CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

TELEPHONIC EXECUTIVE COMMITTEE MEETING

Thursday April 18, 2019 9:00 A.M.

Redding City Hall
777 Cypress Avenue
Executive Conference Room, 3rd Floor
Redding, CA 96001
(530) 225-4050

Dial In # 866-866-2244
Participant Code: 1414792

1. *City of Chico, 411 Main Street, Chico, CA 95927*
2. *City of Livermore, 1052 S. Livermore Avenue, Livermore, CA 94550*
3. *City of Lodi, 221 West Pine Street, Lodi, CA 95240*
4. *City of Redding, 777 Cypress Avenue, Redding, CA 96001*
5. *City of Richmond, 450 Civic Center Plaza, Richmond, CA 94804*
6. *City of Roseville, 311 Vernon Street, Roseville, CA 95678*
7. *SCORE, Town of Loomis, 3665 Taylor Road, Loomis, CA 95650*
8. *City of Stockton, 400 E. Main Street, Stockton, CA 95202*
9. *Gibbons & Conley, 3480 Buskirk Avenue, Suite 200, Pleasant Hill, CA 94523*
10. *CJPRMA, 3201 Doolan Road, Suite 285, Livermore, CA 94551*

AGENDA

I. CALL TO ORDER: 9:00 A.M.

II. ROLL CALL

III. CLOSED SESSION

1. **Government Code Section 54956.9 (a)**
   Conference with Legal Counsel – Litigation

   Name of Case: L.M. minor by Ashley McCain, Estate of Steven Motley, Carol Adams vs. City of Redding, Chief Robert F. Paoletti,
   Court: United States District Court, Eastern District of California
   Case No.: 2:14-cv-00767-MCE-AC

Per Government Code section 54954.2, persons requesting disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact CJPRMA at (925) 837-0667 24 hours in advance of the meeting.

IV. ACTION ON CLOSED SESSION ITEMS

V. PRESENTATIONS

- None

VI. COMMUNICATIONS

1. Executive Committee Members
2. General Manager/Secretary
3. Next Scheduled Meetings: Annual Board of Directors (05/22 & 23/19) CJPRMA
   Executive Committee (06/20/19) TBD

VII. APPROVAL OF MINUTES

- Minutes of the Executive Committee meeting held January 17, 2019. (Pages 3 - 5)

VIII. CONSENT CALENDAR

- None

IX. THIS TIME IS RESERVED FOR MEMBERS OF THE PUBLIC TO ADDRESS THE EXECUTIVE COMMITTEE ON MATTERS OF EXECUTIVE COMMITTEE BUSINESS

X. ACTION *(A)* AND INFORMATION *(I)* CALENDAR

1. Business Calendar for 2019 ***(I)*** (Pages 6 - 8)
2. Review of Annual Meeting Itinerary ***(I)*** (Pages 9 - 11)
3. CAJPA Data Collection Project ***(A)*** (Pages 12 - 13)
4. Liability and Auto Physical Damage Renewal Strategy Plan for Program Year 2019-2020 ***(I)*** (Pages 14 -15)
5. Property Renewal Strategy Plan for Program Year 2019-2020 ***(I)*** (Pages 16 - 150)
6. Property Program Deductible Buy-Down ***(I)*** (Page 151)
7. Strategic Planning 2019 ***(I)*** (Pages 152 - 154)
8. Contribution to Sewer Summit ***(I)*** (Pages 155 - 156)
9. Risk Management Issues ***(I)*** (Pages 157 - 164)

XI. ADJOURNMENT

Per Government Code section 54954.2, persons requesting disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact CJPRMA at (925) 837-0667 24 hours in advance of the meeting.

CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

EXECUTIVE COMMITTEE MEETING

Thursday January 17, 2019 10:00 A.M.

CJPRMA Office
3201 Doolan Road, Suite 285
Livermore, CA 94551
(925) 837-0667

Dial In # 866-866-2244
Participant Code: 1414792

1. *City of Chico, 411 Main Street, Chico, CA 95927*
2. *City of Livermore, 1052 S. Livermore Avenue, Livermore, CA 94550*
3. *City of Lodi, 221 West Pine Street, Lodi, CA 95240*
4. *City of Redding, 777 Cypress Avenue, Redding, CA 96001*
5. *City of Richmond, 450 Civic Center Plaza, Richmond, CA 94804*
6. *City of Roseville, 311 Vernon Street, Roseville, CA 95678*
7. *SCORE, Town of Loomis, 3665 Taylor Road, Loomis, CA 95650*
8. *City of Stockton, 400 E. Main Street, Stockton, CA 95202*
9. *Gibbons & Conley, 3480 Buskirk Avenue, Suite 200, Pleasant Hill, CA 94523*

MINUTES

I. CALL TO ORDER: President Greer called the meeting to order at 10:02 A.M.

II. ROLL CALL

PRESENT

1) Jamie Cannon, *Chico*
2) Janice Magdich, *Lodi*
3) Kim Greer, *Richmond*
4) Lynette Frediani, Redding
5) David Rawe, *Roseville*
6) Roger Carroll, *SCORE*
7) Gail Kiyomura, *Stockton*
8) Janet Hamilton, *Livermore*

OTHERS PRESENT

8) Tony Giles, *CJPRMA*
9) Marinda Griese, *CJPRMA*
10) Marcia Hart, *CJPRMA*
11) Byrne Conley, *Board Counsel*

Per Government Code section 54954.2, persons requesting disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact CJPRMA at (925) 837-0667 24 hours in advance of the meeting.

III. CLOSED SESSION

1. **Government Code Section 54956.9 (a)**
   Conference with Legal Counsel – Litigation

   Name of Case: Donald Scott Driver vs. State of California Department of Transportation, City of Richmond
   Court: State of California Superior Court, County of Contra Costa
   Case No.: C17-00129

2. **Government Code Section 54956.9 (a)**
   Conference with Legal Counsel – Litigation

   Name of Case: Febe Tabotabo; Andre Tabotabo; Titus Tabatabo II; Natividad Tabotabo vs. City of Stockton; Nestor Velasquez; John Strawder, and Does 1 – 100
   Court: State of California Superior Court, County of San Joaquin
   Case No.: STK-CV-UAT-2018-3998

3. **Government Code Section 54956.9 (a)**
   Conference with Legal Counsel – Litigation

   Name of Case: Constance E. Gary, Delores M. Johnson; Bridget M. Gaines; Angela R Peterson; Terrence L. Griffith; Stuart Grady; Moturi R. Bryant; Rhonda S. Marshall; and Clara Moore, vs. City of Richmond; Richmond Housing Authority; and Does 1 to 50,
   Court: State of California Superior Court, County of Contra Costa
   Case No.: C15-01699

4. **Government Code Section 54956.9 (a)**
   Conference with Legal Counsel – Litigation

   Name of Case: Salvador Cordova Pimentel vs. City of Stockton
   Court: State of California Superior Court, County of San Joaquin
   Case No.: STK-CV-UNPI-2017-0002642

IV. ACTION ON CLOSED SESSION ITEMS

- The Executive Committee conferred with staff regarding litigated claims and provided direction.

V. PRESENTATIONS

- None

VI. COMMUNICATIONS

1. Executive Committee Members
2. General Manager/Secretary
3. Next Scheduled Meetings: Board of Directors (03/21/19) CJPRMA
   Executive Committee (04/18/19) Redding

Per Government Code section 54954.2, persons requesting disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact CJPRMA at (925) 837-0667 24 hours in advance of the meeting.

VII. APPROVAL OF MINUTES

- A motion was made by Director Rawe and seconded by Director Cannon to approve the minutes of the Executive Committee meeting held on October 15, 2018 and the Special Telephonic Executive Committee meeting held on November 5, 2018. A Roll Call vote was taken and Directors Greer, Magdich, Carroll, Frediani and Kiyomura approved the Motion. Motion passes.

VIII. CONSENT CALENDAR

- None

IX. THIS TIME IS RESERVED FOR MEMBERS OF THE PUBLIC TO ADDRESS THE EXECUTIVE COMMITTEE ON MATTERS OF EXECUTIVE COMMITTEE BUSINESS

X. ACTION *(A)* AND INFORMATION *(I)* CALENDAR

1. Business Calendar for 2019 ***(I)***

The 2019 Business calendar was reviewed as an information only item.

- No action was required on this item.

2. Review of 2017-2019 Strategic Plan ***(I)***

The general manager informed the Executive Committee on the status and conclusion of the current strategic plan and the process to update the plan.

- No action was required on this item.

3. Risk Management Issues ***(I)***

There were no risk management issues requested to be discussed.

- No action was required on this item.

XI. ADJOURNMENT

- The meeting adjourned at 11:44 A.M.

Per Government Code section 54954.2, persons requesting disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact CJPRMA at (925) 837-0667 24 hours in advance of the meeting.

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CALIFORNIA JOINT POWERS
RISK MANAGEMENT AUTHORITY

AGENDA BILL

ITEM: 1	***TITLE:*** **BUSINESS CALENDAR FOR 2019**
MEETING: 04/18/2019	
GENERAL MANAGER: A.B.G.	

Recommended Actions:

None: This item is being provided for information only.

Strategic Direction:

Strategic Goal 3, Foster Informed and Engaged Board Leadership.

Item Explanation:

The CJPRMA Business Calendar will be provided as a standing agenda item for Executive Committee meetings and Board of Director Meetings. This calendar provides Board Members and staff with a listing of key business items and the required dates for completion.

Fiscal Impact:

None

Exhibits:

1. CJPRMA 2019 Business Calendar

CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

2019 BUSINESS CALENDAR

January

- Distribution of Executive Committee Agenda – 01/10/2019
- Executive Committee Meeting – 01/17/2019
- Member Quarterly Payroll Reports – 01/31/2019
- Distribution of Summary of Property Values
- Distribution of Summary of APD Values
- Distribution of Property and Loss Data – 01/31/2019

February

- FPPC Form 700 Filing Requests Sent Out
- PARMA Conference - 02/10/2019 to 02/13/2019 Disneyland Hotel, Anaheim, CA
- Return APD, Property and Boiler & Machinery Renewals Lists to Staff

March

- Deadline for Members to submit Agenda items for March Meeting – 03/11/2019
- Distribution of Board of Directors Meeting Agenda – 03/14/2019
- Board of Directors Meeting – 03/21/2019
- Distribution of Quarterly Member Loss Data
- Bi-annual Review of Conflict of Interest Code
- Training ARM 55 – 03/26 to 28/2019 CJPRMA

April

- FPPC Form 700 Filing Deadline – 04/01/2019
- Annual Meeting Room Requests
- Distribution of Executive Committee Meeting Agenda – 04/11/2019
- Executive Committee Meeting – 04/18/2019 Redding
- Distribution of Certificate of Coverage Renewals Lists
- Requests for Nominations for President/Vice President (Bi-annually)
- Distribute nomination for President and Vice President (even numbered years)
- Member Quarterly Payroll Reports – 04/26/2019

May

- Deadline for Members to submit Agenda items for Annual Meeting – 05/09/2019
- Distribution of Board of Directors Annual Meeting Agenda – 05/15/2018
- Board of Directors Annual Meeting - 05/22 & 23/2019 CJPRMA
    - Commercial Insurance Renewals
    - Proposed Budget for 2019-2020
    - Claims Audit Presentation
    - Approval of Meeting, Business and Holiday Calendars
- Return Certificate of Coverage Renewals Lists to Staff

June

- Distribution of Executive Committee Meeting Agenda – 06/13/2019
- Executive Committee Meeting – 06/20/2019
- Requests for Nominations for President/Vice President (Bi-annually)
- Certificates of Coverage Renewals mailed to certificate holders - 6/28/2019
- Risk Management Plan Revisions
- Distribution of Quarterly Member Loss Data
- Training: EPL- "12 Steps to Avoiding Liability & Nuts & Bolts Navigating Common Legal Risks for the Front End Supervisor" by Liebert Cassidy Whitmore – 06/06/2019 & 06/13/2019 Locations TBA

July

- General Liability Premiums Billed
- Auto Physical Damage Program Premiums Billed
- Property Program Premiums Billed
- Boiler & Machinery Premiums Billed
- Member Quarterly Payroll Reports - 07/31/2019

August

- Deadline for Members to submit Agenda items for August Meeting – 08/05/2019
- Distribution of Board of Directors Meeting Agenda – 08/08/2019
- Board of Directors Meeting – 08/15/2019
- Bi-annual election of President and Vice President (even numbered years)
- Election of Executive Committee Members
- Bi-annual Appointment of Treasurer (even numbered years)
- Financial Audit in process
- Annual Review of Investment Policy
- Actuarial Study in process
- Requests for Program Year 2018-2019 reimbursement of liability training expenses due – 08/31/2019

September

- Distribution of Executive Committee Agenda – 09/13/2019
- Executive Committee Meeting – 09/19/2019 CJPRMA
- CAJPA Conference - 09/10/2019 to 09/13/2019 Harrah's and Harvey's South Lake Tahoe, CA
- Distribution of Quarterly Member Loss Data

October

- Member Quarterly Payroll Reports – 10/31/2019

November

- Deadline for Members to submit Agenda items for November Meeting – 11/11/2019
- Distribution of Board of Directors Meeting Agenda – 11/14/2019
- Board of Directors Meeting - 11/21/2019
    - Actuarial Study Presented
    - Financial Audit Presented
    - Annual Report Presented

December

- Deadline for change to SIR or withdrawal from any CJPRMA program - 12/27/2019
- Distribution of Quarterly Member Loss Data

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CALIFORNIA JOINT POWERS
RISK MANAGEMENT AUTHORITY

AGENDA BILL

ITEM: 2	***TITLE:*** **REVIEW OF ANNUAL MEETING ITINERARY**
MEETING: 04/18/2019	
GENERAL MANAGER: A.B.G.	

Recommended Actions:

None. This item is being presented for information purposes only.

Strategic Direction:

This item addresses Strategic Goal 3, Foster Informed and Engaged Board Leadership.

Item Explanation:

The CJPRMA annual meeting will be held on May 22-23, 2019 at the CJPRMA office building in Livermore, California. The two-day itinerary provides time to conduct board business and complete training for Directors and Alternates. The general manager will present the itinerary for the two-day meeting to the Executive Committee and will be available to answer questions.

Fiscal Impact

None.

Exhibits:

1. Itinerary for May 2019 Annual Meeting

CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

Accredited with Excellence from the California Association of Joint Powers Authorities

BOARD OF DIRECTORS ANNUAL MEETING
Wednesday May 22, 2019 – 9:00 a.m.
Thursday May 23, 2019 – 9:00 a.m.

CJPRMA
3201 Doolan Road, Suite 285
Livermore, CA 94551
(925) 837-0667

ITINERARY

DAY 1: WEDNESDAY MAY 22, 2019

8:00	9:00	♦	**Hot Breakfast Buffet**
9:00	10:30	♦	**Keynote: Influence Without Authority: Getting a Seat at the Table** David Rabiner, Rabiner Resources, Inc.
10:30	10:45	♦	**Break**
10:45	12:00	♦	**Board Meeting**
12:00	1:00	♦	**Lunch (Mediterranean or Greek Catering)**
1:00	2:00	♦	**Board Meeting**
2:00	4:30	♦	**Board Member Training: "How to Collaborate with CJPRMA, Your Legal team and Your Departments to Successfully Resolve Litigation."** Greg Fox, Bertrand, Fox & Elliot
4:30	5:30	♦	**Hotel Check-In**
5:30		♦	**Catch Bus at Hotel for Murietta's Well**
6:00	7:00	♦	**Hors d'oeuvres and networking (Murietta's Well)**
7:00	9:00	♦	**Dinner (Murietta's Well)**
9:00		♦	**Bus Back to Hotel**

CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

Accredited with Excellence from the California Association of Joint Powers Authorities

BOARD OF DIRECTORS ANNUAL MEETING
Wednesday May 22, 2019 – 9:00 a.m.
Thursday May 23, 2019 – 9:00 a.m.

CJPRMA
3201 Doolan Road, Suite 285
Livermore, CA 94551
(925) 837-0667

ITINERARY

DAY 2: THURSDAY MAY 23, 2019

Breakfast at hotel before coming to meeting. Check out of hotel.

9:00 - 10:00 ♦ **Board Member Training – Deadly Weapon**
Firestorm Crisis Management

10:00 - 11:00 ♦ **Board Member Training – Media Relations**
Laura Cole, Cole Pro Media

11:00 - 11:15 ♦ **Break**

11:15 - 12:30 ♦ **Board Meeting**

12:30 - 1:30 ♦ **Lunch (BBQ)**

1:30 - 5:00 ♦ **Board Meeting**

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CALIFORNIA JOINT POWERS
RISK MANAGEMENT AUTHORITY

AGENDA BILL

ITEM: 3	***TITLE:*** **CAJPA DATA COLLECTION PROJECT**
MEETING: 04/18/2019	
GENERAL MANAGER: A.B.G.	

Recommended Actions:
Approval for the general manager to spend $10,000 as a contribution to the CAJPA general liability data collection effort.

Strategic Direction:
This item addresses all strategic goals adopted by the organization.

Item Explanation:
The California Association of Joint Powers Authorities (CAJPA) conducted a feasibility study to determine if it should proceed with conducting an in-depth study of California public sector general liability claims. CAJPA hired Aon Risk Services for phase 2 of this project, which is the development of an implementation plan. One element of the implementation plan is to seek support from California JPAs to fund the actual data collection, which will form phase 3 of the project. CAJPA has asked if CJPRMA would commit to contributing $10,000 toward this funding.

CAJPA recognizes that there is a serious problem with public entity liability claims in California. Issues related to joint and several liability ("Prop 51 issues"), growing jury verdict awards, attorney fee award exposures, and other issues have all lead to awards and settlements at increasingly higher values. CAJPA would like to work on legislative solutions to these problems, but data is needed in order to influence elected officials. This project is intended to gather that data.

The general manager will be available to discuss this request.

Fiscal Impact:
The fiscal impact will be $10,000.

Exhibits:
1. Aon Email re CAJPA Liability Data Collection Project

From: Julie Theirl
To: Tony Giles
Subject: CAJPA Tort Liability Data Collection Project
Date: Tuesday, March 26, 2019 4:10:23 PM

Hi Tony,

As you may be aware, Greg Trout was retained by CAJPA to conduct a feasibility study (Phase 1) to determine if CAJPA should proceed with conducting an in depth study of California public sector GL claims. Following Trout's study, Aon was hired by CAJPA to complete the next phase (Phase 2) which is to develop an implementation plan. I am the consultant providing those services. A major part of the implementation plan is to seek support and commitment from the various JPAs to helping fund the actual data collection and analysis project (Phase 3). I am reaching out to approximately 25 JPA executives to seek their commitment to contributing financial resources to moving forward with Phase 3. I believe that Trout spoke to you previously about the project. Would CJPRMA be willing to contribute approximately $10,000? Before anything further is decided, the board will discuss at the May annual strategic planning meeting; but in the meantime, they need to know if it can be funded. I am happy to discuss further by phone if you'd prefer. I have some time tomorrow and Friday.

Thank you Tony,

Julie Theirl | Senior Vice President
Public Sector | Pooling
Regional Education Practice Leader
Aon
425 Market Street, Suite 2800 | San Francisco, CA 94105
T: 415.486.7355 | M: 909.967.9091
Email: julie.theirl@aon.com

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CALIFORNIA JOINT POWERS
RISK MANAGEMENT AUTHORITY

AGENDA BILL

ITEM: 4	***TITLE:*** **LIABILITY AND AUTO PHYSICAL DAMAGE RENEWAL STRATEGY PLAN FOR PROGRAM YEAR 2019-2020**
MEETING: 04/18/2019	
GENERAL MANAGER: A.B.G.	

Recommended Actions:

None. This item is being provided for information purposes only.

Strategic Direction:

This item addresses Strategic Goal 1, Employ Customizable Products and Services to be Competitive.

Item Explanation:

Aon Risk Services and CJPRMA Staff have met and created a renewal strategy for the 2019-2020 coverage programs. The renewal strategy includes the timing of delivery of data to underwriters and a set of expectations for receiving quotations. The goal for the renewal strategy is to provide the Board of Directors with a complete renewal plan for approval at the May 2019 Meeting.

CJPRMA members provided updated underwriting data for Aon to use in marketing the programs. The general manager will be available to discuss the 2019-2020 renewal process for the liability program and the auto physical damage program.

The general manager will also engage the Executive Committee in a discussion regarding potential future increases to the self-insured retentions (SIR) in the liability program. The program currently provides for SIRs of $500,000 and $1,000,000. CJPRMA should consider increasing these to $750,000 and $1,250,000. Funding rates for program year 2019-2020 have already been approved by the Board of Directors, so any future recommendations for changes would be for program year 2020-2021 at the earliest. Any such recommendation would likely come during the November 2019 Board of Directors meeting when the actuarial study and funding rates are approved for program year 2020-2021.

Additionally, some Directors have made suggestions regarding higher SIRs for specific exposures, and Executive Committee input will be solicited on these suggestions. The recommendations include:

- Increased SIRs for natural disaster losses
- Increased SIRs for EPL cases
- Increased SIRs for police shootings (and/or excessive force cases)
- Increased SIRs for police pursuits
- Increased SIRs for police cases when the member has not implemented body worn cameras
- Increased SIRs for Shared Bike & Electric Scooter Programs (wherein no storage parking provided)
- Increased SIRs for Sexual Abuse & Molestation cases

Fiscal Impact:

None currently. The ultimate financial impact will be based upon quotations provided by the carriers.

Exhibits:

None.

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CALIFORNIA JOINT POWERS
RISK MANAGEMENT AUTHORITY

AGENDA BILL

ITEM: 5	***TITLE:*** **PROPERTY RENEWAL STRATEGY PLAN FOR PROGRAM YEAR 2019-2020**
MEETING: 04/18/2019	
GENERAL MANAGER: A.B.G.	

Recommended Actions:

None. This item is being provided for discussion purposes only.

Strategic Direction:

This item addresses Strategic Goal 1, Employ Customizable Products and Services to be Competitive.

Item Explanation:

CJPRMA's property program currently utilizes domestic carriers for approximately 25% of the primary $25,000,000 in limits and the remaining 75% is placed in the Lloyd's of London marketplace. The 2019-2020 program is anticipated to maintain a similar ratio of domestic placements to London market placements. Coverage in excess of the primary layer is provided by the (Alliant Property Insurance Program (APIP) structure.

Alliant Insurance Services and CJPRMA Staff created a renewal strategy for the 2019-2020 Property Program renewal.

The 2019-2020 renewal strategy includes the timing of delivery of data to the underwriters and a set of expectations for receiving quotations. The goal for the renewal strategy is to provide the Board of Directors with a complete renewal plan for approval at the May Board of Directors meeting. Program participants were asked to provide updates schedules of value by March 14, 2019. Mr. Robert Lowe, Vice President of Alliant Insurance Services, will attend this meeting and provide an update on the renewal process and an update of the status of the insurance marketplace.

