndicate, the total of the proportions underwritten by all the members of the syndicate taken together) is shown next to its stamp and is referred to as its "written line". Where this contract permits, written lines, or certain written lines, may be adjusted ("signed").

In that case a schedule is to be appended to this contract to show the definitive proportion of liability under this contract underwritten by each (re)insurer (or, in the case of a Lloyd's syndicate, the total of the proportions underwritten by all the members of the syndicate taken together). A definitive proportion (or, in the case of a Lloyd's syndicate, the total of the proportions underwritten by all the members of a Lloyd's syndicate taken together) is referred to as a "signed line". The signed lines shown in the schedule will prevail over the written lines unless a proven error in calculation has occurred.

Although reference is made at various points in this clause to "this contract" in the singular, where the circumstances so require this should be read as a reference to contracts in the plural.

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ORDER HEREON: 100% of 100%

BASIS OF WRITTEN LINES: Percentage of Whole

SIGNING PROVISIONS: In the event that the written lines hereon exceed 100% of the order, any lines written "To Stand" will be allocated in full and all other lines will be signed down in equal proportions so that the aggregate signed lines are equal to 100% of the order without further agreement of any of the (re)insurers.

However:

- a) in the event that the placement of the order is not completed by the commencement date of the period of insurance then all lines written by that date will be signed in full;
- b) the signed lines resulting from the application of the above provisions can be varied, before or after the commencement date of the period of insurance, by the documented agreement of the (re)insured and all (re)insurers whose lines are to be varied. The variation to the contracts will take effect only when all such (re)insurers have agreed, with the resulting variation in signed lines commencing from the date set out in that agreement.

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WRITTEN LINES

MODE OF EXECUTION CLAUSE

This contract and any changes to it may be executed by:

- (a) an original written ink signature of paper documents (or a true representation of a signature, such as a rubber-stamp);
- (b) an exchange of facsimile/scanned copies showing the original written ink signature of paper documents;
- (c) electronic signature technology employing computer software and a digital signature or digitiser pen pad to capture a person's handwritten signature in such a manner that the signature is unique to the person signing, is under the sole control of the person signing, is capable of verification to authenticate the signature and is linked to the document signed in such a manner that if the data is changed, such signature is invalidated;
- (d) a unique authorisation provided via a secure electronic trading platform;
- (e) a timed and dated authorisation provided via an electronic message/system.

The use of any one or a combination of these methods of execution shall constitute a legally binding and valid signing of this contract. This contract may be executed in one or more of the above counterparts, each of which, when duly executed, shall be deemed an original.

In a co-insurance placement following (re)insurers may, but are not obliged to, follow the premium charged by the lead (re)insurer.

(Re)insurers may not seek to guarantee for themselves terms as favourable as those which others subsequently achieve during the placement.

Written %

**Signed and Dated Stamp
Incorporating Underwriting Reference**

100/

Lexington Insurance Company

REF: 8706784

LINE TO STAND.
ALL CONTRACT AMENDMENTS TO BE AGREED
BY LEXINGTON.
PREMIUM PAYMENT 60 DAYS

Sinc 17/6/10

**PROPERTY INSURANCE PROGRAM
ALL RISK PROPERTY INSURANCE
COVERAGE DETAIL**

NAMED INSURED	California JPIA and its Member Agencies
INSURANCE COMPANY / POLICY NUMBERS	Lexington Insurance Company Policy #B040110926X10 Excess policies per Schedule of Insurers
*A.M. BEST GUIDE RATING	A, Excellent, Financial Size Category XV Greater than \$2,000,000, 000
*STANDARD & POOR'S RATING	A+, Strong Financial Security
CALIFORNIA STATUS	Admitted
POLICY TERM	July 1, 2010, 12:01AM to July 1, 2011, 12:01AM
COVERAGE	All Risk on all property of every description of an insurable nature, both real (including on premises vehicles) and personal (including improvements and betterments) of the insured, or property of others in the care, custody or control of the Insured for which the Insured is liable under obligation to keep insured. The interest of additional covered parties and/or loss payees are automatically included.
COVERED PROPERTY	On properties reported by member on the property schedule on file with the company and Alliant Insurance Services, Inc. Per Reported Values: <ul style="list-style-type: none">• Real Property• Personal Property• Business Interruption• Rental Interruption / Extra Expense• Bond Revenue Payments• Business Continuation Expense• Electronic Data Processing, Data Processing Media• Mobile / Contractors Equipment / Unlicensed Vehicles• Property in Course of Construction• Earthquake Sprinkler Leakage• Building Laws, Demolition Costs / Undamaged Buildings• Newly Acquired or Constructed Buildings• Accounts Receivable• Valuable Papers• Fine Arts• Transit