Prior to moving the Property Program to Alliant, the program was governed by a Memorandum of Coverage (MOC) that was reinsured following form to the MOC. With the move to Alliant, the coverage form for the Property Program has been the Alliant APIP form. There have been some challenges in aligning the MOC with APIP. The APIP form is very broad, and it is a large form. In trying to mirror the APIP form, there have been instances in which the MOC and the APIP form have been in conflict. This has created confusion for program participants and confusion when we need to provide coverage information to third parties (e.g. CalOES or FEMA).

The general manager will request action from the program participants at the annual meeting to address these conflicts. Rather than try to align the MOC with APIP and create confusion as to coverage, the recommendation will be to adopt the APIP form as the controlling document for the program and eliminating the MOC. If there are any specific differences from APIP that program participants would like to include, those can be addressed via endorsements to APIP or through a greatly reduced MOC that covers only those differences.

For now, no action is being requested. However, at the annual meeting, the general manager will request adoption of the APIP form with specific recommendations for endorsements or changes via MOC. The general manager will be available to discuss specific recommendations and request direction from the Executive Committee.

Board Counsel, Byrne Conley, has prepared a memo detailing differences between the APIP coverage form and the CJPRMA MOC, including some recommendations on provisions to retain as endorsements. The general manager will solicit feedback from the Executive Committee. Mr. Lowe, Mr. Conley and the general manager will be available to discuss options.

Fiscal Impact:
None currently. The ultimate financial impact will be based upon submissions provided by the carriers.

Exhibits:
1. Byrne Conley memo – CJPRMA Property MOC Revisions
2. PEPIP Form 13 Master Wording
3. CJPRMA 2018-2019 Property MOC

GIBBONS & CONLEY

MEMORANDUM -- CONFIDENTIAL

To: Tony Giles, General Manager, CJPRMA **Date:** April 5, 2019

From: A. Byrne Conley

Re: *Property Memorandum of Coverage*

Enclosed with this memo is a copy of the red line/strikeout version of the 2017-2018 Property Memorandum of Coverage showing the changes we made for 2018-2019. This is the latest version I have, and I was advised that there were only minor changes, if any, between this version and the final version.

This serves as a sort of Rosetta Stone on synchronizing our Property MOC with that of PEPIP, since we had previously tried to follow the PEPIP form with our own, except for specific Endorsements. In 2018, David Clovis wanted to move some changes into the form itself.

As you have observed, this can be difficult to apply in practice, since we have to carefully compare the PEPIP form and the CJPRMA form for variances, and they are not always obvious. Also, this is a fully insured program with no risk sharing, so any narrowing of coverage in the CJPRMA MOC from the PEPIP coverage is taking away some coverage that might have otherwise been available to Members. This was done intentionally, however: David wanted to go to the Property underwriters and show that we were narrowing coverage, as a means to avoid further large increases in premiums due to the program's loss history. Specifically, David wanted to show the underwriters that two large losses in our history would not show up again – one for an abandoned vacant building insured for much more than replacement value, and the other for a significant loss of fencing in open area that was not part of an insured location and thus not reported on the property schedule.1 He also wanted to make clear that if Members chose to report values less than the appraisal estimates, coverage would be on a stated value basis. He also wanted to strengthen the mold exclusion.

We can keep such variances between our coverage and the PEPIP MOC if desired, but we both agree that in light of the difficulties in applying two separate forms, it would be better to use the PEPIP form as the coverage document, and itemize any changes by way of specific

1 We had a little debate about that. He was offended with the notion that unscheduled property would be covered, and thought we needed to get stated values and capture premium. I thought it was reasonable to cover miscellaneous items in the open for a large commercial property coverage form, even if homeowners' coverage would not extend that far. I was also concerned about unwelcome surprises to Members, and the time it would take for Members to itemize miscellaneous items in the open where that had not been done before. And, since we have gone to a $100,000 deductible this year, most of these types of losses will never reach the coverage layer.

Endorsements issued by CJPRMA. This will minimize "non-concurrent conditions" and make it easier for Members to isolate and identify such differences.

First here are some comments on the PEPIP endorsements:

- PEPIP has an Endorsement 1 that indicates we can cancel if their financial rating is downgraded.
- PEPIP Exclusion 2 says no coverage if it would violate trade sanctions laws. I assume this is a requirement from treaty reinsurers and cannot imagine it applying to our Members' coverage.
- PEPIP Endorsement 3 provides a war/terrorism exclusion. This is partly duplicative of PEPIP Exclusion 9 (war) at pages 22-23 and Exclusion 20 (terrorism) at page 26; I assume it is on the form as an Endorsement because of requirements from PEPIP's reinsurers as to specific language. We should definitely see if we can buy TRIA coverage – to me it makes no sense that vandalism losses are covered, but then excluded if performed for a political purpose.
- PEPIP Endorsement 4 sub-limits coverage under Business Interruption for medical facilities shut down due to communicable diseases, to $500K occurrence/$10 million aggregate.

The following comments relate to the red line/strikeout version of our 2018-2019 Property MOC.

- Page 2 – the value reporting language and vacant structures language was moved to Endorsements.
- Page 6 – we take away unnamed location coverage here. The PEPIP form covers to $25 million. I would like to eliminate this, but if the EC/Board wants to keep it, we should make it an Endorsement.
- Page 7 – we take away unscheduled tunnels and bridges which PEPIP covers to $2 million with a $500K deductible if I recall correctly. I could go either way on this; if the loss exceeds $500K it would be reasonable to report the location and this sublimit would not be an issue anyway.
- Page 7 – we take away coverage for unscheduled watercraft valued at over $50K.
- Page 7 – we add reporting requirement for newly added locations, cross referencing page 9.
- Page 9 – We add a 90 day reporting requirement for newly acquired locations if valued at $5 million or more. I could go either way on this; David wanted Members paying a premium on such significant additions. It seems likely that anything with such a high value would not be accidentally non-reported in any event.
- Pages 25-26 – the "valuation" clause seems the same at PEPIP at page 12 of the PEPIP MOC, except part D re historic buildings is changed to take away a provision that repairs will be using materials of a like kind and quality necessary to maintain a building's

historical significance. This could be significant in an individual case. I would be interested in finding out what value underwrites place on this difference.

- Page 27 – re vacant property, moved back to Endorsements. Discussed below.
- Pages 27-28 – This is a significant valuation clause that is a candidate for being made an endorsement. It provides that Members must report values per the appraisal report (good) or will be limited to the value they state (also good). I look at this as enforcing what was already implicit (Members must follow the appraiser's values) while giving Members the option to explicitly opt out. The requirement of an appraisal on newly acquired property valued in excess of $5 million (or limiting coverage to state value) is OK. The requirement to value property in the open is new – again, the question is whether to keep it, and how much credit we are getting from underwriters by adding this limitation.
- Page 28 – We add a requirement for Tax Interruption coverage that a value be declared and the names of the taxpayers be identified, or a $500K sub-limit will apply. This needs to be moved to an Endorsement if we wish to keep it. The PEPIP MOC at page 18 provides a $5 million coverage limit.
- Pages 30-31 – a subrogation clause; taken from our Liability MOC. We could keep this, though I suggest we defer to the PEPIP clause, at page 29 of the PEPIP form.
- Page 32 – Notice of Loss must be provided within 90 days; if we want to keep this, we need to move it to an Endorsement. Compare to PEPIP at page 29 requiring notice "as soon as practicable." We should consider either providing a longer period (perhaps during the policy year plus 90 days) or deferring to PEPIP language; although if we want to keep a hard deadline, this language is OK.
- Page 36 – the General Manager adjusts claims subject to appeal to the Board, Property Program members only. I think if we go to the PEPIP form with a limited number of Endorsements, we should stay out of any dispute re coverage or valuation and delete this provision.
- Endorsement 1 – This is a war exclusion. We should stick with PEPIP Endorsement 3.
- Endorsement 2 – loss of data. We should delete and follow PEPIP at page 28.
- Endorsement 3 – mold. PEPIP Exclusion 15 excludes mold but make an exception for mold resulting from a covered loss. (For example, resulting from water used to extinguish a fire.) This endorsement is broader because it does not have such an exception and is an absolute mold exclusion. Again, it is a policy question whether we want this, and a question of what premium relief it generates.
- Endorsement 4 – pollution. This is longer but seems similar to PEPIP Exclusion 16 at page 24, and Exclusion 18, at page 25. PEPIP provides "accidental contamination" by extension of coverage, and seepage and contamination following fire, and debris removal. CJPRMA provides following fire coverage and damage following a covered loss. There is a broader (less coverage) pollution debris removal exclusion. Mostly these are similar, I would follow PEPIP language except that if we want the "Debris Removal Exclusion" relating to extraction of contaminants, we should add it by Endorsement.
- Endorsement 5 – computer related losses; Note PEPIP Exclusion 6 at page 22, electrical injury exclusion not applicable to computer date loss, and PEPIP Exclusion 14 at page 23, addresses this and allows coverage if following direct physical loss. It is not

immediately apparent to me how the coverages differ; Our Endorsement 5 seems more concise and easier to follow, but substantively, I cannot see how the coverage is different.

- Endorsement 6 – this is the vacant properties language. We drafted this after reviewing coverage forms and case law from across the country. I would keep it.
- Endorsements 7 and 8 – Cyber and privacy. I believe this is language entirely furnished to us by a vendor. No need to change the language. Note the form was changed in 2017 so there are two endorsements.
- Endorsement 9 – this is a group of changes that apparently were provided by Alliant. I am not sure if they will be incorporated I the next PEPIP MOC form.

PEPIP USA FORM No.13
MASTER POLICY WORDING

COVERAGE INCEPTING
FROM JULY 1, 2017 TO JULY 1, 2018

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SECTION I

GENERAL PROVISIONS

A. INSURING AGREEMENT

In consideration of the premium paid by the Named Insured to the Company, the Company agrees to insure the following per the terms and conditions herein.

B. NAMED INSURED

As shown on the Declaration page, or as listed in the Declaration Schedule Addendum attached to this policy.

Member(s), entity(ies), agency(ies), organization(s), enterprise(s) and/or individual(s) for whom the Named Insured is required or has agreed to provide coverage, or as so named in the "Named Insured Schedule" on file with Alliant Insurance Services, Inc., as their interests may appear 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, are covered within the limits provided to the individual Named Insured.

Lessors and other party(ies) of interest in all property of every description covered hereunder are included herein as Insured's 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 as Insured's in accordance with the terms and conditions of Form 438 BFU NS, CP12 18 1091, or equivalent as required by the mortgagee.

C. MAILING ADDRESS OF NAMED INSURED

AS PER DECLARATION PAGE

D. POLICY PERIOD

AS PER DECLARATION PAGE

E. LIMITS OF LIABILITY

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

1. LIMITS OF LIABILITY

   The Specific Limits of Liability as described in the Declaration Page apply per occurrence unless indicated otherwise.

2. SUB-LIMITS OF LIABILITY

The following sub-limits of liability are provided as described in the Declaration Page and apply per occurrence unless indicated otherwise. Coverage is provided only if a sub-limit of liability is shown in the Declaration Page for that item, and do not increase the specific limits of liability. The absence of a sub-limit of liability amount in the Declaration Page means that no coverage is provided for that item.

a. Per occurrence, and in the annual aggregate as respects the peril of flood (for those Named Insured(s) that participate in this optional dedicated coverage);
b. Per occurrence, and in the annual aggregate as respects the peril of earthquake shock for those Named Insured(s) that participate in this optional dedicated coverage;
c. Combined Business Interruption, Rental Income, Tax Interruption and Tuition income (and related fees) ;
d. Extra Expense;
e. Miscellaneous Unscheduled Property;
f. Automatic Acquisition. As per policy provisions;
g. Unscheduled Landscaping, tees, sand traps, greens, athletic fields and artificial turf if specific values for such items have not been reported as part of the Named Insured(s) schedule of values held on file with Alliant Insurance Services, Inc;
h. Scheduled Landscaping, tees, sand traps, greens, athletic fields and artificial turf if specific values for such items have been reported as part of the Named Insured(s) schedule of values held on file with Alliant Insurance Services, Inc;
i. Errors & Omissions;
j. Course of Construction and Additions;
k. Money and Securities for Fire, Wind, Hail, Explosion, Smoke, Lightning, Riot, Civil Commotion, Impact by Aircraft or Objects falling there from, Impact by Vehicles, Water Damage and Theft (other than by an employee of the Named Insured(s));
l. Prize Giveaways solely as respects Named Insured(s) that participate in this optional coverage;
m. Unscheduled Fine Arts (as more fully defined herein);
n. Accidental Contamination including owned land, land values and water owned by the Named Insured(s);
o. Unscheduled Tunnels, bridges, dams, catwalks (except those not for public use), roadways, highways, streets, sidewalks, culverts, street lights and traffic signals unless specific values for such items have been reported as part of a Named Insured(s) schedule of values held on file in the offices of Alliant Insurance Services, Inc. excluding Federal Emergency Management Agency (F.E.M.A.) and/or any State Office of Emergency Services (O.E.S.) declared disasters, providing said declaration provides funding for repairs;
p. Increased Cost of Construction due to the enforcement of building codes / ordinance or law. As per policy provisions;
q. Transit;
r. Unscheduled Animals;
s. Unscheduled Watercraft; up to 27 feet. Unscheduled watercraft over 27 feet if held for sale by the insured.
t. Off premises services interruption including extra expense resulting from a covered peril at non-owned/operated location(s);
u. Separately as respects Contingent Business Interruption, Contingent Extra Expense, Contingent Rental Value, and Contingent Tuition Income;
v. Per occurrence and in the annual aggregate as respects the peril of Earthquake Shock for licensed vehicles, unlicensed vehicles, contractors equipment and fine arts combined for all Named Insured(s) of this Declaration combined that do not purchase

optional dedicated Earthquake Shock coverage, and/or where specific values for such items are not covered for optional dedicated Earthquake Shock coverage as part of the Named Insured(s) schedule of values held on file with Alliant Insurance Services, Inc.;

w. Per occurrence and in the annual aggregate as respects the peril of Flood for licensed vehicles, unlicensed vehicles, contractors equipment and fine arts combined for all Named Insured(s) of this Declaration combined that do not purchase optional Flood coverage, and/or where specific values for such items are not covered for optional dedicated Flood coverage as part of the Named Insured(s) schedule of values held on file with Alliant Insurance Services, Inc.;

x. Claim Preparation Expenses;

y. Expediting Expenses;

z. Separately as respects furs, jewelry, precious metals and precious stones;

aa. Business Interruption for Power Generation Facilities, which is understood to be part of and not additional to the sub-limit of liability set forth in Item 2 c. above;

ab. Personal Property outside the U.S.A.;

ac. Unmanned Aircraft. As per policy provisions

ad. Mold/Fungus Resultant Damage. As per policy provisions

ae. Boiler Explosion and Machinery Breakdown (for those Named Insured(s) that participate in this optional dedicated coverage).

F. OPTIONAL COVERAGE PARTICIPATION

It is understood and agreed that certain Named Insured's participate in Optional Coverage on this Policy as set forth below.

OPTIONAL COVERAGES IDENTIFICATION:

1. Earthquake Shock
2. Licensed Vehicles – Off Premises
3. Scheduled Fine Arts
4. Flood
5. Boiler Explosion & Machinery Breakdown

Such participation in the optional coverage(s) by the Named Insured is indicated in the Declaration Page, and/or by endorsement to this policy.

G. DEDUCTIBLE PROVISIONS

If two or more deductible amounts provided in the Declaration Page apply for a single occurrence the total to be deducted shall not exceed the largest per occurrence deductible amount applicable.

Deductibles are shown on the Declaration Page, or by endorsement and may vary by member of a joint powers authority (JPA) or risk sharing pool (Pool), or the coverage part pertaining to the loss.

Unless a more specific deductible is applicable for a particular loss, the "Basic Deductible" shown in the Declaration Page, shall apply per occurrence. The company will not pay for loss or damage in any one occurrence until the amount of the loss or damage exceeds the applicable deductible.

The "JPA/Pool Basic Deductible" – when applicable will be in excess of a JPA or Pool member's deductible amount. The Named Insured(s) deductible amount will be agreed upon between the JPA or Pool and its members. The "JPA/Pool Basic Deductible" shown in the Declaration Page, shall apply per occurrence. The company will not pay for loss or damage in any one occurrence until the

amount of the loss or damage exceeds the applicable constituent members' deductible and the "JPA/Pool Basic Deductible", until the "JPA/Pool Annual Aggregate Amount" is exhausted.

The "JPA/Pool Annual Aggregate Amount" - when applicable is the accumulation of payments made by the JPA or Pool that are categorized as "JPA/Pool Basic Deductibles" above. Once the annual aggregate amount is reached, all subsequent losses in chronological order are subject to the "JPA/Pool Maintenance Deductible" indicated in the Declaration Page. As with the "JPA/Pool Basic Deductible" this maintenance deductible will be applicable in excess of the applicable JPA or Pool constituent member's deductible.

"Vehicle Physical Damage deductible" - if Off-Premises coverage is included/purchased, the stated deductible will apply to vehicle physical damage both on and off premises on a per occurrence basis, unless otherwise stated. If "Off-Premises" coverage is not included, On-Premises/In-Yard coverage is subject to the All Risk "Basic Deductible".

H. UNIT OF INSURANCE DEFINED

In the application of the Earthquake Shock, or specified Wind deductibles, in accordance with the provisions of this Policy, each of the following shall be considered a Separate Unit of Insurance:

1. Each Separate Building or Structure;
2. The Contents of each Building or Structure;
3. Applicable Time Element Coverage of each separate Building or Structure; and
4. Property in each Yard.

The 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.

I. 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 the excess layers 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, the excess layers 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.

SECTION II

PROPERTY DAMAGE

A. COVERAGE

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

B. EXTENSIONS OF COVERAGE

All coverage extensions are subject to the terms, conditions and exclusions of the policy except insofar as they are explicitly providing additional coverage.

1. 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 Named Insured named in this Policy for which the Named 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 Named Insured.

2. PROPERTY IN COURSE OF CONSTRUCTION AND ADDITIONS

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

a. Project involves only real property on new or existing locations (excluding dams, roads, and bridges).

b. Value of the project at the location does not exceed USD as per Declaration Page. Projects that exceed this amount are subject to underwriting approval, prior to binding. However, inadvertent failure to report projects within USD as per Declaration Page shall not void coverage of said Project.

Additional Expenses - Soft Costs: This extension 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.

The Company will cover the additional expenses (soft costs) of the Named Insured as defined below for up to 25% of the estimated completed value of the project 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 property insured and be caused by or result from a peril not excluded by this Policy. The Company will pay covered expenses when they are incurred.

a. Additional Interest Coverage – The Company will pay the additional interest on money the Named Insured borrows to finance construction or repair.

b. Rent or Rental Value Coverage – The Company will pay the actual loss of net rental income that results from delay beyond the projected completion date. But the Company 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 – The Company will pay the additional real estate taxes or other assessments the Named Insured incurs for the period of time that construction is extended beyond the completion date.

d. Additional Advertising and Promotional Expenses – The Company 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 – The Company will pay the additional expenses, which result from the renegotiating of leases following an interruption in the project.

f. Additional Architectural and Engineering Fees – The Company 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 – The Company 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 – The Company will pay the additional legal and accounting fees the Named Insured incurs as a result of a delay in the completion of the project.

3. 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 responding to and fighting fire in / on, and/or protecting property included in coverage provided by this Policy.

4. OFF PREMISES SERVICES INTERRUPTION

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 Named Insured as a result of physical damage to or destruction of property, by the perils insured against occurring during the policy period of any suppliers furnishing heat, light, power, gas, water, telephone or similar services to a Named Insured's premises. The coverage provided by this clause is sub-limited to USD as per Declaration Page, and Section 1 (General Provisions) of this form.

5. ARCHITECTS AND ENGINEERS FEES AND LOSS ADJUSTMENT EXPENSES

This Policy also insures as a direct result of physical loss or damage insured hereunder, any of the following:

a. Architects and engineers fees

b. Loss adjustment expenses including, but not limited to, auditors, consultants and accountants. However, the expenses of public adjusters are specifically excluded.

6. EXPEDITING EXPENSES

In the event of physical loss or damage insured hereunder, 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 Named Insured, including overtime and the extra costs of express or other rapid means of transportation. This coverage provided by this clause is sub-limited to USD as per the Declaration Page.

7. DEBRIS REMOVAL

This Policy also covers expenses incurred in the removal of debris of the property covered hereunder from the premises of the Named Insured 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 or water.

8. BUILDING LAWS

This Policy is extended to include physical damage, business interruption loss, loss of interest and/or extra expense incurred and/or sustained by the Named Insured as a result of physical damage to or destruction of property, by the perils insured against occurring during the policy period and 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).

The Company shall also be liable for loss due to the additional period of time required for repair or reconstruction in conformity with the minimum standards of such ordinance or law of the building(s) described in this Policy damaged by a covered peril.

The Company shall not be liable under this clause for more than the limit of liability as shown elsewhere in this Policy.

9. DEMOLITION COST

In the event of physical damage to property insured by a covered peril, this policy is extended to cover 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.

10. INCREASED COST OF CONSTRUCTION

In the event of physical damage to property insured by a covered peril, this Policy is extended to cover the increased cost of repair or replacement occasioned by the enforcement of any local or state ordinance or law including written guidelines used by the department of corrections in any state regulating the construction, repair or demolition of buildings or structures, which is in force at the time such a loss occurs or which comes into force within 6 months after such a loss occurs, 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.

11. ERRORS & OMISSIONS

No unintentional errors or unintentional omissions in description, location of property or valuation of property will prejudice the Named Insured's right of recovery but will be reported to the Company as soon as practicable when discovered. The coverage provided by this clause is sub-limited to USD as per Declaration Page, and Section 1 (General Provisions) Clause E of this form. This extension does not increase any more specific limit stated elsewhere in this policy or Declaration.

12. ANIMALS

This policy is extended to cover retraining expenses associated with the loss of specially trained animals. Retraining expenses are included within the sub-limit provided, unless otherwise scheduled.

Notwithstanding the foregoing it is hereby understood and agreed that solely as respects Universities, hospitals, or other institutions of learning the following shall apply:

This policy is extended to cover physical loss or damage to animals used for research subject to applicable exclusions under Section IV (General Conditions) B. Exclusions.

13. VALUABLE PAPERS

This policy is extended to cover Valuable Papers or the cost to reconstruct valuable papers (including but not limited to research, redrawing or duplicating) physically lost or damaged by a peril insured against during the term of this Policy.

14. TRANSIT

This policy is extended to cover Personal Property of the Named Insured or property held by the Named Insured in trust or on commission or on consignment for which the Named Insured may be held legally liable while in due course of transit, worldwide, against all risks of Direct Physical Loss or Damage not excluded by this Policy to the property insured occurring during the period of this Policy.

The coverage provided by this clause is sub-limited to USD as per Declaration Page, and Section 1 (General Provisions) Clause E. of this form.

15. VEHICLES WHILE ON INSURED PREMISES

This policy is extended to cover vehicles while on premises of the Insured against physical loss or damage by a peril insured against during the term of this Policy.

16. ASBESTOS CLEAN UP AND REMOVAL

This policy specifically excludes asbestos materials clean up or removal, unless asbestos is itself damaged by a peril covered by this policy, then asbestos cleanup or removal within the damaged area, and applicable time element coverages, will be covered by this policy.

In no event will coverage be extended to cover undamaged asbestos, including undamaged asbestos in any portion of the building mandated by any governmental direction or request declaring that asbestos material present in any undamaged portion of the Named Insured's property must be removed or modified, or;

any loss or expense including investigation or defense costs, caused by, resulting from, or arising out of asbestos, exposure to asbestos, or any product containing asbestos, or;

any loss or expense normally provided by demolition, increased cost or building ordinance.

The Named Insured must report to Underwriters the existence of the damage as soon as practicable after the loss. However, this Policy does not insure any such damage first reported to the Underwriters more than thirty six (36) months after the expiration, or termination, of this policy.

17. PROTECTION AND PRESERVATION OF PROPERTY

In the event of loss likely to be covered by this Policy, the Named Insured shall endeavor to protect covered property from further damage and shall separate the damaged and undamaged personal property and store in the best possible order, and shall furnish a complete inventory of the destroyed, damaged and undamaged property to the Insurer.

In case of actual or imminent physical loss or damage of the type insured against by this Policy, the expenses incurred by the Named Insured in taking reasonable and necessary actions for the temporary protection and preservation of property insured hereunder shall be added to the total physical loss or damage otherwise recoverable under the Policy and be subject to the applicable deductible and without increase in the limit provisions contained in this Policy.

Due to the unique nature of Health Care Facilities and Jails where it is deemed necessary to evacuate patients or inmates from the premises in order to reduce the physical loss potential from an actual or imminent loss or damage by a peril not excluded herein, all terms and conditions of this clause will apply to the expenses incurred as a result of the evacuation.

18. LEASEHOLD INTEREST

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

(1) If as a result of such loss or damage the property becomes wholly un-tenantable or unusable and the lease agreement requires continuation of the rent, the Company shall indemnify the Named 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 un-tenantable or unusable and the lease agreement requires continuation of the rent, the Company shall indemnify the Named 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 Named 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 Named Insured exercising an option to cancel the lease; or from any act or

omission of the Named Insured which constitutes a default under the lease; and provided further that the Named Insured shall use any suitable property or service owned or controlled by the Named 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 Named 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).

19. AUTOMATIC ACQUISITION AND REPORTING CONDITIONS

This Policy is automatically extended to insure additional property and/or interests as described in this Policy, which may be acquired or otherwise become at the risk of the Named Insured, during the Policy Term, within the United States of America, subject to the values of such additional property and/or interests not exceeding USD25,000,000 or Named Insured's Policy Limit of Liability if less than USD25,000,000 any one acquisition excluding licensed vehicles, for which a limit of USD10,000,000 applies or Named Insured's Policy Limit of Liability if less than USD10,000,000. Additionally a sub-limit of $2,500,000 applies to Tier 1 wind counties, parishes and independent cities for 60 days for the states of Virginia, North Carolina, South Carolina, Georgia, Alabama, Mississippi, Louisiana, Texas and/or situated anywhere within the states of Florida and Hawaii.

If Flood coverage is purchased for all scheduled locations, this extension will extend to include Flood coverage for any location not situated in Flood Zones A or V. In the event that coverage for Flood for any location situated in Flood Zones A or V is required, it is to be agreed by the Company prior to attachment hereunder.

This coverage extension does not apply to the peril of Earthquake Shock in the States of California, or Alaska except as follows:

(1) At Policy inception, for those Named Insureds that purchase the earthquake shock peril, per the sub-limit that appears on the Declaration Page, 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 in California and Alaska.

In the event of coverage being required for additional property and/or interest where the value exceeds USD25,000,000 or Named Insured(s) Policy Limit of Liability if less than USD25,000,000 any one acquisition details of said property and/or interest are to be provided to the Company for its agreement not later than one hundred and twenty (120) days from the date of the said additional property and/or interest have become at the risk of the Named Insured, this Policy providing coverage automatically for such period of time up to a maximum limit of USD100,000,000 or Named Insured(s) Policy Limit of Liability if less than USD100,000,000.

The Company retains the right to determine the acceptability of all such property(ies). Additional premium will be calculated from the date of acquisition.

In the event that the Named Insured fails to comply with the above reporting provision, then coverage hereunder is sub-limited to USD25,000,000 or Named Insured's Policy Limit of Liability if less than USD25,000,000 any one occurrence.

Additional, or return premium due for endorsements issued during the policy term, such as those for additions or deletions of values within or greater than as that which is provided in any "Automatic Acquisition sub-limit" (including those for existing Named Insureds, new Named Insureds to the PEPIP program, or new members to existing JPA Named Insureds) will be processed on a quarterly basis. Issuance of the endorsements and calculation of pro-rata or return premium, for these changes will be processed as of, and at the time of the transaction.

20. MISCELLANEOUS UNNAMED LOCATIONS

Coverage is extended to include property at locations (including buildings or structures, owned, occupied or which the Named Insured is obligated to maintain insurance) located within the territorial limitations set by this policy. Coverage provided by this clause is limited to any sub-limit noted on the Declaration Page attached to this form, and by terms and conditions of this policy form. This coverage extension does not apply to the peril of Earthquake Shock in the states of California, or Alaska. If Flood coverage is purchased for all scheduled locations, this extension will extend to include Flood coverage for any location not situated in Flood Zones A or V.

21. ACCIDENTAL CONTAMINATION

This Policy is hereby extended to cover Business Interruption and Property Damage loss as a result of accidental contamination, discharge or dispersal from any source to Covered Property, including expenses necessarily incurred to clean up, remove and dispose of contaminated substances so as to restore the Covered Property to the same condition as existed prior to loss. The coverage provided is sub-limited to USD as per Declaration page.

If such contamination 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 full limit of liability provided by this Policy.

For the purposes of this Accidental Contamination clause only, the term "Covered Property", as covered by this Policy, is held to include Land (and Land Values) on which Covered Property is located whether or not the same are excluded by this Policy.

It is further understood and agreed that this coverage clause shall not override anything contained in Asbestos Clean Up and Removal in this Policy.

C. PROPERTY NOT COVERED

Except as for that which may be provided as an Extension of Coverage, this policy does not cover:

1. Aircraft, Watercraft over 27 feet in length (other than watercraft held for sale by the insured), and rolling stock, except scheduled watercraft, and rolling stock, light rail vehicles, subway trains and related track maintenance vehicles for light rail and subway lines.

2. Standing timber, bodies of water, growing crops.

3. Land (including land on which covered property is located), and land values (except athletic fields, landscaping, artificial turf, sand traps, tees and greens).

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. Power transmission lines and feeder lines more than 1,000 feet from the premises of the Insured unless scheduled and specifically approved by the Company.

7. Underground pipes more than 1,000 feet from the premises of the Insured unless scheduled and specifically approved by the Company.

8. Unscheduled tunnels, bridges, dams, catwalks (except those not for public use), roadways, highways, streets, sidewalks, culverts, streetlights, and traffic signals, excess of the sub-limit terms provided on the Declaration Page.

9. Offshore property, oilrigs, underground mines, caverns and their contents. Railroad track is excluded unless values have been reported by the Named Insured.

D. LOSS PAYMENT BASIS / VALUATION

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

1. On all real and personal property, including property of others in the care or control of the Named Insured at the replacement cost (as defined below) 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 shall apply.

2. On improvements and betterments at the replacement cost 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 shall apply. If replaced or repaired by others for the use of the Named Insured, there shall be no liability hereunder. The Company agrees to accept and consider the Named Insured as sole and unconditional owner of all improvements and betterments, any contract or lease the Named Insured may have made to the contrary notwithstanding.

3. 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, except as may be limited by any separate policy provision) 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.

4. On antique, restored or historical buildings, the cost of acquisition, relocation to the site and renovation or reconstruction. In the event of a partial loss, replacement cost for antique, restored or historical buildings shall mean the cost of repairing, replacing, constructing or reconstructing (whichever is less) the property on the same site using materials of like kind and quality necessary to preserve or maintain a buildings' historical significance without deduction for depreciation.

5. On property of others for which the Named Insured is liable under contract or lease agreement the Company's liability in the event of loss is limited to the Named Insured's obligation as defined in said contract or lease agreement but not to exceed the replacement cost.

6. On library contents, at replacement cost, or as follows, whichever is greater:

Category	Value (per item)	
Juvenile Materials	USD	48.74
Pamphlets	USD	6.27
Magazines	USD	12.64
Fiction	USD	23.57
Non-Fiction	USD	84.86
Dictionary	USD	123.52
Encyclopedia	USD	295.61
Thesaurus	USD	45.60
Reference (other)	USD	118.62
Abstracts	USD	290.49
Textbook	USD	107.46
Art Books	USD	64.00
Film	USD	284.99
Book/Diskette	USD	107.59
Vinyl Records	USD	85.50
DVD/VHS	USD	57.00
Audio Cassette	USD	31.35
Compact Discs	USD	25.02
CD ROM	USD	40.48
Books/Audio	USD	76.67
Medical Atlas	USD	183.17
Technical Law	USD	155.43
Nanotechnology	USD	179.48
Biotechnology	USD	169.83

The above valuation is predicated on the values provided by the Library of Congress Dewey Decimal system and adjusted for inflation.

The figures above do not include the "shelving cost" of each book. Therefore, the formula for adjusting a library contents loss is:

"Number of items in a category that are replaced multiplied by the valuation figure plus associated shelving costs".

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

7. On Vehicles, on or off premises, where Replacement Cost (New) values are specified, loss or damage shall be based on 100% of the Replacement Cost (New) at the time of loss. Partial losses shall be based on the cost of repairing or replacing the damaged portion, up to the fair market value of the Vehicle and/or Equipment. However, should these costs exceed the fair market value then recovery shall be based upon the Replacement Cost (New).

If the values, provided by the Named Insured, provides a valuation based on Replacement Cost (New), then recovery will be on the same basis, if replaced. If not replaced, the basis of recovery shall be Actual Cash Value.

8. Animals: The stated value as per schedule on file with the Named Insured.

Notwithstanding the foregoing it is hereby understood and agreed that solely as respects Universities, hospitals or other institutions of learning the following shall apply:

The stated value as per schedule on file with the Named Insured except Research Animals shall be valued at the cost to replace with like kind and quality; including the increased value as a result of prior research or experiments performed on the animal(s), accumulated cost of care and maintenance, and the value of labor expended by research assistants and/or laboratory technicians.

9. Landscaping, artificial turf, sand traps, tees, putting greens and athletic fields; the actual replacement cost of sod, shrubs, sand, plants and trees; however the Company's liability for replacement of trees, plants and shrubs will be limited to the actual size of the destroyed plant, tree or shrub at the time of the loss up to a maximum size of 25 gallons per item but not to exceed USD25,000 per item.

For the purpose of determining coverage under this policy landscaping, trees, plants and shrubs are only insured if their position and planting was undertaken by human agency for cosmetic effect.

The aforementioned valuations shall also be used for the purpose of any minimum earned premium and/or quarterly adjustments incurred.

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

"Replacement Cost" shall mean the cost of repairing, replacing, constructing or reconstructing (whichever is the least) the property on the same site, using new materials of like kind and quality and for like occupancy without deduction for depreciation, subject to the following:

(i) Until the property is actually repaired, replaced or reconstructed, the maximum amount recoverable shall be the actual cash value of the lost or damaged property;

(ii) Replacement shall be effected by the Named Insured with due diligence and dispatch;

(iii) Replacement need not be on same site, or of same or similar construction or occupancy provided that the Company shall not be liable for any additional costs that are directly attributable to the inclusion of this provision.

(iv.) For historical buildings as more specifically defined in this Section.

(v.) In no event shall the Company's liability exceed the amount actually and necessarily expended in repairing or replacing (whichever is less) Covered Property or any part thereof.

It is understood and agreed that as respects replacement cost, the Named Insured shall have the option of replacement with electrical and mechanical equipment having technological advantages and/or representing an improvement in function and/or forming part of a program of system enhancement provided that such replacement can be accomplished without increasing the Company's

liability. The Company shall be allowed to dispose of, as salvage, any non-proprietary property deemed unusable by the Named Insured.

In the event the Named Insured should fail to comply with any of the foregoing provisions settlement shall be made as if this Replacement Cost provision had not been in effect.

SECTION III

BUSINESS INTERRUPTION, EXTRA EXPENSE, RENTAL INCOME, TAX INTERRUPTION AND TUITION INCOME

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

A. COVERAGE

1. BUSINESS INTERRUPTION

Against loss resulting directly from interruption of business, services or rental value caused by direct physical loss or damage, as covered by this Policy to real and/or personal property insured by this Policy, 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 Named Insured 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 the period of restoration. 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 Named Insured with the same quality of service which existed immediately preceding the loss.

With respect to business interruption for power generation facilities, the coverage provided hereunder is sub-limited to USD as per Declaration Page.

Notwithstanding the foregoing it is hereby understood and agreed that solely as respects Universities, hospitals or other institutions of learning the following shall apply:

In determining the amount of tuition income and related fees covered hereunder for the purpose of ascertaining the amount of loss sustained, due consideration shall be given to:

(i) Tuition income and related fees which are prevented from being earned or received.
(ii) Other income derived from:
  (a) routine and special services;
  (b) other operating and non-operating revenues, including but not limited to:
    (1) research grants
    (2) income under research contracts all dependent on continued operations.
(iii) Donations and fund raising proceeds:
  (a) If a regularly scheduled fund raising drive for the sole benefit of the Named Insured occurs during the period of interruption of operations, the revenue produced by such drive shall be considered as follows in determining the amount of loss:
    (1) If the drive fails to produce an amount at least equal to the same drive in the most recent prior solicitation, the shortage, to the extent that it can be attributed to the interruption of the Named Insured's operations, shall be considered as loss of income;
    (2) If the drive produces an amount equal to the same drive in the most recent prior solicitation, there shall be considered no loss of income from this source of revenue;
    (3) If the drive produces an amount larger than the same drive in the most recent prior solicitation, the excess shall be applied to reduce the loss from other sources of revenue;

(4) If the drive is cancelled or postponed, such loss of revenue shall not be considered as loss of income.

(b) The following shall be disregarded in determining the amount of loss:

(1) Donations and contributions which are a direct result of the interruption of the Named Insured's operations and are received by the Named Insured during the period of interruption.

(2) Proceeds for fund raising drives or solicitations which are for the sole benefit of the Named Insured and occur as a result of interruption of the Named Insured's operations.

2. EXTRA EXPENSE

This Policy is extended to cover the necessary and reasonable extra expenses occurring during the term of this Policy at any location as hereinafter defined, incurred by the Named Insured in order to continue as nearly as practicable the normal operation of the Named Insured's business following damage to or destruction of covered property by a covered peril which is on premises owned, leased or occupied by the Named Insured. 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).

B. EXTENSIONS OF COVERAGE

1. INGRESS / EGRESS

This Policy is extended to insure the actual loss sustained during the period of time not exceeding 30 days when, as a direct result of physical loss or damage caused by a covered peril(s) specified by this Policy and occurring at property located within a 20 mile radius of covered property, ingress to or egress from the covered property covered by this Policy is prevented. Coverage under this extension is subject to a 24-hour waiting period.

2. INTERRUPTION BY CIVIL AUTHORITY

This Policy is extended to include the actual loss sustained by the Named Insured, as covered hereunder during the length of time, not exceeding 30 days, when as a direct result of damage to or destruction of property by a covered peril(s) occurring at property located within a 20 mile radius of covered property, access to the covered property is specifically prohibited by order of a civil authority. Coverage under this extension is subject to a 24-hour waiting period.

3. DEMOLITION AND INCREASED TIME TO REBUILD

The Company shall, in the case of loss covered under this Policy, be liable also for loss to the interest covered by the Policy, occasioned by the 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 such loss occurs, which necessitates the demolition of any portion of the described building(s) not damaged by the covered peril(s). The Company shall also be liable for loss due to the additional period of time required for repair or reconstruction in conformity with the minimum standards of such ordinance or law of the building(s) described in this Policy damaged by a covered peril.

THE COMPANY SHALL NOT BE LIABLE UNDER THIS CLAUSE FOR:

a. More than the limit of liability as shown elsewhere in this Policy.

b. Any greater proportion of any loss to the interest covered by this Policy than the amount covered under this Policy on said interest bears to the total insurance and coverage on said interest, whether all such insurance contains this clause or not.

4. CONTINGENT TIME ELEMENT COVERAGE

Business interruption, rental income, tuition income and extra expense coverage provided by this Policy is extended to cover loss directly resulting from physical damage to property of the type not otherwise excluded by this Policy at direct supplier or direct customer locations that prevents a supplier of goods and/or services to the Named Insured from supplying such goods and/or services, or that prevents a recipient of goods and/or services from the Named Insured from accepting such goods and/or services. The coverage provided by this clause separately as respects each of these coverage's is sub-limited to USD as per Declaration Page.

5. TAX REVENUE INTERRUPTION

Except as hereinafter or heretofore excluded, this Policy insures against loss resulting directly from necessary interruption of sales, property or other tax revenue including, but not limited to Tribal Incremental Municipal Services Payments collected by or due the Named Insured caused by damage or destruction to property which is not operated by the Named Insured and which wholly or partially prevents the generation of revenue for the account of the Named Insured.

The Company shall be liable for the actual loss sustained 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.

If the Named Insured has reported Revenue Interruption values for which premium has been charged, such loss recovery after deductible shall be limited to whichever is the least of:

1. The sub-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.

If the Named Insured has not reported Revenue Interruption values, such loss recovery after deductible shall be limited to whichever is the least of:

1. The actual loss sustained;

2. USD5,000,000 per occurrence

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.

6. EXTENDED PERIOD OF INDEMNITY

Business interruption including rental income, tax interruption, tuition income and extra expense coverage provided by this Policy is extended for the additional length of time required to restore the business of the Named Insured to the condition that would have existed had no loss occurred commencing on either;

a. the date on which the Company's liability would otherwise terminate or;

b. 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 the number of days indicated in the Declaration Page for this item:

7. 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.

C. EXCLUSIONS

1. 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 caused by direct physical loss or damage covered by this policy and, then the Company shall only be liable for such loss as affects the Named Insured's earnings during and limited to, the period of indemnity covered under this Policy.

2. With respect to loss resulting from damage to or destruction of media for, or programming records pertaining to, electronic data processing or electronically controlled equipment, including data thereon, by the perils insured against, the length of time for which the Company shall be liable hereunder shall not exceed:

   i. Thirty (30) consecutive calendar days or the time required with exercise of due diligence and dispatch to reproduce the data thereon from duplicates or from originals of the previous generation, whichever is less; or,

   ii. the length of time that would be required to rebuild, repair or replace such other property herein described as has been damaged or destroyed, but not exceeding eighteen (18) calendar months, whichever is the greater length of time.

D. CONDITIONS APPLICABLE TO THIS SECTION

If the Named Insured 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 Named Insured's location or elsewhere;

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

E. DEFINITIONS

1. GROSS EARNINGS

"Gross Earnings" is defined as the sum of:

a. total net sales and;

b. other earnings derived from the operation of the business

less the cost of;

c. merchandise sold including packaging materials and;

d. materials and supplies consumed directly in supplying the service(s) sold by the Named Insured, and;

e. service(s) purchased from outside (not employees of the Named Insured) 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.

In the event that Real and/or Personal Property that does not normally produce an income, sustains damage covered under this policy, the actual recovery under this policy shall be the continuing fixed charges and expenses directly attributable to such non-productive property.

2. MERCHANDISE

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

3. 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 Named 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.

4. RENTAL VALUE

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

a. the total anticipated gross rental income from tenant occupancy as furnished and equipped by the Named Insured, and;

b. the amount of all charges which are the legal obligation of the tenant(s) and which would otherwise be obligations of the Named Insured, and;

c. the fair rental value of any portion of said property which is occupied by the Named Insured, and;

d. any amount in excess of a., b. and c. (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.

5. 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 damaged property should have been repaired, rebuilt or replaced with due diligence and dispatch, but not limited by the expiration of this policy.

SECTION IV
GENERAL CONDITIONS

A. 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.

B. EXCLUSIONS

This Policy does not insure against any of the following:

1. Loss or damage caused by or resulting from moths, vermin, termites, or other insects, inherent vice, latent defect, faulty materials, error in design, faulty workmanship, wear, tear or gradual deterioration, rust, corrosion, wet or dry rot, unless physical loss or damage not otherwise excluded herein ensues and then only for such ensuing loss or damage.

2. Physical loss or damage by normal settling, shrinkage or expansion in building or foundation.

3. Delay or loss of markets (this exclusion shall be inapplicable to the extent inconsistent with any time element coverage provided elsewhere herein).

4. Breakdown or derangement of machinery and/or steam boiler explosion, unless physical loss or damage not otherwise excluded herein ensues and then only for such ensuing loss.

5. Loss or damage caused by or resulting from misappropriation, conversion, inventory shortage, unexplained disappearance, infidelity or any dishonest act on the part of the Named Insured, 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.

6. 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 physical loss or damage not otherwise excluded herein ensues and then only for such ensuing loss. This exclusion does not apply to data processing equipment or media.

7. 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, and Flood, in the states of Alaska, or California shall only apply to locations that are scheduled for Earthquake Shock and Flood).

8. Loss or damage caused by rain, sleet or snow to personal property in the open (except in the custody of carriers or bailees for hire).

9. Loss caused directly or indirectly, by:

    a. War, hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack

i. by any government or sovereign power (de jure or de facto), or by any Authority maintaining or using military, naval or air forces; or
ii. by military, naval or air forces; or
iii. by an agent of any such government, power, authority or forces;

b. any weapon of war employing atomic fission or radioactive force whether in time of peace or war;

c. 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.

10. Nuclear reaction or nuclear radiation or radioactive contamination from any cause, all whether direct or indirect, controlled or uncontrolled, proximate or remote, or is contributed to or aggravated by a Covered Cause of Loss. However:

a. If fire not otherwise excluded results, the Company shall be liable for the direct physical loss or damage by such resulting fire, but not including, any loss or damage due to nuclear reaction, nuclear radiation, or radioactive contamination, and

b. This Policy does insure against physical loss or damage caused by sudden and accidental radioactive contamination, including resultant radiation damage, from material used or stored or from processes conducted on the Named Insured premises, provided that, at the time of such loss or damage, there is neither a nuclear reactor nor any new or used nuclear fuel on the Named Insured premises.