**See last page for additional details.*

**PROPERTY INSURANCE PROGRAM
 ALL RISK PROPERTY INSURANCE
 COVERAGE DETAIL**

LIMITS / COVERAGE	\$500,000,000 Per Occurrence – All Risks of Direct Physical Loss or Damage to Real and Personal Property and Business Interruption as more fully defined in the policy form. (Limit shared by all program members)
	\$ 10,000,000 Per Occurrence – Flood Coverage for all Locations not scheduled for Earthquake
Sub-limits	\$ 50,000,000 Final Contract Value as respects Real Property in the Course of Construction, including new projects at new locations.
	\$ 25,000,000 Newly Acquired Property per building or structure for existing insured members. Reported within 90 days.
	\$ 50,000,000 Newly Acquired Property per existing insured member. Reported within 90 days
	\$ 25,000,000 Newly Acquired Property per building or structure for newly insured members. Reported within 90 days
	\$ 50,000,000 Newly Acquired Property per newly insured member. Reported within 90 days
	\$ 25,000,000 Newly Acquired for all piers, docks, wharves and dams per member reported within 90 days.
	\$ 50,000,000 Unnamed or Temporary Locations
	\$ 500,000 Animals
	\$ 250,000 Newly Acquired Fine Arts per member
	\$ 100,000 Limited Mold, Mildew, Fungus \$10,000 Per Occurrence

EXTENSIONS OF COVERAGE

- Personal Effects
- Fire Fighting Expenses
- Off Premises Services Clause
- Architects and Engineers Fees / Loss Adjustment Expenses
- Expediting Expenses
- Debris Removal
- Building Laws / Demolition Cost
- Increased Cost of Construction
- Errors and Omission
- Animals
- Valuable Papers

**PROPERTY INSURANCE PROGRAM
ALL RISK PROPERTY INSURANCE
COVERAGE DETAIL**

**PROPERTY NOT COVERED
(Including but not limited to)**

- Money and Securities
- Land
- Bodies of Water
- Aircraft
- Tees, Greens, Fairways, Landscaping, Standing Timber, Growing Crops (unless declared)
- Piers, Bridges, Retaining Walls, Docks/ Wharves (unless declared)
- Dams (unless declared)
- Watercraft (unless declared)

**PERILS NOT COVERED
(Including but not limited to)**

- Earthquake
- Nuclear Hazard War and Military Action
- Power Failure / Service Interruption
- Dishonest Acts of Employees
- Developing Defects (Wear and Tear)
- Hazard Substance – Pollutants / Contaminants
- Mysterious Disappearance
- Costs incurred by a Public Adjuster
- Terrorism

VALUATION

On all real and personal property, including property of others at the replacement value, that is replacement with materials of like kind and quality, at the time of the loss without depreciation. If property is not replaced within a reasonable period of time, then actual cash value.

Actual Loss Sustained for Time Element Coverages

DEDUCTIBLES

All Risk

\$ 5,000 Per occurrence, all perils and property including emergency vehicles and vehicles on premises

Flood

\$ 100,000 Per occurrence except;
\$ 250,000 Locations in Flood Zones A and V

\$ 500,000 Per occurrence, per pier for Flood and/or Wavewash

CLAIMS REPORTING

Alliant Insurance Service, Inc.
Attn: Robert Frey
100 Pine St., 11th Floor
San Francisco Ca. 94111
Phone: 415-403-1400
Fax: 415-403-1466

BROKER

Alliant Insurance Services, Inc.
Newport Beach, CA
Donald H. McLean, Executive Vice President
Gail White, Account Executive