11. As respects course of construction, the following exclusions shall apply:

a. The cost of making good: faulty or defective workmanship, materials, construction and/or design, but this exclusion shall not apply to damage by a peril not excluded resulting from such faulty or defective workmanship, materials, construction and/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.

12. Loss or damage caused by Earthquake Shock unless a limit is shown on the Declarations for Earthquake Shock this exclusion will apply.

13. Loss or damage caused by Flood unless a limit is shown on the Declarations for Flood this exclusion will apply.

14. Loss, damage, cost, claim or expense, whether preventative, remedial or otherwise, directly or indirectly arising out of or relating to:

a. the recognition, interpretation, calculation, comparison, differentiation, sequencing or processing of data involving one or more dates or times, by any computer system, hardware, program or software, or any microchip, integrated circuit or similar device

in computer equipment or non-computer equipment, whether the property of the Named Insured or not; or

b. any change, alteration, correction or modification involving one or more dates or times, to any such computer system, hardware, program or software, or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the Named Insured or not.

Except as provided in the next paragraph, this Electronic Date Recognition Clause shall apply regardless of any other cause or event that contributes concurrently or in any sequence to the loss, damage, cost, claim or expense.

If direct physical loss or damage not otherwise excluded by this Policy results, then subject to all its terms and conditions, this Policy shall be liable only for such resulting loss or damage. Such resulting loss or damage shall not include physical loss or damage to data resulting directly from a) or b) above, nor the cost, claim or expense, whether preventative, remedial, or otherwise, arising out of or relating to any change, alteration, correction or modification relating to the ability of any damaged computer system, hardware, program or software, or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment to recognize, interpret, calculate, compare, differentiate sequence or process any data involving one or more dates or times.

15. Loss or damage in the form of, caused by, arising out of, contributed to, or resulting from fungus, mold(s), mildew or yeast; or any spores or toxins created or produced by or emanating from such fungus, mold(s), mildew or yeast;

a. fungus includes, but is not limited to, any of the plants or organisms belonging to the major group fungi, lacking chlorophyll, and including mold(s), rusts, mildews, smuts and mushrooms;

b. mold(s) includes, but is not limited to, any superficial growth produced on damp or decaying organic matter or on living organisms, and fungi that produce mold(s);

c. spores means any dormant or reproductive body produced by or arising or emanating out of any fungus, mold(s), mildew, plants, organisms or microorganisms,

regardless of any other cause or event that contributes concurrently or in any sequence to such loss.

This exclusion shall not apply to any loss or damage in the form of, caused by, contributed to or resulting from fungus, mold(s), mildew or yeast, or any spores or toxins created or produced by or emanating from such fungus, mold(s), mildew or yeast which the Insured establishes is a direct result of a Covered Loss not otherwise excluded by the Policy, provided that such fungus, mold(s), mildew or yeast loss or damage is reported to the Company within twelve months from the expiration date of the Policy.

16. 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.

17. The following additional exclusions apply to animals covered under this Policy:

a. Death of any animal(s) from natural causes.

b. Death of any animal(s) that dies from an unknown cause unless:

i. upon the death of such animal a post-mortem examination conducted on the animal by a licensed veterinarian, and if
ii. the veterinarian's post-mortem report shows the cause of death to clearly fall within the coverages of this Policy.

c. Death of any animal(s) as a result of surgical operation, including inoculation, unless the necessity for same arises from a loss otherwise covered by this Policy.

d. 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 a loss otherwise covered by this Policy.

e. The death of any animal(s) caused directly or indirectly by the neglect or abuse of the Named Insured, his agent, employees or bailees (carriers for hire excepted) unless such death is a result of a loss otherwise covered by this Policy.

f. The loss by death of any animal(s) as a result of parturition or abortion.

g. 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 depreciation is a result of a loss otherwise covered by this Policy.

h. 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.

i. The removal or disposal of the remains of any animal(s) or the expense thereof unless such removal or disposal is the result of a loss otherwise covered by this Policy.

j. The loss of any animal(s) that has been unnerved (the term "unnerved" to be considered as meaning the operation of neurotomy for lameness).

k. Any claim consequent upon delay, deterioration, or loss of use or loss of market arising from an event covered by this Policy.

18. 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. Except as provided in Section II Property Damage, B. Extension of Coverage, 21. Accidental Contamination.

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 Company 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 Named 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.

Notwithstanding the provisions of the preceding exclusions or any provision respecting seepage and/or pollution and/or contamination, and/or debris removal and/or cost of clean up in the Policy, 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 Named Insured; and/or;
(b) cost of clean up at the premises of the Named Insured 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.

19. Authorities Exclusion:

Fines, penalties or cost incurred or sustained by the Named Insured or imposed on the Named Insured at the order of any Government Agency, Court or other Authority, in connection with any kind or description of environmental impairment including seepage or pollution or contamination from any cause.

20. The following exclusion applies to Terrorism:

Any act of terrorism. An act of terrorism means an act, including but not limited to the use of the 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 purpose including the intention to influence any government and/or to put the public, or any section of the public, in fear.

This Policy 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 the paragraph above.

If the Company 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 Named Insured.

In the event any portion of this exclusion is found to be invalid or unenforceable, the remainder shall remain in full force and effect. All other terms and conditions remain unaltered.

C. STATUTES

If any of the articles of this Policy conflict with the laws or statutes of any jurisdictions in which this Policy applies this Policy is amended to conform to such laws or statutes.

D. TERRITORIAL LIMITS

This Policy insures Real and Personal Property within the United States of America. Personal Property is extended to Worldwide coverage. The coverage provided by this clause for Personal Property is sub-limited to USD as per Declaration Page.

E. 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 the perils of Earthquake Shock and Flood.

F. FREE ON BOARD (F.O.B.) SHIPMENTS

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

G. BREACH OF CONDITIONS

If any breach of a clause, condition or warranty of this 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 Named 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 Named Insured from recovering under this Policy.

H. PERMITS AND PRIVILEGES

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

1. to maintain present hazards and hazards which are consistent with the current operation of insured facilities;

2. 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;

3. 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;

4. to be or become vacant or unoccupied. If a building becomes vacant or unoccupied, notice is to be given to the Company prior to the one-hundred twentieth (120th) consecutive day of vacancy or lack of occupancy. The giving, or failure to give such notice will not constitute a condition precedent to the Company's liability, but the Named Insured shall make a reasonable effort to comply with such requirement.

This Policy shall not be prejudiced by:

1. any 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 Named Insured;

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

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

I. PROTECTIVE SAFEGUARDS

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

J. NOTICE OF LOSS

In the event of loss or damage insured against under this Policy, the Named Insured shall give notice thereof to ALLIANT INSURANCE SERVICES, INC., 100 Pine Street, 11th Floor, San Francisco, CA 94111-1073. TEL NO. (877) 725-7695, FAX NO. (415) 403-1466 of such loss. Such notice is to be made as soon as practicable upon knowledge within the risk management or finance division of the insured that a loss has occurred.

K. ARBITRATION OF VALUE

In case the Named 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 Named 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.

L. PROOF OF LOSS

The Named 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 Named Insured and of all others in the property, the value thereof and the amount of loss or damage thereto.

M. SUBROGATION

In the event of any loss payment under this Policy, the Company, shall be subrogated to all the Named Insured's rights of recovery thereof against any person or organization and the Named 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 Named 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.

Notwithstanding the above wording, the Named Insured has the right to enter into an agreement that releases or waives the Named Insured's right to recovery against third parties responsible for the loss if made before the loss occurred.

N. CANCELLATION

This Policy may be cancelled by the Named 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 Named Insured or by mailing to the Named Insured, by registered, certified or other first class mail at the Named Insured's address as shown in this Policy, written notice, not less than ninety (90) days prior to the effective date of cancellation. 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 Named Insured ten (10) days notice.

If this insurance in total shall be cancelled by the Named Insured, the Company shall retain the customary short rate proportion of the premium hereon. If the Company 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 Named 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 affect coverage on any shipment in transit on date of cancellation. Coverage will continue in full force until such property is safely delivered and accepted at place of final destination.

It is understood and agreed that if the Named Insured cancels this Policy, the Policy is subject to 25% minimum earned premium regardless of the length of time coverage is in force.

O. ABANDONMENT

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

P. ASSIGNMENT

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

Q. 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. The salvage value will be deducted from the claim or returned to the Company.

R. OTHER INSURANCE

Permission is hereby granted to the Named 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, the other insurance 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.

S. EXCESS INSURANCE

Permission is granted for the Named 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(s) by reason of loss(es) hereunder, this Policy shall:

1. in the event of reduction, pay out excess of the reduced underlying limit and;

2. in the event of exhaustion, continue in force as the underlying Policy.

T. RIGHT TO REVIEW RECORDS FOLLOWING AN INSURED LOSS

The Named 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.

U. CONCEALMENT AND FRAUD

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

V. FULL WAIVER

The terms and conditions of this form and any approved endorsements supersede any policy jacket that may be attached hereto.

W. SUIT AGAINST COMPANY

No suit, action or proceeding for the recovery of any claim under this Policy shall be sustainable in any court of law or equity unless the Named Insured shall have complied with all the requirements of this Policy, nor unless the suit is commenced within twelve (12) months after the date that the Company has made its final offer of settlement or denial of the loss. However, that if under the laws of the jurisdiction in which the property is located such limitation is invalid, then any such claims shall be void unless such action, suit or proceedings be commenced within the shortest limit of time permitted by the laws of such jurisdiction.

X. JOINT LOSS ADJUSTMENT – BOILER & MACHINERY

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, and there is a disagreement between the Company and the Named Insured with respect to:

(1) Whether such damage or destruction was caused by a peril covered against by this Policy or by an accident covered 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 in a loss that is covered against, partially or wholly, by one or all of said policy(ies).

The Company shall, upon written request of the Named Insured, pay to the Named Insured one-half of the amount of the loss which is in disagreement, but in no event more than the Company would have paid if there had been no boiler and machinery insurance 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 Named Insured and the Boiler and Machinery Insurer and the Company is limited to the minimum amount remaining payable under either the boiler and machinery insurance policy(ies).

(2) The boiler and machinery insurer(s) shall simultaneously pay to the Named Insured, one-half of the said amount, which is in disagreement.

(3) The payments by the Company and acceptance of the same by the Named 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 insurer(s) and the Named Insured and that judgment upon such award may be entered in any court of competent jurisdiction.

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

(5) This agreement shall be null and void unless the Policy of the boiler and machinery Insurer is similarly endorsed.

In no event shall an Insurer be obligated to pay more than their total single limit.

Y. JOINT LOSS ADJUSTMENT – EXCESS PROPERTY

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).

The Company shall, upon written request of the Named Insured, pay to the Named Insured one-half of the amount of the loss which is in disagreement, but in no event more than the 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 Named Insured and the Company 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 Named Insured one-half of the said amount which is in disagreement, and;

(3) the payments by the Company hereunder and acceptance of the same by the Named 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 excess insurer(s) and one of whom shall be appointed by the Company and the third appointed by consent of the other two, and the decision by the arbitrators shall be binding on the Company and the Named Insured, and that judgment upon such award may be entered in any court of competent jurisdiction.

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

Z. LENDER'S LOSS PAYABLE

The following provisions (or equivalent) apply as required by "mortgages" and "lenders" to whom certificates of coverage have been issued.

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 here from, 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 Named 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, the 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 Named 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 therefore. 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 the Company shall pay to the Lender any sum for loss or damage under this policy and shall claim that as to the Named Insured no liability therefore exists, the 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 Named Insured, whether secured or unsecured, (with refund of all interest not accrued), and the 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, the 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 Named 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 the 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. The 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 there under 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 Named 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 given 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

AA. SEVERAL LIABILITY NOTICE

The subscribing insurers' obligations under contracts of insurance to which they subscribe are several, not joint and are limited solely to the extent of their individual subscriptions. The subscribing insurers are not responsible for the subscription of any co-subscribing insurer who for any reason does not satisfy all or part of its obligations.

AB. LOSS PAYABLE PROVISIONS

A. LOSS PAYABLE

For covered property in which both insured and a Loss Payee have an insurable interest, the Company will:

1. Adjust losses with the Named Insured, and;

2. Pay any claim for loss or their damage jointly to the Named Insured and the Loss Payee, as interests may appear.

B. LENDER'S LOSS PAYABLE

1. The Loss Payee is a creditor, including a mortgage holder or trustee, whose interest in Covered Property is established by such written instruments as:

   a. Warehouse receipts;
   b. A contract for deed;
   c. Bills of lading;
   d. Financing statements or;
   e. Mortgages, deeds of trust or security agreements.

2. For Covered Property in which both the Named Insured and a Loss Payee have an insurable interest:

   a. We will pay for covered loss or damage to each Loss Payee in their order of precedence, as interests may appear.
   b. The Loss Payee has the right to receive loss payment even if the Loss Payee has started foreclosure or similar action on the Covered Property.
   c. If the Company deny the Named Insured claim because of the insured act or because the Named Insured have failed to comply with the terms of the Coverage Part, the Loss Payee will still have the right to receive loss payment if the Loss Payee:

      (1) Pays any premium due under this Coverage Part at our request if the Named Insured have failed to do so;

(2) Submits a signed, sworn proof of loss within ninety (90) days after receiving notice from us of the Named Insured failure to do so, and;

(3) Has notified us of any change in ownership, occupancy or substantial change in risk known to the Loss Payee.

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

d. If the Company pays the Loss Payee for any loss or damage and deny payment to the Named Insured because of the Named Insured acts or because the Named Insured have failed to comply with the terms of this Coverage Part:

(1) The Loss Payee's rights will be transferred to us to the extent of the amount the Company pays and;

(2) The Loss Payee's rights to recover the full amount of the Loss Payee's claim will not be impaired.

At our option, the Company may pay to the Loss Payee the whole principal on the debt plus any accrued interest. In this event, the Named Insured will pay the insureds' remaining debt to us.

3. If the Company cancels this policy, the Company will give written notice to the Loss Payee at least:

a. Ten (10) days before the effective date of cancellation if the Company cancels for the insured non-payment of premium or;

b. Thirty (30) days before the effective date of cancellation if the Company cancels for any other reason.

4. If the Company elects not to renew this policy, the Company will give written notice to the Loss Payee at least ten (10) days before the expiration date of this policy.

C. CONTRACT OF SALE

1. The Loss Payee is a person or organization the Named Insured have entered a contract with for the sale of Covered Property.

2. For Covered Property in which both the Named Insured and the Loss Payee have an insurable interest the Company will:

a. Adjust losses with the Named Insured and;

b. Pay any claim for loss or damage jointly to the Named Insured and the Loss Payee, as interests may appear.

3. The following is added to the OTHER INSURANCE Condition:

For Covered Property that is the subject of a contract of sale, the word "the Insured" includes the Loss Payee.

AC. ELECTRONIC DATA

1. Electronic Data Exclusion

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

a. This Policy 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 program, 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 unauthorized instructions or code including a set of maliciously introduced unauthorized 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 Policy, subject to all its terms, conditions and exclusions will cover physical damage occurring during the Policy period to property insured by this Policy directly caused by such listed peril.

Listed Perils
Fire Explosion

2. Electronic Data Processing Media Valuation

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

Should electronic data processing media insured by this Policy suffer physical loss or damage insured by this Policy, then the basis of valuation shall be the cost to repair, replace or restore such media to the condition that existed immediately prior to such loss or damage, including the cost of reproducing any ELECTRONIC DATA contained thereon, providing such media is repaired, replaced or restored. Such cost of reproduction shall include all reasonable and necessary amounts, not to exceed USD10,000,000 any one loss, incurred by the Named Insured in recreating, gathering and 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 Policy does not insure any amount pertaining to the value of such ELECTRONIC DATA to the Named Insured or any other party, even if such ELECTRONIC DATA cannot be recreated, gathered or assembled.

AD. LOSS ADJUSTMENT SERVICES

McLarens Young, International, 180 Montgomery Street, Suite 2100, San Francisco, California 94104-4231 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.

However, the Company reserves the right to utilize other adjusting firms at its discretion.

AE. SERVICE OF SUIT CLAUSE (USA) APPLICABLE TO EXCESS CARRIERS

It is agreed that in the event of the failure of the Underwriters hereon to pay any amount claimed to be due hereunder, the Underwriters hereon, at the request of the Named Insured (or Reinsured), will submit to the jurisdiction of a Court of competent jurisdiction within the United States. Nothing in this Clause constitutes or should be understood to constitute a waiver of Underwriters' 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 to 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:

1. FLWA Service Corp, c/o Foley and Lardner LLP, 555 California Street, Suite 1700, San Francisco, CA 94104-1520 (applicable to all markets except as noted below)
2. Counsel, Legal Department, Lexington Insurance Company, 99 High Street, Boston, Massachusetts, 02110 (applicable to Lexington Insurance Company)

and that in any suit instituted against any one of them upon this contract, Underwriters will abide by the final decision of such Court or of any Appellate Court in the event of an appeal.

The above-named are authorized and directed to accept service of process on behalf of Underwriters in any such suit and/or upon the request of the Insured (or Reinsured) to give a written undertaking to the Insured (or Reinsured) that they will enter a general appearance upon Underwriters' behalf in the event such a suit shall be instituted.

Further, pursuant to any statute of any state, territory or district of the United States which makes provision therefore, Underwriters hereon hereby designate 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 their 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 Reinsured) or any beneficiary hereunder arising out of this contract of insurance (or reinsurance), and hereby designate the above-named as the person to whom the said officer is authorized to mail such process or a true copy thereof.

NMA1998 (amended)

AF. DEFINITIONS

1. OCCURRENCE

Each occurrence is defined as a loss, incident or series of losses or incidents not otherwise excluded by this Policy and arising out of a single event or originating cause and includes all resultant or concomitant insured losses. When the term applies to loss or losses from earthquake shock, flood and/or windstorm, the following provisions shall apply:

a. Windstorm

Each loss by windstorm shall constitute a single claim hereunder; provided, if more than one windstorm shall occur within any period of seventy-two (72) hours during the term of this Policy, such windstorm shall be deemed to be a single windstorm within the meaning thereof. The Named Insured may elect the moment from which each of the aforesaid periods of seventy-two (72) hours shall be deemed to have commenced but no two such seventy-two (72) 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 seventy-two (72) hours after the expiration of this Policy provided that the first windstorm loss or damage within that seventy-two (72) 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 Named Insured and the Company as to whether or not all windstorm losses sustained by the Named Insured during an elected period of seventy-two (72) hours arose out of, or was caused by a single atmospheric disturbance, the stated opinion of the National Weather Service 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.

b. Flood

Each loss by flood shall constitute a single loss hereunder.

1. 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;

2. 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:

1. overflow of inland or tidal water;

2. unusual and rapid accumulation or run off of surface waters from any natural source.

Flood shall also mean mudslide or mudflow, which is a river or flow of liquid mud caused by flooding as defined in 1. or 2. above.

The definition of flood does not include ensuing loss or damage by fire, explosion, or sprinkler leakage.

c. Flood Zone A and V

Flood zones A and V as referenced in this policy is defined by FEMA as being inclusive of all 100 year high risk flood areas. A one-hundred-year flood is a flood event that has a 1% probability of occurring in any given year.

d. 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 Named 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 Named Insured and the Company as to whether or not all earthquake shock losses sustained by the Named Insured 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 meaning natural faulting of land masses, but not including subsidence, landslide, rock slide, earth rising, earth sinking, earth shifting or settling unless as a direct result of such earth movement. The definition of earthquake shock does not include ensuing loss or damage 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.

2. PERSONAL PROPERTY OF OTHERS

Means, any property (other than real property) belonging to others for which a Named Insured has assumed liability. This includes but is not limited to:

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

3. IMPROVEMENTS AND BETTERMENTS

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

4. VALUABLE PAPERS AND RECORDS

Means, all inscribed, printed, or written; documents, manuscripts or records; including but not limited to abstracts, books, deeds, drawing, films, maps, or mortgages. Valuable Papers are not money, securities, stamps or converted data program or instructions used in the Named Insured's data processing operations including the materials on which data is recorded.

5. TIER I WINDSTORM COUNTIES

State	Tier I Counties, Parishes or Independent Cities
Alabama	Baldwin, Mobile
Florida	Entire State, All Counties
Georgia	Bryan, Camden, Chatham, Glynn, Liberty, McIntosh,
Hawaii	Entire State, All Counties
Louisiana	Assumption, Calcasieu, Cameron, Iberia, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion
Mississippi	Hancock, Harrison, Jackson
North Carolina	Beaufort, Bertie, Brunswick, Camden, Carteret, Chowan, Columbus, Craven, Currituck, Dare, Hyde, Jones, New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrell, Washington
South Carolina	Beaufort, Berkley, Charleston, Colleton, Georgetown, Horry, Jasper
Texas	Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Harris (entire County), Jackson, Jefferson, Kenedy, Kleberg, Liberty, Matagorda, Newton, Nueces, Orange, Refugio, San Patricio, Victoria, Willacy
Virginia	Accomack, Charles City, Chesapeake City, Gloucester, Hampton City, Isle of Wight, James City, Lancaster, Mathews, Middlesex, New Kent, Newport News, Norfolk City, Northampton, Northumberland, Poquoson City, Portsmouth City, Prince George, Suffolk City, Sussex, Surry, Virginia Beach City, Westmoreland, Williamsburg City, York

AG. ADDITIONAL INSURED'S / LOSS PAYEES

It is hereby understood and agreed that the interest of Additional Insured's and/or Loss Payees is automatically included, as per schedule held on file with Alliant Insurance Services, Inc.

SECTION V

FINE ARTS

A. COVERAGE

This policy insures against all risks of physical loss of or damage except as hereafter excluded occurring during the policy period to fine arts, which are the property of the Named Insured or the property of others in the custody or control of the Named Insured while on exhibition or otherwise within the limits of the United States.

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.

1. PROPERTY COVERED

Objects of art of every kind and description, and property incidental thereto, which are the property of the Named Insured, or the property of others in the custody and control of the Named Insured, or in transit at the Named Insured's risk, and property in which the Named Insured shall have a fractional ownership interest which are owned by or have been leased, loaned, rented or otherwise made available to the Named Insured. "Property" shall mean paintings, drawings, etchings, prints, rare books, manuscripts, rugs, tapestries, furniture, pictures, bronzes, potteries, porcelains, marbles 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 Named Insured, or in the care, custody or control of the Named Insured, and their frames, glazing and shadow boxes.

2. "WALL TO WALL" ("NAIL TO NAIL") COVERAGE

This Section covers the Named Insured'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.

B. EXCLUSIONS

1. 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;

2. Loss or damage caused by or resulting from:

   a. War, hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack;

i. by any government or sovereign power (de jure or de facto), or by any authority maintaining or using military, naval or air forces or;
ii. by military, naval or air forces; or
iii. by an agent of any such government, power, authority or forces;

b. Any weapon of war employing atomic fission or radioactive force whether in time of peace or war;

c. 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.

3. Nuclear reaction or nuclear radiation or radioactive contamination from any cause, all whether direct or indirect, controlled or uncontrolled, proximate or remote, or is contributed to or aggravated by a Covered Cause of Loss. However:

a. If fire not otherwise excluded results, the Company shall be liable for the direct physical loss or damage by such resulting fire, but not including, any loss or damage due to nuclear reaction, nuclear radiation, or radioactive contamination, and

b. This Policy does insure against physical loss or damage caused by sudden and accidental radioactive contamination, including resultant radiation damage, from material used or stored or from processes conducted on the Named Insured premises, provided that, at the time of such loss or damage, there is neither a nuclear reactor nor any new or used nuclear fuel on the Named Insured premises.

4. Any dishonest, fraudulent or criminal act by the Named Insured, a partner therein or an officer, director employee or trustee thereof, whether acting alone or in collusion with others.

For the purpose of this exclusion an act of vandalism or malicious damage by an employee shall not constitute a dishonest, fraudulent or criminal act.

C. LOSS PAYMENT BASIS / VALUATION

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

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

b. Property of others loaned to the Named Insured and for which the Named Insured may be legally liable, or which the Named Insured has been instructed to insure, shall be covered for and valued at the amount agreed upon for each article by the Named Insured and owner(s) as recorded on the books and records of the Named Insured prior to loss.

c. 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 Named 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.

D. SPECIAL CONDITIONS

1. Misrepresentation and Fraud: This entire Section shall be void if, whether before or after a loss, the Named Insured has concealed or misrepresented any material fact or circumstance concerning this Policy or the subject thereof, or the interest of the Named Insured therein, or in case of any fraud or false swearing by the Named Insured relating thereto.

2. Notice of Loss: The Named 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 Section 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 Named 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, Named Insured 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 Named Insured 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 Named 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 Named 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 Named Insured has collected the same from others.

5. No Benefit to Bailee: This Section 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 Named Insured shall acquire any right of action against any individual, firm or corporation for loss of, or damage to, property covered hereunder, the Named 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 Named Insured's name under the direction of and at the expense of the Company.

7. Loss Clause: Any loss hereunder shall not reduce the amount of this Section, except in the event of payment of claim for total loss of an item specifically scheduled hereon.

8. Protection and Preservation of Property: In case of actual or imminent physical loss or damage of the type insured against by this Policy, the expenses incurred by the Named Insured in taking reasonable and necessary actions for the temporary protection and preservation of property insured hereunder shall be added to the total physical loss or damage otherwise recoverable under the Policy and be subject to the applicable deductible and without increase in the limit provisions contained in this Policy.

9. Appraisal: If the Named 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 Named 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 fair market 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 Named Insured and the Company shall each pay their chosen appraiser and shall bear equally the other expenses of the appraisal and umpire. The Named 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. 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 Named Insured from asserting any right under the terms of this Section, nor shall the terms of this Section be waived or changed except by endorsement issued to form a part of this Section.

12. Additional Covered Party(ies): Corporations, associations, firms, institutions, museums, persons and others who own or control collections, objects or articles who make them available to the Named Insured, and temporary borrowers or custodians (but not carriers, packers or shippers) of property covered, are additional Named Insured(s) hereunder, but only as respects coverage afforded to said Named Insured's property.

13. Packing: It is agreed by the Named Insured that the property covered hereunder be packed and unpacked by competent packers.

14. Other Insurance: This fine arts floater 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.

15. 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 Named Insured the full amount of the value of such set and the Named Insured agrees to surrender the remaining article or articles of the set to the Company.

SECTION VI

CONTRACTORS EQUIPMENT

A. COVERAGE

This Policy insures contractors equipment, whether self propelled or not, 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 similar nature, and not subject to motor vehicle registration.

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.

B. PERILS EXCLUDED

This Section insures against all risks of direct physical loss or damage occurring during the policy period to the above described property from any external cause except as provided below.

1. Loss or damage due to wear, tear, rust, corrosion, latent defect, mechanical breakage or improper assemblage.

2. Loss or damage due to the weight of the load imposed on the machine exceeding the capacity for which such machine was designed.

3. 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).

4. Loss or damage due to explosion arising from within steam boilers.

5. 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.

6. Loss or damage due to dishonesty of Named Insured's employees or persons to whom the Named Insured's property is entrusted.

7. Loss or damage caused by or contributed to failure of the Named Insured to keep and maintain the property in a thorough state of repair.

8. Loss or damage caused by or resulting from:

    a. War, hostile or warlike action in time of peace or, including action in hindering, combating or defending against an actual, impending or expected attack;

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

ii. any military, naval or air forces or;
iii. by an agent of any such government, power, authority or forces;

b. any weapon of war employing atomic fission or radioactive force whether in time of peace or war;

c. 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;

9. 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.

C. PROPERTY EXCLUDED

1. Automobiles, motorcycles, motor trucks, or parts thereof.
2. Buildings
3. 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.
4. Property that is located underground.
5. Property while waterborne except while being transported on any regular ferry.
6. The storage risk of property not owned or required to be insured by the Named Insured at premises controlled or leased by the Named Insured, except where incidental to the regular or frequent use of the equipment or property.
7. Plans, blue prints, designs or specifications.

D. LOSS PAYMENT BASIS / VALUATION

On Contractors Equipment (whether self propelled or not), on or off premises, where Replacement Cost (New) values are specified, loss or damage shall be based on 100% of the Replacement Cost (New) at the time of loss. Partial losses shall be based on the cost of repairing or replacing the damaged portion, up to the fair market value of the Contractors Equipment. However, should these costs exceed the fair market value then recovery shall be based upon the Replacement Cost (New).

If the values, provided by the Named Insured, provides a valuation based on replacement cost, then recovery will be on the same basis, if replaced. If not replaced, the basis of recovery shall be actual cash value.

E. SPECIAL CONDITIONS

This section covers property only within the limits of the United States of America.
It is a condition of this Policy that all articles covered hereunder are in sound condition at the time of attachment of this Policy.

SECTION VII

ACCOUNTS RECEIVABLE

A. COVERAGE

This Policy covers the loss of or damage resulting from insured perils to the Named Insured's records of accounts receivable as defined below, occurring during the Policy period.

B. EXCLUSIONS

In addition to the exclusions in the General Conditions, this coverage does not apply:

1. To loss due to any fraudulent, dishonest or criminal act by the Named Insured, a partner therein, or an officer, director, employee or trustee thereof, while working or otherwise and whether acting alone or in collusion with others.

   For the purpose of this exclusion an act of vandalism or malicious damage by an employee shall not constitute a dishonest, fraudulent or criminal act.

2. To loss due to bookkeeping, accounting or billing errors or omissions.

3. 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 Named Insured can prove through evidence wholly apart therefrom, is due solely to a risk of loss to records of accounts receivable not otherwise excluded hereunder.

4. 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.

C. LOSS PAYMENT BASIS / VALUATION

When there is proof that a loss covered by this Policy has occurred but the Named 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 Named Insured's monthly statements and shall be computed as follows:

a. Determine the amount of all outstanding accounts receivable at the end of the same fiscal month in the year immediately proceeding the year in which the loss occurs;

b. 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;

c. The amount determined under (a) above, increased or decreased by the percentage calculated under (b) above, shall be the agreed total amount of accounts receivable as of the last day of the fiscal month in which said loss occurs;

d. The amount determined under (c) 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 Named Insured, and an amount to allow for probable bad debts which would normally have been uncollectible by the Named Insured. All unearned interest and service charges shall be deducted.

D. DEFINITIONS:

ACCOUNTS RECEIVABLE

a. All sums due to the Named Insured from customers provided the Named Insured is unable to effect collection thereof as the direct result of loss or damage to records of accounts receivable.

b. Interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage.

c. Collection expense in excess of normal collection cost and made necessary because of such loss or damage.

d. Other expenses, when reasonably incurred by the Named Insured, in re-establishing records of accounts receivable following such loss or damage.

SECTION VIII

UNMANNED AIRCRAFT

A. COVERAGE

This Policy insures only **Unmanned Aircraft,** that are usual to your business that you own or are required to insure, to pay for any physical damage loss sustained while not **In Flight** or **In Motion** and which are not the result of fire or explosion following crash or collision while the **Unmanned Aircraft** was **In Flight** or **In Motion** that are:

(1) Listed on the schedule which is a part of this policy or which is on file with us;

(2) Unscheduled but for an amount not to exceed the limit shown on the Declarations

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.

B. PERILS EXCLUDED

This Section insures against all risks of direct physical loss or damage occurring during the policy period to **Unmanned Aircraft** from any external cause except as provided below.

1. Loss or damage due to the **Unmanned Aircraft** being **In Flight** or **In Motion** including during propulsion system startup or any time the propulsion system is operating.

2. Loss or damage due to wear, tear, rust, corrosion, latent defect, mechanical breakage, freezing or improper assemblage.

3. Loss or damage due to the weight of the load imposed on the **Unmanned Aircraft** exceeding the capacity for which such **Unmanned Aircraft** was designed.

4. Loss or damage to tires except where such loss or damage is caused by fire, theft, windstorm or vandalism or is the direct result of physical damage covered by this policy.

5. Loss or damage to **Unmanned Aircraft** while being worked upon except for direct loss or damage caused by resulting fire or explosion.

6. 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.

7. Loss or damage due to conversion, embezzlement or secretion by any person or organization with legal right to possession of such **Unmanned Aircraft** under bailment, lease, conditional sale, purchase agreement, mortgage or other legal agreement that governs the use, sale or lease of the **Unmanned Aircraft**, nor for any loss or damage during or resulting therefrom.

8. Loss or damage due to dishonesty of Named Insured's employees or persons to whom the Named Insured's property is entrusted**.**

9. Loss or damage caused by or contributed to failure of the Named Insured to keep and maintain the property in a thorough state of repair.

10. Loss or damage caused by or resulting from:

a. War, hostile or warlike action in time of peace or, including action in hindering, combating or defending against an actual, impending or expected attack,

i. by any government or sovereign power (de jure or de facto) or by any authority maintaining using military, naval or air forces; or
ii. any military, naval or air forces; or
iii. by an agent of any such government, power, authority or forces;

b. any weapon of war employing atomic fission or radioactive force whether in time of peace or war;

c. 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. PROPERTY EXCLUDED

1. **Unmanned Aircraft** that are located in underground mines, caverns or underground storage facilities.

2. **Unmanned Aircraft** while waterborne except while being transported on any regular ferry.

3. The storage risk of **Unmanned Aircraft** not owned or required to be insured by the Named Insured at premises controlled or leased by the Named Insured, except where incidental to the regular or frequent use of the equipment or property.

D. LOSS PAYMENT BASIS / VALUATION

On **Unmanned Aircraft**, on or off premises, where Replacement Cost (New) values are specified, loss or damage shall be based on 100% of the Replacement Cost (New) at the time of loss. Partial losses shall be based on the cost of repairing or replacing the damaged portion, up to the fair market value of the **Unmanned Aircraft**. However, should these costs exceed the fair market value then recovery shall be based upon the Replacement Cost (New).

If the values, provided by the Named Insured, provides a valuation based on replacement cost, then recovery will be on the same basis, if replaced. If not replaced, the basis of recovery shall be actual cash value.

E. SPECIAL CONDITIONS

This section covers property only within the limits of the United States of America.

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

F. DEFINITIONS

1. UNMANNED AIRCRAFT

Means a powered aerial vehicle that does not carry a human operator, uses aerodynamic forces to provide vehicle lift, can fly autonomously or be piloted remotely, is recoverable and in some cases can carry a non-lethal payload including the propulsion system and equipment usually installed in the vehicle (1) while installed in the vehicle, (2) while temporarily removed from the vehicle and (3) while removed from the aircraft for replacement until such time as replacement by a similar item has commenced; also tools and equipment which are specially designed for the aircraft and which are ordinarily carried therein.

2. IN FLIGHT

Means, with respect to fixed wing **Unmanned Aircraft,** the time commencing with the actual take-off run or launch and continuing thereafter until it has completed its landing run; or capture; and if the **Unmanned Aircraft** is a rotorcraft, from the time the rotors start to revolve under power for the purpose of flight until they subsequently cease to revolve after landing; and if the **Unmanned Aircraft** is a balloon, while it is inflated or being inflated or deflated.

3. IN MOTION

Means while the **Unmanned Aircraft** is moving under its own power or the momentum generated therefrom or while it is **In Flight** and, if the **Unmanned Aircraft** is a rotorcraft, any time the rotors are rotating or while it is **In Flight** and, if the **Unmanned Aircraft** is a glider or balloon, any time it is being transported, towed or while it is **In Flight.**

SECTION IX

BOILER AND MACHINERY BREAKDOWN EXTENSION

1. Perils Insured

In consideration of the premium paid and subject to the terms, conditions and Exclusions of the policy to which this Extension is attached, and to the following terms and conditions, this Insurance is extended to cover direct damage to Covered Property caused by a Covered Cause of Loss.

2. Additional Coverage

(a) Hazardous Substance

The additional expense incurred for cleanup, repair or replacement or disposal of damaged, contaminated or polluted property as a result of an Accident, which causes property to become damaged, contaminated or polluted by a substance declared hazardous to health by an authorized governmental agency. The coverage provided by this clause is sub-limited to USD as per Declaration Page. For the purpose of this coverage "Additional expense" means any expense that would not have incurred, if no substance hazardous to health had been involved in the accident

(b) Ammonia Contamination

The loss, including salvage expense, incurred with respect to damage by ammonia contacting or permeating property under refrigeration or in process requiring refrigeration, as a result of any one Accident to one or more Objects. The coverage provided by this clause is sub-limited to USD as per Declaration Page.

(c) Water Damage

The loss, including salvage expense, with respect to property damaged by water, resulting from any one Accident. The coverage provided by this clause is sub-limited to USD as per Declaration Page.

(d) Media Coverage

The loss to all forms of electronic, magnetic and optical tapes and discs used in any electronic computer or electronic data processing equipment directly damaged by an Accident to an Object. The coverage provided by this clause is sub-limited to USD as per Declaration Page. For the purpose of this coverage, the valuation basis for "Media" is as follows:

i. For "Media" that are mass-produced and commercially available, at the replacement cost.
ii. For all other "Media", at the cost of blank material for reproducing the records.

(e) Consequential Damage

The "Consequential Damage" to refrigerated and frozen goods of the Named Insured or for which the Named Insured is legally liable or under the Named Insured's care, custody or control caused solely by an Accident to an Object. For the purpose of this coverage, "Consequential Damage" is defined as loss due to spoilage from lack of power, light, heat, steam or refrigeration, resulting from Accident. The coverage provided by this clause is sub-limited to USD as per Declaration Page.

(f) Utility Interruption

The loss caused by an Accident to an Object that is owned, operated or controlled by a public or private entity that the Named Insured has contracted with to furnish them with electrical utility service including all direct electrical suppliers. The coverage provided by this clause is sub-limited to USD as per Declaration Page.

(g) CFC Refrigerants and Halon

The replacement of any CFC (chlorofluorocarbon) refrigerant used in refrigeration or air conditioning equipment or Halon used in a fire suppression system due to an "Accident" to an Object.

(h) Ordinance or Law

If an Accident to an Object at the Named Insured's location damages a building that is "Covered Property", the Company will pay for

i. Loss to the Undamaged Portion of the Building, meaning loss to the undamaged portion of the building caused by enforcement of any ordinance or law that:

   a. Requires the demolition of parts of the same building not damaged by the Accident to an Object; or
   b. Regulates the construction or repair of buildings, or establishes zoning or land use requirements at the location of the building.

ii. Demolition Cost meaning the cost to demolish and clear the site of undamaged parts of the building, caused by the enforcement of building, zoning, or land ordinance or use.

iii. Increased Cost of Construction, meaning the increased cost to:

   a. Repair or reconstruct damaged portions of the building; and
   b. Reconstruct or remodel undamaged portions of the building whether or not demolition is required;

   when the increased cost is a consequence of enforcement of building, zoning or land use ordinance or law. But the Company will only pay for this increased cost if the building is repaired, reconstructed or remodeled. Also, if the building is repaired, reconstructed or remodeled, it must be intended for similar occupancy as the current building, unless such occupancy is not permitted by zoning or land use ordinance or law.

   Insurance under this section only applies with respect to ordinance or law that is in force at the time of the Accident to an Object. Insurance under this section does not apply to:

a. Costs associated with the enforcement of any ordinance or law which requires any Named Insured or others to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize, or in any way respond to, or assess the effects of substances declared to be hazardous to health by a governmental agency; or

b. Loss due to any ordinance or law that:

i. The Named Insured was required to comply with before the Accident to an Object even if the building was undamaged; and
ii. The Named Insured failed to comply with.

The coverage provided by this clause is sub-limited to USD as per Declaration Page.

3. Definition of Accident

Accident shall mean a sudden and accidental breakdown of the Object, or a part thereof, which manifests itself at the time of it occurrence by physical damage to the Object that necessitates repair or replacement of the Object or part thereof; but Accident shall not mean:

a. depletion, deterioration, corrosion , or erosion of material;
b. wear and tear;
c. leakage at any valve, fitting, shaft seal, gland packing, joint or connection;
d. the breakdown of any vacuum tube, gas tube or brush;
e. the breakdown of any structure or foundation supporting the Object or any part thereof;
f. the functioning of any safety device or protective device.

4. Definition of Object

Except as otherwise specifically designated herein, Object as described below shall mean any equipment or apparatus which is owned by, leased by or operated under the control of the Named Insured subject to the Exclusions and Special Provisions specified herein:

a. Any boiler, any fired vessel, any unfired vessel subject to vacuum or internal pressure other than static pressure of contents, any refrigerating and air conditioning vessels, or any piping and its accessory equipment, but such Object shall not include:

1. Any boiler setting, any insulating or refractory material,

2. Any sewer piping, any underground gas piping, any piping forming a part of a sprinkler system or any water piping other than

(a) Feed water piping between any boiler and its feed pumps or injectors
(b) Boiler condensate returning piping

b. Any mechanical or electrical machine or electrical apparatus used for the generation, transmission or utilization of mechanical or electrical power, but Object shall not include

1. Any structure or foundation other than a bedplate of a machine,

2. Any vehicle, elevator, crane, hoist, power shovel or drag line, but not excluding any electrical equipment used with said machine or apparatus,

3. Any refractory material, or

4. Any penstock or draft tube.

5. Covered Cause of Loss

A Covered Cause of Loss is an "Accident" to an Object insured hereon. An Object must be in use or connected ready for use at the time of the Accident.

6. Covered Property

Covered Property, as used in this Extension, means any property that:

a. The Named Insured owns; or
b. Is in the Named Insured's care, custody or control and for which they are legally liable

7. Special Provisions

a. As respects any boiler, fired or unfired vessel, refrigerating system or piping, the Company shall not be liable for loss from an Accident while said Object is undergoing a hydrostatic, pneumatic or gas pressure test that exceeds manufacturers recommended limits.

b. As respects any boiler of fired vessel, the Company shall not be liable for loss from an explosion of gas or unconsumed fuel within the furnace of such Object or within the passages from the furnace to the atmosphere, whether or not such explosion (a) is contributed to or aggravated by an Accident to any part of said Object that contains steam or water, or (b) is caused in whole or in part, directly or indirectly, by any Accident to any Object, or part thereof, nor shall the Company be liable for any loss from an Accident caused directly or indirectly by such explosion.

c. As respects any unfired vessel which is used for the storage of gas or liquid and which is periodically filled, moved, emptied and refilled in the course of its normal service, such vessel shall be considered as "connected ready for use" within the terms of this Extension of the Policy.

d. As respects any Object or part of an Object that is being dismantled, reassembled or is in storage, will be considered as "connected ready for use" within the terms of this Extension of the Policy.

e. As respects any gas turbine of the internal combustion type, (a) the combustor or such Object shall not be considered to be a "furnace" as the word is used in the Definition of Accident or in Special Provision 2 above and (b) the Definition of Accident shall not mean the cracking of any part of the Turbine exposed to the production of combustion.

f. As respects new turbine generator units, coverage shall not apply until the unit has been contractually accepted by the Named Insured, that all tests required by the contractor have been performed and satisfied and the unit has been placed in commercial operation.

8. Valuation

a. The Company will pay the Named Insured the amount the Named Insured spends to repair or replace the property directly damaged by an Accident. The Company payment will be the smallest of:

1) The Limit of Insurance;

2) The cost at the time of the Accident to repair the damaged property with property of like kind, capacity, size and quality;

3) The cost at the time of the Accident to replace the damaged property on the same site with other property:

a) Of like kind, capacity, size and quality; and

b) Used for the same purpose

4) The amount the Named Insured actually spends that is necessary to repair or replace the damaged property.

b. As respects any Object if the cost of repairing or replacing only a part of the Object is greater than:

1) the cost of repairing the Object; or

2) the cost of replacing the entire Object on the same site;

The Company will pay only the smaller of (1) or (2). The repair parts or replacement Object must be:

1) of like kind, capacity, size and quality; and

2) used for the same purpose.

c. The Company will not pay:

1) if the loss or damage is to property that is obsolete or useless to the Named Insured; or
2) for any extra cost if the Named Insured decides to repair or replace the damaged property with property of a better kind or quality or of larger capacity,

d. If the Named Insured does not repair or replace the damaged property within 18 months after the date of the Accident then the Company will pay on the smaller of the:

1) cost it would have taken to repair; or

2) actual cash value;

at the time of the "accident".

Paragraph (d) does not apply to any time period beyond the 18 months that the Company agrees to in writing.

e. As respects CFC (chlorofluorocarbon) refrigerant or Halon, the following valuation basis is applicable:

1) If the CFC refrigerant or Halon is replaceable, the Named Insured may, at their option, elect to:

a) Repair or replace the damaged refrigeration equipment, air conditioning equipment or fire suppression system and replace the lost CFC refrigerant or

Halon subject to it being of like kind, capacity, size and quality and used for the same purpose; or

b) Change the refrigeration equipment, air conditioning equipment or fire suppression system, through modification or replacement, to:

i. Refrigeration or air conditioning equipment that uses an approved non - CFC refrigerant; or

i.

ii. A fire suppression system that uses an approved non – Halon agent.

But this option is available only if the change to the equipment or system is made within 18 months after the date of the Accident or within any extended time period that the Company agrees to in writing.