**PROPERTY INSURANCE PROGRAM
ALL RISK PROPERTY INSURANCE
COVERAGE DETAIL**

***THIS SUMMARY IS FOR INFORMATION PURPOSES ONLY AND DOES NOT AMEND, EXTEND OR
ALTER THE POLICY IN ANY WAY
PLEASE REFER TO THE POLICY FORM FOR COMPLETE COVERAGE TERMS,
CONDITIONS AND EXCLUSIONS***

Alliant embraces a policy of transparency with respect to its compensation from insurance transactions. Details on our compensation policy, including the types of income that Alliant may earn on a placement, are available on our website at www.alliantinsurance.com. For a copy of our policy or for any inquiries regarding compensation issues pertaining to your account you may also contact us at: Alliant Insurance Services, Inc., Attention: General Counsel, 701 B Street, 6th Floor, San Diego, CA 92101.

**Analyzing insurers' over-all performance and financial strength is a task that requires specialized skills and in-depth technical understanding of all aspects of insurance company finances and operations. Insurance brokerages such as Alliant Insurance typically rely upon rating agencies for this type of market analysis. Both A.M. Best and Standard and Poor's have been industry leaders in this area for many decades, utilizing a combination of quantitative and qualitative analysis of the information available in formulating their ratings.*

A.M. Best has an extensive database of nearly 6,000 Life/Health, Property Casualty and International companies. You can visit them at www.ambest.com. For additional information regarding insurer financial strength ratings visit Standard and Poor's website at www.standardandpoors.com.

To learn more about companies doing business in California, visit the California Department of Insurance website at www.insurance.ca.gov

SCHEDULE OF DEDUCTIBLES

Individual member deductibles apply as scheduled, each and every loss, before application of the CJPIA occurrence deductible and apply to the exhaustion of the aggregate deductible, and as a maintenance deductible after exhaustion of the aggregate deductible, as follows:

USD 100,000 per occurrence, subject to a USD 400,000 annual aggregate

NOTE:

Gross loss inclusive of individual member's deductible, shall apply toward the aggregate

MEMBER DEDUCTIBLES:

USD 5,000 per occurrence, all perils and property including emergency vehicles and vehicles on the premises and boats

EXCEPT:

USD 1,000 per occurrence, radio and telephone equipment in vehicles

USD 1,000 per occurrence, auto physical damage – comprehensive

USD 1,000 per occurrence, auto physical damage – collision

USD 1,000 per occurrence, sea doo's

FLOOD:

USD 100,000 per occurrence except USD 250,000 in respect of locations in Flood Zones A and V, including all suffixes of A and V

FLOOD AND/OR WAVE WASH IN RESPECT OF PIERS:

USD 500,000 per occurrence, per pier.

EARTHQUAKE SHOCK DEDUCTIBLES:

This Insurance will not pay for loss or damage caused by "earthquake shock" until the amount of loss or damage exceeds 5% per unit of insurance (Time Element coverage is considered a unit of insurance) subject to a minimum deductible of USD 100,000 per occurrence. The deductible applies separately to each Insured member and to each "earthquake shock" occurrence. This Insurance will then pay the amount of loss or damage in excess of the deductible, up to the applicable limits of insurance for "earthquake shock" at each premises shown above. "Total values" mean the 100% value of buildings, personal property and Time Element coverage insured (using the applicable policy valuation clause), without regard to the limit of insurance.

DEDUCTIBLE PROVISIONS

- A) If two or more deductible amounts provided above apply for a single 'occurrence', the total to be deducted shall not exceed the largest per 'occurrence' deductible amount applicable.
- B) When two deductibles are involved, the amount of loss in excess of the higher deductible will be considered as the common loss.

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UNIT OF INSURANCE DEFINED:

In the application of the Earthquake Shock Deductible Clause and Apportionment of Loss Clause made a part of this Insurance, each of the following shall be considered a Separate Unit of Insurance

Each Separate Building or Structure
The Contents of each separate Building or Structure and
Property in each Yard
Applicable Time Element Coverage of each separate Building or Structure

This Insurance shall not be liable for loss to any Unit of Insurance covered hereunder unless such loss exceeds the percentages stated in this Insurance of the replacement values of such Unit of Insurance at the time when such loss shall happen, and then only for its proportion of such excess.

The Deductible Provisions apply only to the Primary Insurers' Coverage

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