If Option 1) b) above is elected, the Company will not pay more than the least of the following amounts:

a) The Limit of Insurance;

b) The cost at the time of the Accident to repair the damaged refrigeration equipment, air conditioning equipment or fire suppression system, retrofit the equipment or system to accept non – CFC refrigerant or non – Halon fire suppressant, and charge the equipment or system with that refrigerant or fire suppressant;

c) The cost at the time of the Accident to replace the damaged refrigeration equipment, air conditioning equipment or fire suppression system with equipment or a system that is functionally equivalent and uses an approved non – CFC refrigerant or non – Halon fire suppressant;

d) The amount that the Named Insured actually spend that is necessary to change the refrigeration equipment, air conditioning equipment or fire suppression system, through modification or replacement, to equipment or a system that uses an approved non – CFC refrigerant or non – Halon fire suppressant; or

e) One hundred twenty-five percent (125%) of the amount the Company otherwise would have paid for loss to the refrigeration equipment, air conditioning equipment or fire suppression system.

f. If the CFC refrigerant or Halon is not replaceable and:

(1) The Named Insured repairs or replaces the damaged equipment within 18 months after the date of the Accident or within any extended time that the Company agrees to in writing, the Company will pay the least of the following amounts:

(a) The Limit of Insurance;

(b) The cost at the time of the Accident to repair the damaged refrigeration equipment, air conditioning equipment or fire suppression system, retrofit the equipment or system to accept non – CFC refrigerant or non – Halon fire suppressant, and charge the equipment or system with that refrigerant or fire suppressant;

(c) The cost at the time of the Accident to replace the damaged refrigeration equipment, air conditioning equipment or fire suppression system with equipment or a system that is functionally equivalent and uses an approved non – CFC refrigerant or non – Halon fire suppressant;

(d) The amount that the Named Insured actually spend that is necessary to change the refrigeration equipment, air conditioning equipment or fire suppression system, through modification or replacement, to equipment or a system that uses an approved non – CFC refrigerant or non – Halon fire suppressant.

(2) If the Named Insured does not replace the damaged equipment within 18 months after the date of the Accident or within the extended time period that the Company agrees to in writing, the Company will not pay more than the lesser of:

(a) The amount that the Company would have paid if repair or replacement of the damaged equipment had been made as determined in F 1 above; or

(b) The actual cash value of the damaged equipment at the time of the Accident.

g. As respects Insurance under Ordinance and Law, the most the Company will pay as a result of any one Accident for:

a) Loss to the Undamaged portion of the building is included in the Limit of Insurance that otherwise applies to the damaged building. But in no event will the amount the Company pay for loss to the building, including the loss in value of the undamaged portion of the building due to enforcement of an ordinance or law to which this coverage applies, exceed:

i. The amount that the Named Insured actually spend to repair, rebuild or replace the building, but not more than the amount it would cost to restore the building on the same premises and to the same height, floor area, style and comparable quality of the original property insured; or

ii. The actual cash value of the building at the time of loss if the building is not repaired or replaced.

b) Demolition and Increased Cost of Construction is USD as per Declaration Page, subject to the following:

i. With respect to the coverage provided for Demolition Cost, the Company will not pay more than the amount the Named Insured actually spend to demolish and clear the site of the undamaged parts of the building;

ii. With respect to the coverage provided for Increased Cost of Construction:

(a) We will not pay for the Increased Cost of Construction:

Until the building is actually repaired or replaced at the same or another premises; and

Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not to exceed 18 months. We may extend this period in writing during the 18 months.

(b) If the building is repaired or replaced at the same location, or if the Named Insured elect to rebuild at another location, the most the Company will pay for the increased cost of construction is the increased cost of construction at the same location.

(c) If the ordinance or law requires relocation to another location, the most the Company will pay for the increased cost of construction is the increased cost of construction at the new location.

h. If a claim or "suit" is brought against the Named Insured alleging that the Named Insured is liable for damage to property of another that was caused by an Accident to an Object, the Company will either:

1. Settle the claim or "suit", or
2. Defend the Named Insured against the "suit" but reserve the right for themselves to settle at any point.

9. Exclusions

a. To loss:

1) from explosion of an Object other than:

a) Any steam boiler, steam piping, steam turbine, gas turbine, steam engine, or

b) Any machine when such loss is caused by centrifugal force or mechanical breakdown,

b. Nuclear reaction or radiation or radioactive contamination however caused, however this exclusion shall not apply to nuclear medicine at covered hospitals,

c. From fire concomitant with or following an Accident.

d. From an Accident caused directly or indirectly by fire
e. From a combustion explosion outside the Object concomitant with or following an Accident,

f. From an Accident caused directly or indirectly by a combustion explosion outside an Object

10. Conditions:

a. Inspection

The Company shall be permitted but not obligated to inspect the Named Insured's property and operations at any reasonable time. Neither the right to make inspections nor the making thereof nor any advice or report resulting therefrom shall constitute an undertaking, on behalf of or for the benefit of the Named Insured or others, to determine or warrant that such property or operations are safe or healthful, or are in compliance with any law, rule or regulation.

b. Suspension

Upon the discovery of a dangerous condition with respect to any Object, Alliant Insurance Services, Inc., may immediately suspend the insurance, with respect to an Accident to said Object, by written notice mailed or delivered to the Named Insured at the address of the Named Insured stated in the Declaration Page, or at the location of the Object, as stated for it

in a schedule or endorsement. The insurance so suspended may be reinstated by the Company but only by an endorsement issued to form a part of this Policy. The Named Insured shall be allowed the unearned portion of the premium paid for such suspended insurance, pro rata for the period of suspension.

c. Notice of Accident and Adjustments

When an Accident occurs, written notice shall be given to the Company as soon as practicable. The Company shall be given like notice of any claim made on account of such Accident. The Company or their representative shall have reasonable time and opportunity to examine the property, and the Named Insured's Location of Risk, before repairs are undertaken or physical evidence of the Accident is removed, except for protection or salvage. Proof of loss shall be made in such form as the Company may require. If suit is brought against the Named Insured for loss to which this Section of the Policy is applicable, any summons or other process served upon the Named Insured shall be forwarded immediately to the Company.

d. Deductible

In the event of an Accident to an Object as insured under this Extension that is concomitant with or followed by physical loss or damage incurred under the All Risks policy that this Extension attaches to, the deductible to be applied to the total loss shall be the applicable Boiler & Machinery deductible.

PROGRAM AND/OR NAMED INSURED AND/OR DECLARATION SPECIFIC ENDORSEMENTS TO BE PROVIDED AFTER THE ABOVE PAGE

ENDORSEMENT 1

CANCELLATION CLAUSE AMENDMENT
DUE TO FINANCIAL STRENGTH DOWNGRADE ENDORSEMENT

It is hereby understood and agreed that Section IV, General Conditions, Clause N, Cancellation of this policy is amended.

This endorsement modifies insurance provided by the policy:

The Cancellation Provision, Cancellation Condition, or Cancellation Clause, whichever is applicable, is amended by adding the following paragraph to the end thereof:

Notwithstanding any other terms or conditions of this policy to the contrary, in the event that the financial strength rating of the **Company** is downgraded to: (1) below A- by A.M. Best Co., or (2) below BBB by Standard & Poor's Ratings Services (hereinafter, the **Credit Rating Downgrade**), this policy may be canceled by the **FIRST NAMED INSURED** by mailing prior written notice to the Company or by surrender of this policy to the **Company**.

If this policy is canceled by the **First Named Insured** due to such **Credit Rating Downgrade**, then the **Company** shall return the unearned pro rata proportion of the premium as of the effective date of cancellation and shall waive any minimum earned premium requirement specified herein.

The following definitions apply to this endorsement:

1. **Company** means Lexington Insurance Company.

2. **First Named Insured** means the first Named Insured as shown on the Declarations page of this policy.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

ENDORSEMENT 2

COVERAGE TERRITORY ENDORSEMENT

This endorsement modifies insurance provided by the Policy:

The Insurer shall not be deemed to provide cover and the Insurer shall not be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit would expose the Insurer, its parent company or its ultimate controlling entity to any sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of the European Union or the United States of America.

PR4225 (07/13)

ENDORSEMENT 3

WAR AND TERRORISM EXCLUSION ENDORSEMENT
(applies to locations outside the USA, its territories and possessions)

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 of the following regardless of any other cause or event contributing concurrently or in any other sequence to the loss;

(1) war, invasion, acts of foreign enemies, hostilities or warlike operations (whether war be declared or not), civil war, rebellion, revolution, insurrection, civil commotion assuming the proportions of or amounting to an uprising, military or usurped power; or

(2) any act of terrorism.

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 (1) and/or (2) above.

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.

NMA2918
08/10/2001

ENDORSEMENT NO. 4

This endorsement, effective 12:01 A.M., 07/01/2017

Issued to: Public Entity Property Insurance Program (PEPIP) Master Policy Form 13

COMMUNICABLE DISEASE COVERAGE ENDORSEMENT
(BROAD FORM)

This endorsement modifies insurance provided by this Policy:

NOTICE: THE SUBLIMITS OF INSURANCE PROVIDED HEREIN ARE SUBJECT TO AND INCLUDED WITHIN POLICY LIMIT OF LIABILITY.

SCHEDULE

Communicable Disease: $500,000 Per Occurrence and annual aggregate per named insured subject to an aggregate of $10,000,000 for Declarations 1-5, 8-13, 18-21, 25-30, and 33-34 combined.

The following Additional Coverage is added to Section III, B. Extension of Coverage, item 4. Contingent **Time Element Coverage**:

COMMUNICABLE DISEASE COVERAGE:

Subject to the Annual Aggregate for Communicable Disease, we will pay actual **business income** loss sustained by you and **communicable disease extra expense** and **crisis response expenses** incurred by you, during the **period of indemnity** due to an **order of an authorized governmental agency** during the policy period that results in a partial or total suspension of your business operations at your **medical facility**.

The following additional definitions apply to this Additional Coverage and supersede any similar definitions of this Policy to the contrary:

1. Crisis response expenses means reasonable and necessary expenses incurred:

a. For public relations to restore the reputation and stature of your **medical facility**, and

b. To assist you to recover money from any governmental program or agency for **communicable disease extra expense** incurred by your **medical facility**.

2. Communicable disease extra expense means reasonable and necessary extra expenses to:

a. Cleanup, remove and dispose of any property at your **medical facility** that is contaminated by the presence of a communicable disease, and

b. Restore your **medical facility** to its original condition,

2018-2019
Property
Memorandum of Coverage

California Joint Powers Risk Management Authority

CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY
PROPERTY MEMORANDUM OF COVERAGE
PROGRAM YEAR: 2018-2019

LOSS, IF ANY, PAYABLE AS FOLLOWS:

All losses to be adjusted with, and payable to California Joint Powers Risk Management Authority (CJPRMA).

It is agreed that the CJPRMA on the Declarations Page is completed to read as follows:

> California Joint Powers Risk Management Authority, all associated, affiliated and/or subsidiary member agencies, corporations, firms, individuals or legal representatives as are now, or as may hereafter be constituted, or any nominee thereof including, but not limited to the following entities:
>
> The Cities of Alameda, Chico, Fairfield, Fremont, Livermore, Lodi, Petaluma, Redding, Richmond, Roseville, San Leandro, San Rafael, Santa Rosa, Stockton, Sunnyvale, Vacaville, and Redwood Empire Municipal Insurance Fund.

It is further understood and agreed that, regarding the CJPRMA: “Member Agency” should be defined as follows:

> “Member Agency” or “Member” means any of the public agencies which are a party to this agreement. Each member agency shall include any special districts for which a member agency acts as the governing body and/or for which the member agency is responsible for providing insurance as of the effective date of this agreement or special districts which are added to a membership by board approval.

1. PROGRAM TERM

This Memorandum of Coverage document shall be in effect from 12:01 A.M. Pacific Standard Time, July 1, 2018 to 12:01 A.M. Pacific Standard Time, July 1, 2019.

2. PREMIUM

The annual property premium for the period July 1, 2018 to July 1, 2019 shall be allocated by individual member.

3. LIMITS OF LIABILITY - Reporting of Losses

All Risk Property

$400,000,000	Per occurrence: All Risk, all perils, Coverages and all Named Insureds
$100,000,000	Per occurrence and annual aggregate as respects to Flood coverage, all zones except; $25,000,000 per occurrence and annual aggregate; Flood Zones A & V
$100,000,000	Combined Business Interruption, Rental Income and Tax Revenue
$100,000,000	Terrorism (Primary Layer)
$500,000,000	Terrorism (Excess Layer)
$50,000,000	Extra Expense
$50,000,000	Errors & Omissions
$50,000,000	Expediting Expense
$25,000,000	Course of Construction
$25,000,000	Miscellaneous Unnamed Locations. This Memorandum of Coverage excludes property at Unnamed Locations not included within the reported TIV.
$25,000,000	Automatic Acquisition subject to reporting requirements
$25,000,000	Increased Cost of Construction
$25,000,000	Transit
$25,000,000	Off-Premises Services Interruption
$1,000,000	Unscheduled Landscaping subject to reporting requirements
$5,000,000 or 110% of scheduled values for scheduled landscaping, trees, sand traps	
$2,500,000	Money & Securities
$250,000	Accidental Contamination
$2,500,000	Unscheduled Fine Arts

$2,000,000	Unscheduled Tunnels, Bridges, Dams, Catwalks, Roadways, Highways, Streets, Sidewalks, Culverts, Street Lights and Traffic Signals, unless a specific value has been declared. The CJPRMA MOC requires all values of tunnels, bridges, dams and catwalks that have a replacement value in excess of $2,000,000 be reported within the TIV for coverage to apply. Subject to a $500,000 deductible for unscheduled Tunnels, Bridges, Dams and Culverts.
$2,500,000	Unscheduled Animals; not to exceed $50,000 per Animal
$2,500,000	Unscheduled Watercraft up to 27 feet. The CJPRMA MOC requires all values in excess of $50,000 be reported and included within TIV for coverage to apply.
$3,000,000	Contingent Business Interruption
$500,000	Jewelry, Furs, Precious Metals
$1,000,000	Claims Preparation Expense
$1,000,000	Personal Property Outside of USA
$5,000,000	Upgrade to Green

Boiler & Machinery

$100,000,000	Boiler Explosion and Machinery Breakdown
$25,000,000	Per Occurrence for Service/Utility/Off Premises
$25,000,000	Newly Acquired Locations-per reporting requirements within this Memorandum of Coverage
$25,000,000	Ordinance or Law (Including Demolition & ICC)
$10,000,000	Electronic Data Processing
$10,000,000	Expediting Expense
$10,000,000	Hazardous Substances/Pollutants/Decontamination
$3,000,000	Dependent Property

4. DEDUCTIBLE

A. All losses, damages, or expenses arising out of any one occurrence shall be adjusted as one loss and from the amount of such adjusted loss shall be deducted the following sums:

$100,000 – All Risk

$100,000 – Boiler & Machinery

$100,000 – All Flood Zones, except;

$250,000 – Flood Zones A & V

$500,000 – Per Occurrence for Unscheduled Tunnels, Bridges, Dams, Culverts unless a specific value has been declared.

Whether the claim involves loss at one or more locations, the deductible amount shall apply against the total loss suffered by the CJPRMA from any one occurrence.

B. If two or more deductible amounts in this Memorandum of Coverage apply to a single occurrence, the total to be deducted shall not exceed the largest deductible applicable.

5. PROGRAM DEFINITIONS

The following terms, wherever used in this MOC, shall mean as indicated:

Replacement Cost

The cost of repairing, replacing, constructing or reconstructing (whichever is the least) the property on the same site, using new materials of like kind and quality and for like occupancy without deduction for depreciation, subject to the following:

A. Until the property is actually repaired, replaced or reconstructed, the maximum amount recoverable shall be the actual cash value of the lost or damaged property;

B. Replacement shall be effected by the Named Insured with due diligence and dispatch;

C. Replacement need not be on the same site, or of same or similar construction or occupancy provided that the Program shall not be liable for any additional cost that are directly attributable to the inclusion of this provision.

D. For historical building as more specifically defined in this Section.

E. In no event shall the Program's liability exceed the amount actually and necessarily expended in repairing or replacing (whichever is less) covered Property or any part thereof.

It is understood and agreed that, as respects replacement cost, the Named insured shall have the option of replacement with electrical and mechanical equipment having technological advantages and/or representing an improvement in function and/or forming part of a program of system enhancement provided that such replacement can be accomplished without increasing the Program's liability. The Program shall be allowed to dispose of, as salvage, any non-proprietary property deemed unusable by the Named Insured.

In the event that CJPRMA or its member should fail to comply with any of the foregoing provisions settlement shall be made as if this Replacement Cost provision had not been in effect.

Actual Cash Value (ACV)
Replacement cost minus depreciation. Depreciation is the decrease in value over a period of time, usually as a result of age or wear and tear.

Stated Value
The cost of repairing, replacing, constructing or reconstructing (whichever is the least) the property on the same site, using new materials of like kind and quality and for like occupancy without deduction for depreciation, but not to exceed the Stated Value declared by the member.

Automatic Acquisition
Any property that is either acquired or construction completed during the term of this agreement, the current program year. The limits of coverage and reporting requirements are identified within this MOC.

Accidental Contamination
Business Interruption and Property Damage loss as a result of accidental discharge or dispersal from any source to Covered Property, including expenses necessarily incurred to clean up, remove and dispose of contaminated substances so as to restore the Covered Property to the same condition as existed prior to loss. The coverage provided is sub-limited to USD as per Declaration page. If such contamination 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 full limit of liability provided by this Program.

For the purposes of this Accidental Contamination clause only, the term "Covered Property," as covered by this Program, is held to include Land (and Land Values) on

which Covered Property is located whether or not the same are excluded by this Program. It is further understood and agreed that this coverage clause shall not override anything contained in Asbestos Clean Up and Removal in this Program.

Contingent Business Interruption
Business interruption, rental income, tuition income and extra expense coverage provided by this Program is extended to cover loss directly resulting from physical damage to property of the type not otherwise excluded by this Program at direct supplier or direct customer locations that prevents a supplier of goods and/or services to the Named Insured from supplying such goods and/or services, or that prevents a recipient of goods and/or services from the Named Insured from accepting such goods and/or services.

Upgrade to Green
Increased cost of repairing or replacing covered property damaged by a covered cause of loss using materials and methods that are recognized as being "green"—that is, better for the environment, due to energy efficiency, sustainability, etc.

Total Insurable Value (TIV)
The value reported by members to CJPRMA and the underwriters for the values of all structures, tenant improvements, property in the open or other values covered for loss within this MOC. The term Statement of Values is identical in description to TIV for the purposes of this MOC.

Fine Arts
Paintings, etchings; pictures; tapestries; rare or art glass; art glass windows; valuable rugs; statuary; sculptures; antique furniture; antique jewelry; bric-a-brac; porcelains; and similar property of rarity, historical value, or artistic merit, excluding automobiles, coins, stamps, furs, jewelry, precious stones, precious metals, watercraft, aircraft, money and securities, with a maximum limit for all fine arts scheduled under the Program. Coverage for unscheduled fine arts will be subject to a maximum sublimit of $2,500,000. Fine Arts does not mean and does not include any item which would qualify as Valuable Papers and Records.

Miscellaneous Unnamed Location(s)
A location that has not been included in the Statement of Values on file with the CJPRMA and has not been reported to the CJPRMA as may be required in the Program provisions elsewhere.

Valuable Papers and Records
Documents that are written, printed, on otherwise inscribed. These include:

A. Books, manuscripts, abstracts, maps and drawings; film and other photographically produced records, such as slides and microfilm;

B. Legal and financial agreements such as deeds and mortgages;

C. Addressograph plates; and

D. Any electrically produced data such as printouts, punched cards, tapes or discs.

Valuable Papers and Records does not mean money and securities and converted data, programs or instructions used in data processing operations, including the materials on which the data is stored.

Valuable Papers and Records does not mean and does not include any item which would qualify as Fine Arts.

Ordinary Payroll
The entire payroll expense for all employees of the Insured except officers, executives, department managers, employees under contract, and other essential employees.

6. TERRITORY

This Memorandum of Coverage covers within the 50 states comprising the United States of America, and the District of Columbia.

7. COVERAGE

Except as hereinafter excluded, this Memorandum of Coverage covers:

A. Real and Personal Property

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

B. Business Interruption

(1) Loss resulting from necessary interruption of business conducted by the CJPRMA and caused by loss, damage, or destruction by any of the perils covered herein during the term of this Memorandum of Coverage to real and personal property.

(2) If such loss occurs during the term of this Memorandum of Coverage, it shall be adjusted on the basis of ACTUAL LOSS SUSTAINED by the CJPRMA, consisting of the net profit which is thereby prevented from being earned and of all charges and expenses (including ordinary payroll), only to the extent that these must necessarily continue during the

interruption of business and only to the extent to which such charges and expenses would have been earned had no loss occurred.

"Ordinary payroll" is defined to be the entire payroll expense for all employees of the CJPRMA except officers, executives, department managers, employees under contract, and other employees whom the CJPRMA at their discretion shall deem necessary.

(3) However, the CJPRMA shall not be liable for any loss resulting from damage to or destruction of finished stock nor for the time required to reproduce said finished stock. Finished stock shall mean stock manufactured by the CJPRMA which in the ordinary course of the CJPRMA's business is ready for packing, shipment, or sale.

(4) **Resumption of Operations**: It is a condition of this insurance that if the CJPRMA could reduce the loss resulting from the interruption of business:

(a) by a complete or partial resumption of operation of the property CJPRMA, whether damaged or not; or

(b) by making use of available stock, merchandise, or other property;

Such reduction shall be taken into account in arriving at the amount of loss hereunder.

(5) **Experience of the Business:**

(a) In determining the amount of net profit, charges, and expenses covered hereunder for the purposes of ascertaining the amount of loss sustained, due consideration shall be given to the experience of the business before the date of damage or destruction and to the probable experience thereafter had no loss occurred.

(b) With respect to alterations, additions, and property while in the course of construction, erection, installation, or assembly, due consideration shall be given to the available experience of the business after completion of the construction, erection, installation, or assembly.

C. Extra Expense

(1) Extra expense incurred resulting from loss or damage to property by any of the perils covered herein during the term of this Memorandum of Coverage.

(2) "Extra expense" means the excess of the total cost during the period of restoration of the damaged property chargeable to the operation of the CJPRMA's business over and above the total cost that would normally have been incurred to conduct the business during the same period had no loss or damage occurred.

D. Rental Value

(1) Rental value loss sustained by the CJPRMA resulting directly from the necessary untenantability caused by loss, damage, or destruction by any of the perils covered herein during the term of this Memorandum of Coverage to real or personal property as described in Section 6.A. but not exceeding the reduction in rental value less charges and expenses which do not necessarily continue during the period of untenantability.

(2) For the purposes of this insurance, "rental value" is defined as the sum of:

(a) the total anticipated gross rental income from tenant occupancy of the described property as furnished and equipped by the CJPRMA, and

(b) the amount of all charges which are the legal obligation of the tenant(s) and which would otherwise be obligations of the CJPRMA, and

(c) the fair rental value of any portion of said property which is occupied by the CJPRMA.

(d) any amount due under a revenue bond that is in excess of A, B and C above.

(3) **Experience of the Business:** In determining the amount of rental value covered hereunder for the purpose of ascertaining the amount of loss sustained, due consideration shall be given to the rental experience before the date of damage or destruction and to the probable experience thereafter had no loss occurred.

E. Soft Costs Applicable to Property in Course of Construction

(1) Loss resulting from a Delay in Completion of the project caused by loss, damage, or destruction by any of the perils covered herein during the term of this Memorandum of Coverage to real or personal property described in Section 7 A.

(2) Recovery in the event of loss hereunder shall be limited to such necessary soft costs as hereinafter described over and above those costs which would have been incurred by the CJPRMA during the Delay in Completion had no loss occurred.
For the purposes of this insurance, “soft costs” are defined as:

(a) the amount of actual interim or construction financing interest, including loan fees and other one-time charges incurred to negotiate a new construction loan and/or extend the existing one;

(b) realty taxes and ground rent, if any;

(c) advertising and promotional expenses;

(d) cost of additional commissions incurred upon renegotiating leases;

(e) architects, surveyors, legal, consulting engineers, or other fees;

(f) project administration expense;

(g) insurance premiums

Delay in Completion is the period of time between the Anticipated Date of Completion and the date on which the project is actually completed and operable with the exercise of due diligence and dispatch.

Anticipated Date of Completion is the date at the time of loss on which the project was scheduled to have been completed and operable had no physical loss or damage occurred.

F. Rental Value Applicable to Property in Course of Construction

(1) To the extent not covered under Clause E, Soft Costs, rental value loss sustained by the CJPRMA resulting directly from necessary delay in tenantability of the project caused by loss, damage, or destruction by any of the perils covered herein during the term of this Memorandum of Coverage to real or personal property as described in Section 7 A but not exceeding the reduction in rental value less charges and expenses which do not necessarily continue during the period of recovery.

(2) For the purposes of this insurance, “rental value” is defined as the sum of:

(a) the total anticipated gross income from tenant occupancy of the project as furnished and equipped by the CJPRMA, and

(b) the amount of all charges which are the legal obligation of the tenant(s) and which would otherwise by obligation of the CJPRMA, and

(c) the fair rental value of any portion of the project which is anticipated to be occupied by the CJPRMA.

G. Provisions Applicable to Business Interruption, Extra Expense, and Rental Value Coverages

(1) **Period of Recovery:** The length of time for which loss may be claimed:

(a) shall not exceed 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 destroyed or damaged:

(b) and, such additional length of time to restore the CJPRMA business to the condition that would have existed had no loss occurred, commencing with the later of the following dates:

(i) the date on which the liability of the CJPRMA for loss or damage would otherwise terminate; or

(ii) the date on which repair, replacement, or rebuilding of such part of the property as has been damaged is actually completed;

but in no event for more than one year from said later commencement date;

(c) with respect to alterations, additions, and property while in the course of construction, erection, installation, or assembly shall be determined as provided in (a) above but such determined length of time shall be applied to the experience of the business after the business has reached its planned level of production or level of business operation;

(d) shall commence with the date of such loss or damage and shall not be limited by the date of expiration of this Memorandum of Coverage

(2) **Special Exclusions:** This section of the Memorandum of Coverage does not insure against any increase of loss which may be occasioned by the suspension, lapse, or cancellation of any lease, license, contract, or order; nor for any increase of loss due to interference at the CJPRMA

premises by strikers or other persons who are employees of the CJPRMA with rebuilding, repairing, or replacing the property damaged or destroyed, or with the resumption or continuation of business, or with the reoccupancy of the premises; nor for any loss occurring to property in transit off premises.

(3) **Expenses to Reduce Loss**: This Memorandum of Coverage also covers such expenses as are necessarily incurred for the purpose of reducing any loss under this Memorandum of Coverage, not exceeding, however, the amount by which the loss under this Memorandum of Coverage is thereby reduced.

(4) **Extension of Coverage**: This Memorandum of Coverage, subject to all provisions and without increasing the amount of said Memorandum of Coverage, also insures against loss resulting from damage to or destruction by the perils insured against, of:

(a) electrical, steam, gas, water, telephone, and other transmission lines and related plants, substations and equipment situated on or outside of the premises;

(b) property of a supplier of goods and/or revenue and/or services to the CJPRMA, or a receiver of goods and/or revenue and/or services from the CJPRMA;

(c) dams, reservoirs, or equipment connected therewith when water, used as a raw material or used for power or for other manufacturing purposes, stored behind such dams or reservoirs is released from storage and causes an interruption of business as a result of lack of water supply from such sources. (The CJPRMA's liability shall not exceed 30 consecutive days after such length of time as would be required with the exercise of due diligence and dispatch to repair or replace the damaged or destroyed dam, reservoir, or equipment.)

(5) **Interruption by Civil or Other Authority:** This Memorandum of Coverage is extended to cover the loss sustained during the period of time, not to exceed eight weeks, when, as a direct result of a peril insured against, access to real and personal property is prohibited by order of civil or military authority. Physical Loss or Damage must occur within one mile of city limits for coverage to apply.

(6) **Ingress/Egress:** This Memorandum of Coverage is extended to cover the loss sustained during the period of time not to exceed 30 days, when as a direct result of a peril insured against, ingress to or egress

from the CJPRMA premises is thereby prevented or impaired. Physical Loss or Damage must occur within twenty miles of city limits for coverage to apply.

H. Transit

Property in transit, this Memorandum of Coverage attaches and covers shipments within and between the territorial limits of this Memorandum of Coverage, including the coastal waters thereof, by any means of conveyance, from the time the property is moved for purpose of loading and continuously thereafter while awaiting and during loading and unloading and in temporary storage, including temporary storage on any conveyance intended for use for any outbound or used for inbound shipment, including during deviation and delay, until safely delivered into place of final destination.

(1) This insurance is extended to cover loss or damage to property:

(a) sold and shipped by the CJPRMA under terms of F.O.B. point of origin or other terms usually regarded as terminating the shipper's responsibility short of points of delivery

(b) arising out of any unauthorized person(s) representing themselves to be the proper party(ies) to receive goods for shipment or to accept goods for delivery

(c) occasioned by the acceptance by the CJPRMA by its agents, or by its customers of fraudulent bills of lading, shipping and delivery orders, or similar documents

(2) The CJPRMA may waive right(s) of recovery against private and contract carriers and accept bills of lading or receipts from carriers, bailees, warehousemen, or processors limiting their liability, but this transit insurance shall not inure to the benefit of any carrier, bailee, warehouseman, or processor.

With respect to shipments made under F.O.B. or similar terms, the CJPRMA agrees to waive its rights of subrogation against consignees at the option of the CJPRMA.

(3) The CJPRMA is not to be prejudiced by any agreements exempting lightermen from liability.

(4) Seaworthiness of any vessel or watercraft is admitted by the CJPRMA.

I. Accounts Receivable

(1) All sums due the CJPRMA from customers, provided the CJPRMA is unable to effect collection thereof as the direct result of loss of 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 CJPRMA in reestablishing records of accounts receivable following such loss or damage.

When there is proof that a loss of records of accounts receivable has occurred but the CJPRMA cannot more accurately establish the total amount of accounts receivable outstanding as of the date of such loss, such amount shall be computed as follows:

(1) The monthly average of accounts receivable during the last available twelve months, together with collection expenses in excess of normal collection costs and made necessary because of such loss or damage, and reasonable expenses incurred in reestablishing records of accounts receivable following such loss or damage, shall be adjusted in accordance with the percentage increase or decrease in the twelve months average of monthly gross revenues which may have occurred in the interim.

(2) The monthly amount of accounts receivable thus established shall be further adjusted in accordance with any demonstrable variance from the average for the particular month in which the loss occurred, due consideration also being given to the normal fluctuations in the amount of accounts receivable within the fiscal month involved.

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 CJPRMA and an amount to allow for probable bad debts which would normally have been uncollectible by the CJPRMA.

J. Leasehold Interest

(1) Pro rata proportion from the date of loss to expiration date of the lease (to be paid without discount) on the CJPRMA's interest in:

(a) the amount of bonus paid by the CJPRMA for the acquisition of the lease not recoverable under the terms of the lease for the unexpired term of the lease;

(b) improvements and betterments to real property during the unexpired term of the lease which is not covered under any other section of this Memorandum of Coverage;

(c) the amount of advance rental paid by the CJPRMA and not recoverable under the terms of the lease for the unexpired term of the lease;

when property is rendered wholly or partially untenantable by any of the perils covered herein during the term of this Memorandum of Coverage and the lease is canceled by the lessor in accordance with the conditions of the lease or by statutory requirements of the state in which the damaged or destroyed property is located; and

(a) "Interest of the CJPRMA as Lessee" when property is rendered wholly or partially untenantable by any of the perils covered herein during the term of this Memorandum of Coverage and the lease is canceled by the lessor in accordance with the conditions of the lease or by statutory requirements of the state in which the damaged or destroyed property is located.

(b) The "Interest of the CJPRMA as Lessee" as referred to herein shall be paid for the first three months succeeding the date of the loss and the "Net Lease Interest" shall be paid for the remaining months of the unexpired lease.

(2) **Definitions**

The following terms, wherever used in this section shall mean as follows:

(a) the "Interest of the CJPRMA as Lessee" is defined as:

(i) the excess of the rental value of similar premises over the actual rental payable by the lessee (including any maintenance or operating charges paid by the lessee) during the unexpired term of the lease

(ii) the rental income earned by the CJPRMA from sublease agreements, to the extent not covered under any other section of this Memorandum of Coverage, over and above

the rental expenses specified in the lease between the CJPRMA and the lessor

(b) "Net Lease Interest" is defined as that sum, which placed at 6% interest compounded annually will be equivalent to the "Interest of the CJPRMA as Lessee".

(3) The CJPRMA shall not be liable for any increase of loss which may be occasioned by the suspension, lapse or cancellation of any license or by the CJPRMA exercising an option to cancel the lease.

K. Defense Costs

This Program, subject to all of its provisions, also insures the costs and fees to defend any claim or suit against the Insured and/or its directors, officers and/or employees alleging physical loss or damage as insured against to property of others in the care, custody or control of the Insured to the extent of the Insured's liability therefore, even if such claim or suit is groundless, false or fraudulent; but the CJPRMA may without prejudice make such investigation, negotiation or settlement of any such claim or suit as it deems expedient.

8. PERILS INSURED AGAINST

This Memorandum of Coverage insures against all risk of direct physical loss of or damage to property described herein including salvage, and all other charges on shipments covered hereunder, except as hereinafter excluded.

Physical loss or damage shall include any destruction, distortion or corruption of any computer data, coding, program or software except as hereinafter excluded subject to a maximum sub limit loss of $10,000,000.

9. PERILS EXCLUDED

This Memorandum of Coverage does not insure:

A. infidelity or dishonesty of the CJPRMA, or any officer or employee thereof, or loss or damage resulting from the CJPRMA voluntarily parting with title or possession of any property if induced to do so by any fraudulent scheme, trick, device or false pretense; nor any unexplained loss, mysterious disappearance, or loss or shortage disclosed on taking inventory.

B. against the cost of making good defective design or specifications, faulty material, or faulty workmanship; however, this exclusion shall not apply to loss or damage resulting from such defective design or specifications, faulty material, or faulty workmanship;

C. against electrical injury or disturbance to electrical appliances, devices, or wiring caused by electrical currents artificially generated unless loss or damage from a “specified cause of loss (or peril)” ensues and then this Memorandum of Coverage shall cover for such ensuing loss or damage;

D. against mechanical breakdown unless loss or damage from a “specified cause of loss (or peril)” ensues and then this Memorandum of Coverage shall cover for such ensuing loss or damage;

E. against explosion, rupture, or bursting of steam boilers, steam pipes, steam turbines, or steam engines owned or operated by the CJPRMA unless loss or damage from a “specified cause of loss (or peril)” and then this Memorandum of Coverage shall cover for such ensuing loss or damage;

F. Settling, cracking, shrinking, bulging, or expansion of pavements, foundations, walls, floors, or ceilings; all unless physical damage not otherwise excluded by this Program ensues, in which event, this Program will cover only such ensuing damage; or unless caused by a Peril Insured Against as described in Section 8.

G. against errors in processing or manufacture of the CJPRMA product unless loss or damage from a “specified cause of loss (or peril)” and then this Memorandum of Coverage shall cover for such ensuing loss or damage;

H. against ordinary wear, tear, insects & vermin, or gradual deterioration unless other loss or damage from a “specified cause of loss (or peril)” and then this Memorandum of Coverage shall cover for ensuing loss or damage;

I. against nuclear reaction, 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) insured against in this Memorandum of Coverage; except;

   (1) if fire ensues, liability is specifically assumed for direct loss by such ensuing fire but not including any loss due to nuclear reaction, nuclear radiation, or radioactive contamination;

   (2) the CJPRMA shall be liable for loss or damage caused by sudden and accidental radioactive contamination including resultant radiation damage for each occurrence from material used or stored or from processes conducted on the CJPRMA premises, provided at the time of loss there is neither a nuclear reactor capable of sustaining nuclear fission in a self-supporting chain reaction nor any new or used nuclear fuel on the CJPRMA premises;

J. (1) against 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;

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

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

(2) against any weapon employing atomic fission;

(3) against rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering combating, or defending against such occurrence;

(4) seizure or destruction by order of public authority, except destruction by order of public authority to prevent the spread of fire or explosion;

(5) risks of contraband or illegal trade

K. Caused by, resulting from, contributed to or aggravated by earth movement, including but not limited to earthquake, tsunami, landslide, subsidence except mudslide caused by accumulation of water on or under the ground, unless loss by or damage by fire, sprinkler leakage, or explosion ensues, from a peril "specified cause of loss (or peril)" and then this Memorandum of Coverage shall cover only for ensuing loss or damage;

L. Water

(1) Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;

(2) Water under the ground surface pressing on, or flowing or seeping through:

(a) Foundations, walls, floors or paved surfaces;

(b) Basements, whether paved or not; or

(c) Doors, windows or other openings

But if Water, as described in (1) and (2) above, results in fire, explosion, or sprinkler leakage, we will pay for the loss or damage caused by that fire, explosion or sprinkler leakage.

M. Program includes coverage for physical loss or damage directly caused by any “act of terrorism”. The total limit available to CJPRMA for a terrorism event will be a max of $400,000,000.

Exclusion B, C, D, E and F do not apply to property in transit.

Exclusions C, D, E, and F do not apply to alterations, additions, and property while in the course of construction, erection, installation, or assembly.

Exclusions C, D, and E do not apply to electronic data processing systems and valuable papers and records.

Exclusion E does not apply to other conveyances CJPRMA herein.

Please refer to Endorsements 1-9 for additional exclusions.

10. PROPERTY EXCLUDED

This Memorandum of Coverage does not cover loss or damage to:

A. Jewelry, furs, precious or semi-precious stones, gold, silver or platinum or precious alloys;

B. Growing crops, standing timber, and animals; piers, wharves, docks except for Alameda Piers

C. Watercraft, aircraft, motor vehicles licensed for highway use except when garaged, stored or in use on the premises of the CJPRMA or others, but this exclusion shall not apply to contractor's equipment;

D. Waterborne shipments to and from Puerto Rico, the Virgin islands, Hawaii, and Alaska; waterborne shipments via the Panama Canal;

E. Export shipments after loading on board an overseas vessel or watercraft or after ocean marine insurance attaches, whichever occurs first, and import shipments prior to discharge from the overseas vessel or watercraft or until the ocean marine insurance terminates, whichever occurs last;

F. Land, land values; however, this, exclusion shall not apply to the cost of reclaiming, restoring or repairing land improvements. Land improvements as described hereunder are defined as any alteration to the natural condition of the land by grading, landscaping, as well as additions to land such as pavements or similar works; with a sub-limit of $1,000,000

G. Water; except water which is normally contained within any type of tank, piping system or other process equipment.

H. Transmission and Distribution Lines other than those within 500 feet of a CJPRMA premises.

I. All onshore or off shore:

(1) gas and oil drilling risks;

(2) petrochemical risks;

(3) pipeline risks; or

(4) gas and oil well risks

J. Railroad Property, rolling stock tracks or roadbeds.

K. Bridges, dams as defined by the California Water Code, tunnels and roadways unless the replacement cost values have been declared to the Program and the Program has accepted the risk. There will be an adjustment of any damage to a dam in the event the occurrence involves damages giving rise to a FEMA or OES disaster.

There is also coverage provided within the MOC effective July 1, 2016 that extends coverage to unscheduled dams with a maximum $2,000,000 sub-limit of coverage.

The definition of a dam is as follows:

Dam means any artificial barrier, together with appurtenant works, which does or may impound or divert water, and which either (a) is 25 feet or more in height from the natural bed of the stream or watercourse at the downstream toe of the barrier, or from the lowest elevation of the outside limit of the barrier, if it is not across a stream, channel or watercourse, to the maximum possible water storage elevation; or (b) has an impounding capacity of 50 acre-feet or more.

Any such barrier which is not in excess of 6 feet in height, regardless of storage capacity, or which has a storage capacity not in excess of 15 acre-feet, regardless of height, shall not be considered a dam.

No obstruction in a canal used to raise or lower water therein or divert water there from, no levee, including but not limited to a levee on the bed of a natural lake the primary purpose of which levee is to control floodwater, no railroad fill or structure, and no road or highway fill or structure, no circular tank constructed of steel or concrete or both, no tank elevated above the ground, and no barrier which is not across a stream channel,

watercourse, or natural drainage area and which has the principal purpose of impounding water for agricultural use shall be considered a dam.

No obstruction in the channel of a stream or watercourse which is 15 feet or less in height from the lowest elevation of the obstruction and which has the single purpose of spreading water within the bed of the stream or watercourse upstream from the construction for percolation underground shall be considered a dam.

The levee of an island adjacent to tidal waters in the Sacramento-San Joaquin Delta, as defined in Section 12220 of the California Water Code, even when used to impound water, shall not be considered a dam and the impoundment shall not be considered a reservoir if the maximum possible water storage elevation of the impounded water does not exceed four feet above mean seal level, as established by the United States Geological Survey 1929 datum.

No noncircular tank, constructed of steel or concrete, or both, that is constructed in a county of the third class by a public agency, under the supervision of a civil engineer registered in the state, that does not exceed 75 acre feet in capacity or 30 feet in height, and no barrier that is not across a stream channel, watercourse, or natural drainage area and that has the principal use as a sewage sludge drying facility shall be considered a dam. Nor shall any impoundment constructed and utilized to hold treated water from a sewage treatment plant be considered a dam. Nor shall any wastewater treatment or storage pond exempted from state regulation and supervision by California Water Code section 6025.5 be considered a dam.

11. PROPERTY VALUE REPORTING & LIMITATIONS OF COVERAGE

A. Members shall report to CJPRMA any newly acquired property, structure, improvement or property enhancements with a value in excess of $5,000,000 within ninety days of acquisition. In the event of a loss that occurs to the newly acquired property, structure, improvement or property enhancements after ninety days following acquisition, no coverage will be provided for the incurred damage.

B. All newly acquired structures with a value under $5,000,000 must be reported to CJPRMA for the program year immediately following the date of acquisition or by June 30th of the program year. Any structure/improvement acquired that fails to meet this reporting requirement will not be a covered property following the program year within which it was acquired and will not be eligible for any coverage provided by this program.

C. Any loss occurring at a facility/structure/land improvement of any type included within the definitions within this program, that are not otherwise defined under the requirements in subsection A & B above, will not be covered for a loss in the event the specific location is not included within the TIV reported to CJPRMA.

12. VALUATION

At the time of loss, the basis of adjustment unless otherwise endorsed herein shall be as follows:

A. stock in process, the value of raw materials and labor expended plus the proper proportion of overhead charges;

B. finished goods whether or not manufactured by the CJPRMA, the selling price at the location where the loss occurs;

C. raw materials, supplies and other merchandise not manufactured by the CJPRMA, the replacement cost;

D. Valuable papers and records: The cost to repair, replace or the cost to reproduce the property with other of like kind and quality including the cost of gathering and/or assembling information; or, if not so replaced, actual cash value.

   "Valuable papers and records" are defined as written, printed, or otherwise inscribed documents and records, including but not limited to books, maps, films, drawings, abstracts, deeds, mortgages, micro-inscribed documents, manuscripts, media, data storage devices, program devices for electronic and electromechanical data processing and production equipment but not including money and/or securities.

   The term "securities" shall mean all negotiable and non-negotiable instruments or contracts representing either money or other property, and includes revenue and other stamps in current use, tokens, and tickets but does not include money;

E. As respects Historical Buildings the maximum building limit shall be 130% of the reported value declared to underwriters. Historical Buildings are defined as follows:

Federal:	"Certified historic structure includes any building, structure or land area that is listed in the National Register of Historic Places, or Located in a registered historic district and certified by the U.S. Department of the Interior as being historically significant to the district.
State of California:	"Historical Landmark" means any historical resource which is registered as a state historical landmark pursuant to Section 5021.
Local:	"Local register of historical resources" means a list of properties officially designated or recognized as historically significant by a local government pursuant to a local ordinance or resolution.

F. 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.

G. On antique, restored or historical buildings, the cost of acquisition, relocation to the site and renovation or reconstruction. In the event of a partial loss, normal replacement cost coverage as set forth in item A. above, would apply.

H. Fine Arts – The least of the following:

(1) the market value;

(2) the cost of reasonably restoring the property to its condition immediately before the loss plus reduction in market value, if any; or

(3) the cost of replacing the property with substantially identical property

I. Real and Personal Property

(1) Buildings, structures, furniture and fixtures, machinery, equipment including motor vehicles and mobile equipment, improvements and betterment's – the cost of repair or replacement new without deduction for depreciation including any and all incurred charges; On all real and personal property, including property of others, at the replacement value at the time of the loss without deduction for depreciation.

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 covered party, there shall be no liability hereunder. The CJPRMA agrees to accept and consider the covered party as sole and unconditional owner of all improvements and betterments, any contract or lease the covered party may have made to the contrary notwithstanding.

Permission is granted for the Insured to replace the damaged property with any property at the same site or at another site within the territorial limits of this Program, but recovery is limited to what it would cost to replace on same site. If property damaged or destroyed is not repaired, rebuilt or replaced within three years after the loss or damage, this MOC will not be liable for more than the actual cash value at the time of loss (ascertained with proper

deduction for depreciation) of the property damaged or destroyed. However, limitations imposed by federal, state or municipal building codes shall not result in imposition of actual cash valuation.

(2) Electronic Data Processing or control equipment and production machinery and equipment or any part thereof shall be valued at the cost to repair or replace new except, that with respect to items for which replacement with identical property is impossible, the replacement cost shall be the cost of items similar to the destroyed property and intended to perform the same function but which may include technological advances;

J. All other property: the cost of repair or replacement new without deduction for depreciation including any and all incurred charges.

13. <u>EXCLUSION OF CERTAIN VACANT STRUCTURES/BUILDINGS</u>:
(This section was added to the MOC in lieu of Endorsement #6 effective July 1, 2018.)

A. <u>Definition</u>: The term “vacant” is defined as an entire abandonment, deprived of contents, empty, that is, without contents of substantial utility. The term unoccupied means lacking the habitual presence of human beings, and not used by the building owner or tenant to conduct customary operations.

<u>Definition</u>: The “fair market value” is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

Any member that has a structure/building covered by this property program must notify CJPRMA if it is or becomes a vacant or unoccupied structure/building, within 60 days of the structure/building becoming vacant or unoccupied. Once a structure/building has been vacant or unoccupied for a period of 90 days, regardless of whether it is reported as such, the structure will be considered vacant/unoccupied for the purpose of this addendum. All such vacant or unoccupied structures sustaining any loss covered within this MOC will be subject to the following limits of coverage.

B. There will be no rental interruption or loss of use coverage for any such structure/building. There will be no coverage for vandalism, building glass breakage, or water damage. All vacant/unoccupied structures sustaining loss will not be eligible to receive reimbursement at replacement cost. Settlement is strictly fair market value or the stated insurable value, whichever is less. In no event shall the total payment on any claim involving a vacant/unoccupied structure exceed the current reported value.

C. Failure to report the vacant/unoccupied status of the structure/building to CJPRMA within 60 days from the structure/building becoming vacant or unoccupied will result in a reduction in coverage for reimbursement of demolition costs to no more than 50% of the total cost of demolition.

D. Once a structure/property has been reported to CJPRMA as vacant/unoccupied, the member will supply CJPRMA with an updated value of the structure recognizing the structure as vacant/unoccupied and submit the value based upon fair market value.

E. Failure to report the vacant/unoccupied status of the structure/building to CJPRMA within 60 days from the structure/building becoming vacant or unoccupied will result in a reduction in coverage to fair market value minus 50%.

A Member may eliminate the limitations in paragraphs C and E above by subsequently reporting the vacant/unoccupied status to CJPRMA in writing a minimum of 60 days prior to a loss.

As used herein, "vacant" and "unoccupied" does not include buildings or structures under construction, including substantial continuing activities of renovation. If a vacant/unoccupied building becomes no longer vacant or unoccupied, the member shall promptly report the change in status with updated valuation, and the limitations set forth above shall cease to apply to losses occurring after CJPRMA receipt of the Member's written report of change in status and updated valuation.

The limitations under Section E above will not apply to mortgagors that are required by contract to be loss payees.

14. PROPERTY VALUES REPORTED

A. Members are required to report the value of structures based upon the CJPRMA approved appraisal report to be entitled to full replacement cost coverage.

B. A stated value loss is defined as a loss wherein the maximum payable for all losses on the property will not exceed the value as reported by the member as a Total Insurable Value ("TIV") for the parcel involved in the loss.

C. The Member may choose to utilize a lower value than stated within the CJPRMA appraisal report. In the event the Member chooses to submit a lower TIV than identified in the current appraisal report, any loss to the building/structure/property in the open, will be adjusted based upon a stated value maximum as described above. A stated value loss is defined as a loss that the maximum payable for all losses on the property will not exceed the value as reported by the member to be included within its TIV, for the parcel involved in the loss. The stated value will be identified in a special endorsement for the

member on an annual basis. Members are required to advise CJPRMA whenever they are reporting values which are less than the values identified within the appraisal reports. Members may report values that exceed the appraisal reported values and there will be no impact on their ability to receive full replacement on those losses.

D. Members adding a location or enhancement to the program in excess of $5,000,000 must obtain a certified property appraisal within three months of adding the structure/property to the CJPRMA program. Should a member submit a property loss on a structure where the required appraisal report is not submitted as required, the maximum reimbursement will be based upon the stated value.

E. All land improvements, property in the open, fencing, playgrounds etc. must be reported and included within the member's statement of values. Any attachments, fencing, property in the open not specifically identified in the Memorandum of Coverage will not be covered.

15. TAX INTERRUPTION VALUES:

A. Members are entitled to coverage for losses arising within their entities that are defined as Tax Interruption ("TI") losses. The losses must have arisen as a result of a covered peril within this MOC. Members may include a reportable value on an annual basis of the maximum amount of coverage requested arising out of a loss that creates a tax interruption. The submission must identify and name the businesses within their jurisdiction which would be considered for a TI loss. The subject loss would be on a single occurrence basis and would only apply to the program year when the loss occurred. The maximum time limit for any TI loss is for a single, twelve consecutive month period. The TI loss must be identified by verified historical records as produced by the Member.

B. In the event a member chooses to not submit a value for Tax Interruption, the maximum loss available to the member on an annual basis will be a total of $500,000 for a single occurrence event providing a tax interruption loss.

16. FIRE BRIGADE CHARGES AND EXTINGUISHING EXPENSES

If property of CJPRMA is destroyed or damaged by a peril insured against, this Memorandum of Coverage shall cover:

A. fire brigade charges and other extinguishing expenses for which the CJPRMA may be assessed;

B. loss of fire extinguishing materials expended

17. DEBRIS REMOVAL

This Memorandum of Coverage covers the following expenses resulting from a peril insured against:

A. the cost of removal of debris of property covered hereunder;

B. the cost of removal of debris of property not insured hereunder from the premises of the CJPRMA:

C. the cost of restoration of land if damage was caused by a covered peril.

18. DEMOLITION AND INCREASED COST OF CONSTRUCTION

In the event of loss or damage under the Memorandum of Coverage that causes the enforcement of any law or ordinance regulating the construction or repair of damaged facilities, this CJPRMA shall be liable for:

A. the cost of demolishing the undamaged facility including the cost of clearing the site;

B. the proportion that the value of the undamaged part of the facility bore to the value of the entire facility prior to loss;

C. increased cost of repair or reconstruction of the damaged and undamaged facility on the same or another site and limited to the minimum requirements of such law or ordinance regulating the repair or reconstruction of the damaged property on the same site. However, the CJPRMA shall not be liable for any increased cost of construction loss unless the damaged facility is actually rebuilt or replaced;

D. any increase in the business interruption, extra expense, and rental value loss arising out of the additional time required to comply with said law or ordinance.

The Program shall not be liable for any cost of demolition or increased cost of replacement, repair, debris removal or loss of use necessitated by the enforcement of any law or ordinance regulating any form of contamination or pollution.

19. EXPEDITING EXPENSE

This Memorandum of Coverage covers the reasonable extra cost of temporary repair and of expediting the repair of damaged property insured hereunder, including overtime and express freight or other rapid means of transportation.

20. CONTRIBUTING INSURANCE

Contributing insurance is insurance written upon the same plan, terms, conditions, and provisions as those contained in this Memorandum of Coverage. This insurance shall contribute in accordance with the conditions of this Memorandum of Coverage only with other contributing insurance as defined.

21. EXCESS INSURANCE

Excess insurance is insurance over the limit of liability set forth in this Memorandum of Coverage. The existence of such excess insurance shall not prejudice the coverage provided under this Memorandum of Coverage nor will it reduce any liability hereunder.

22. UNDERLYING INSURANCE

A. Underlying insurance is insurance on all or any part of the deductible and against all or any of the perils covered by this Memorandum of Coverage including declarations of value to the carrier. The existence of such underlying insurance shall not prejudice or affect any recovery otherwise payable under this Memorandum of Coverage.

B. If the limits of such underlying insurance exceed the deductible amount which would apply in the event of loss under this Memorandum of Coverage, then that portion which exceeds such a deductible amount shall be considered “other insurance.”

23. OTHER INSURANCE

Except for insurance described by the contributing insurance clause, by the excess insurance clause, or by the underlying insurance clause, this Memorandum of Coverage shall not cover to the extent of any other insurance, whether prior or subsequent hereto in date, and whether directly or indirectly covering the same property against the same perils. The CJPRMA shall be liable for loss or damage only to the extent of that amount in excess of the amount recoverable from such other insurance.

24. SUBROGATION

A. Any release from liability entered into by the CJPRMA Member prior to loss hereunder shall not affect this Memorandum of Coverage or the right of the CJPRMA Member to recover hereunder. The Member shall take no action after loss that would prejudice the right of CJPRMA and/or its Program or excess insurers to seek subrogation against third parties for losses paid hereunder. The right of subrogation against CJPRMA Member, or subsidiaries or affiliated

corporations or companies, or any other corporations or companies associated with the CJPRMA Member through ownership or management is waived.

B. In the event of any payment under this Memorandum of Coverage, the CJPRMA shall be subrogated to the extent of such payment to all the CJPRMA Member's rights of recovery therefore. The Member shall execute all papers required and shall do anything that may be necessary at the expense of the CJPRMA to secure such right. The Member will act in concert with all other interests concerned, i.e., the CJPRMA and any other parties participating in the payment of any loss as primary or excess insurers or reinsurers, in the exercise of such rights of recovery. If any amount is recovered as a result of such proceedings, the net amount recovered after deducting the costs of recovery shall be divided between the interests concerned in the proportion of their respective interests. If there should be no recovery, the expense of proceedings shall be borne proportionately by the interests instituting the proceedings.

25. SALVAGE AND RECOVERIES

All salvages, recoveries, and payments, excluding proceeds from subrogation and underlying insurance recovered or received subsequent to a loss settlement under this Memorandum of Coverage, shall be applied as if recovered or received prior to the said settlement and all necessary adjustments shall be made to the parties involved.

26. BRAND OR TRADEMARK

In case of damage by a peril insured against to property bearing a brand or trademark or which in any way carries or implies the guarantee or the responsibility of the manufacturer or the CJPRMA, the salvage value of such damaged property shall be determined after removal at the CJPRMA's expense in the customary manner of all such brands or trademarks or other identifying characteristics. The CJPRMA shall have full right to the possession of all goods involved in any loss under this Memorandum of Coverage and shall retain control of all damaged goods. The CJPRMA, exercising a reasonable discretion, shall be the sole judge as to whether the goods involved in any loss under this Memorandum of Coverage are fit for consumption. No goods so deemed by the CJPRMA to be unfit for consumption shall be sold or otherwise disposed of except by or with the CJPRMA's consent, but the CJPRMA shall allow any salvage obtained by the CJPRMA on any sale or other disposition of such goods.

27. MACHINERY

In case of loss or damage by a peril insured against to any part of a machine or unit consisting of two or more parts when complete for use, the liability of the CJPRMA shall be limited to the value of the part of parts lost or damaged or, at the CJPRMA's

option, to the cost and expense of replacing or duplicating the lost or damaged part or parts or of repairing the machine or unit.

28. LIBERALIZATION CLAUSE

If during the period that insurance is in force under this Memorandum of Coverage or within 45 days prior to the inception date thereof, on behalf of the CJPRMA there be adopted, or filed with and approved or accepted by the insurance supervisory authorities, all in conformity with law, any changes in the form attached to this Memorandum of Coverage by which this form of insurance could be extended or broadened without increase premium charge by endorsement or substitution of form, then such extended or broadened insurance shall inure to the benefit of the CJPRMA hereunder as though such endorsement or substitution of form had been made.

29. ERRORS OR OMISSIONS

Any unintentional error or omission made by the CJPRMA shall not void or impair the insurance hereunder provided the CJPRMA reports such error or omission as soon as reasonably possible after discovery. Errors and omissions does not extend to failure to report newly acquired locations within 90 days, or to fail to schedule unnamed locations.

30. NOTICE OF LOSS

The Member will endeavor to report all losses that may be subject to loss recovery within this program as soon as the loss is determined. In no event will any loss be accepted that occurred more than 90 days prior to the submission of a notice of loss. Any loss occurring in the months of May or June must be reported by August 1, of the following program year or will not be subject to coverage. A reporting of loss will be deemed to have occurred once the CJPRMA loss notification form has been submitted to CJPRMA/Alliant.

All losses shall be reported to the CJPRMA administration office, CJPRMA shall report such loss or damage with full particulars to Alliant Property Insurance Program, Alliant Insurance Services, Inc. 101 Pine St, 11th Floor, San Francisco, California 94111 hereby authorized to appoint McLarens Young International, One Sansome Street, Suite 950, San Francisco, California 94104-4429 to assess the loss on behalf of CJPRMA.

31. PROOF OF LOSS

It shall be necessary for the CJPRMA to render a signed and sworn proof of loss stating: the place, time, and cause of the loss, damage, or expense; the interest of the CJPRMA and of all others; the value of the property involved in the loss; and the amount of loss, damage, or expense.

32. APPRAISAL

If the CJPRMA fails to agree on the amount of loss, each interested member, upon the written demand either of the CJPRMA or the interested member of the CJPRMA made within 60 days after receipt of proof of loss, shall select a competent and disinterested appraiser. The appraisers shall then select a competent and disinterested umpire. If they should fail for 15 days to agree upon such umpire, then upon the request of the CJPRMA or of this CJPRMA, such umpire shall be selected by a judge of a court of record in the county and state in which such appraisal is pending. Then, at a reasonable time and place, the appraisers shall appraise the loss, stating separately the value at the time of loss and the amount of loss. If the appraisers fail to agree, they shall submit their differences to the umpire. An award in writing by any two shall determine the amount of loss. The CJPRMA and the interested member shall each pay its chosen appraiser and shall bear equally the other expenses of the appraisal and of the umpire.

33. CONSEQUENTIAL LOSS

This Memorandum of Coverage insures against consequential loss to the property insured caused by change of temperature or humidity or by interruption of power, heat, air conditioning, or refrigeration resulting from a peril insured against with a sublimit of coverage in the amount of $25,000,000. CJPRMA and its members must attempt to limit the loss to the best of their ability, for this exposure to be covered.

34. ASSISTANCE AND COOPERATION OF THE CJPRMA

The member entities shall cooperate with the CJPRMA and, upon the CJPRMA's request and expense, shall attend hearings and trials and shall assist in effecting settlements, in securing and giving evidence, in obtaining the attendance of witnesses, and in conducting suits.

35. SUE AND LABOR

In case of actual or imminent loss or damage by a peril insured against, it shall, without prejudice to this insurance, be lawful and necessary for the CJPRMA, their factors, servants, or assigns to sue, labor, and travel for, in, and about the defense, the safeguard, and the recovery of the property or any part of the property insured hereunder; nor, in the event of loss or damage, shall the acts of the CJPRMA in recovering, saving, and preserving the insured property be considered a waiver or an acceptance of abandonment. The CJPRMA shall contribute to the expenses so incurred according to the rate and quantity of the sum herein insured.

36. PAYMENT OF LOSS

All adjusted claims shall be due and payable no later than 30 days after presentation and acceptance of proofs of loss by the CJPRMA or its appointed representative.

37. PARTIAL PAYMENT OF LOSS

In the event of a loss covered by this Memorandum of Coverage, it is understood and agreed that the CJPRMA may allow a partial payment(s) of claim subject to the Memorandum of Coverage conditions.

38. LOSS ADJUSTMENT EXPENSE

This Memorandum of Coverage is extended to include expenses incurred by the CJPRMA or by the CJPRMA's representatives for preparing and certifying details of a claim resulting from a loss which would by payable under this Memorandum of Coverage. However, the CJPRMA shall not be liable under this clause for expenses incurred by the CJPRMA in utilizing the services of a public adjuster attorneys, and/or agents/brokers.

39. BUY-BACK OPTION

If the CJPRMA recovers property for which the CJPRMA has already paid the member entities, the member entity has the right to buy the property back from the CJPRMA. If the property is not damaged, the member entity will pay the same amount the CJPRMA paid the member entity, plus an amount for loss adjustment, recovery expenses and interest.

40. REINSTATEMENT

No loss hereunder shall reduce the amount of this Memorandum of Coverage.

41. SUIT AGAINST THE CJPRMA

No suit or action on this Memorandum of Coverage for the recovery of any claim shall be sustainable in any court of law or equity unless the CJPRMA shall have fully complied with all the requirements of this Memorandum of Coverage. The CJPRMA agrees that any action or proceeding against it for recovery of any loss under this Memorandum of Coverage shall not be barred if commenced within the time prescribed therefore in the statutes of the state of California.

42. CERTIFICATES OF INSURANCE

All parties to whom a certificate of insurance has been issued by the CJPRMA or the broker, are automatically added to this Memorandum of Coverage upon issuance of said certificates, either as additional insureds or as loss payees, or both, in accordance with the terms and conditions of said certificates.

43. CANCELLATION

A. This Memorandum of Coverage may be canceled at any time at the request of the CJPRMA by mailing to the CJPRMA at:

3201 Doolan Road, Suite 285
Livermore, CA 94551

and to the additional insured/loss payees indicated on the certificates of insurance issued during the term of this Memorandum of Coverage and to Alliant Insurance Services, Inc. | 100 Pine Street., 11th Floor | San Francisco, California 94111, written notice stating when, not less than 90 days thereafter, such cancellation shall be effective, except ten (10) days for non-payment.

B. The mailing of notice as aforesaid shall be sufficient proof of notice and the effective date and hour of cancellation stated in the notice shall become the end of the Memorandum of Coverage period. Delivery of such written notice by the CJPRMA shall be equivalent to mailing.

C. Cancellation shall not affect coverage on any shipment in transit on the date of cancellation. Coverage will continue in full force until such property is delivered and accepted.

44. TITLES OF PARAGRAPHS

The titles of the paragraphs of this form and of endorsements and supplemental contracts, if any, now or hereafter attached hereto are inserted solely for convenience of reference and shall not be deemed in any way to limit or affect the provisions to which they relate.

45. JOINT LOSS AGREEMENT

With respect to insurance provided by this Memorandum of Coverage, it is agreed that:

(1) If at the time of loss, there is in existence of a Memorandum of Coverage, insurance policy(ies) or Reinsurance Certificate issued by either this CJPRMA, a Property or Boiler and Machinery Insurance company which may cover the same property or cover the location at which the property subject to loss is situated; and

(2) If there is a disagreement between the parties under this Memorandum of Coverage and such other contract either as to:

(1) whether such damage or destruction was caused by a peril insured against by this Memorandum of Coverage or be an accident insured against by such Property or Boiler and Machinery Insurance policy; or

(2) the extent of participation of this Memorandum of Coverage and of such Property or Boiler and Machinery Insurance policy in a loss which is insured against, partially or wholly, by any one or all of said policies;

this Memorandum of Coverage shall, upon written request of the CJPRMA, pay to the CJPRMA one-half of the amount of the loss which is in disagreement, but in no event more than the CJPRMA would have paid if there had been no boiler and machinery insurance policy in effect, subject to the following conditions:

(3) the amount of the 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 upon by the CJPRMA and the companies is limited to the minimum amount remaining payable under either the boiler and machinery or this Memorandum of Coverage.

46. MEMORANDUM OF COVERAGE

A. This memorandum of coverage shall be the primary coverage document to the Property Program. All language within this program will control the ultimate adjustment of any claim and this MOC will be the controlling document. No language that provides additional coverage within the following form insurance policies will be available unless specifically stated within this document.

B. Except for Appraisal valuation issues determined under Section 32, above, the General Manager shall make the final determination of coverage for any loss or any other coverage dispute under this Memorandum, including but not limited to issues relating to reporting of values, timely reporting of losses, and application or interpretation of the language of this Memorandum, based upon the submissions of the member and the investigation performed by McLarens Young on the facts of the loss as submitted. . A decision by the General Manager to deny coverage can be appealed to the property program participants serving on the Board of Directors. Notice of such appeal shall be submitted in writing within thirty (30) calendar days of the date of the General Manager's written notice of decision.

C. The appeal shall be considered by the property program participants on the Board of Directors at the next regular or special meeting following receipt of the written appeal; if the appeal is received too late for inclusion in the agenda packet, it can be postponed to the next following Board meeting. The General Manger and the covered party will have the right to submit written materials and present oral argument to the Board, subject to reasonable time constraints.

D. Within sixty (60) days following any denial of coverage by the Board, the covered party may request, in writing, that the CJPRMA initiate a declaratory relief action in Superior Court for a determination of the coverage matter. The declaratory relief action shall be initiated in the County of the CJPRMA's home office, unless the CJPRMA and covered party agree on a different venue.

E. Under no circumstances shall the CJPRMA be liable for consequential damages, "bad faith" damages, or any sums beyond the amounts due under Section 7 ("COVERAGE"), plus interest at the same rate as the CJPRMA earned on investments for the time period involved.

THIS ENDORSEMENT (1) CHANGES THE MEMORANDUM OF COVERAGE. PLEASE READ IT CAREFULLY.

WAR EXCLUSION

All loss, cost or expense directly or indirectly arising out of, resulting as a consequence of or related to war. “War,” as utilized herein, shall mean war whether or not declared, civil war, martial law, insurrection, revolution, invasion, bombardment or any use of military force, usurped power or confiscation, nationalization or damage of property by any government, military or other authority.

This exclusion shall apply whether or not there is another cause of loss which may have contributed concurrently or in any sequence to a loss.

THIS ENDORSEMENT (2) CHANGES THE MEMORANDUM OF COVERAGE. PLEASE READ IT CAREFULLY.

Endorsement #2 has been replaced by Endorsement #7 effective July 1, 2018.

THIS ENDORSEMENT (3) CHANGES THE MEMORANDUM OF COVERAGE. PLEASE READ IT CAREFULLY.

MOLD EXCLUSION

The following is added to the Exclusions section of this Memorandum of Coverage:

Mold, Fungus Exclusion:

In consideration of the premium charged, it is hereby understood and agreed that this MOC is amended as follows.

The CJPRMA shall not be liable for any loss or damage caused by, arising out of, contributed to, or resulting from fungus, mold(s), mildew or yeast; or any spores or toxins created or produced by or emanating from such fungus, mold(s), mildew or yeast;

(a) fungus includes, but is not limited to, any of the plants or organisms belonging to the major group fungi, lacking chlorophyll, and including mold(s), rusts, mildews, smuts and mushrooms;

(b) mold(s) includes, but is not limited to, any superficial growth produced on damp or decaying organic matter or on living organisms, and fungi that produce mold(s);

(c) spores means any dormant or reproductive body produced by or arising or emanating out of any fungus, mold(s), mildew, plants, organisms or microorganisms;

regardless of any other cause or event that contributes concurrently or in any sequence to such loss.

All other terms, conditions, definitions, exclusions, limitations and provisions of the MOC remain the same.

THIS ENDORSEMENT (4) CHANGES THE MEMORANDUM OF COVERAGE. PLEASE READ IT CAREFULLY.

Endorsement #4 has been replaced by Endorsement #9 effective July 1, 2018.

THIS ENDORSEMENT (5) CHANGES THE MEMORANDUM OF COVERAGE. PLEASE READ IT CAREFULLY.

EXCLUSION OF CERTAIN COMPUTER-RELATED LOSSES

A. The CJPRMA will not pay for loss (“loss”) or damage caused directly or indirectly by the following. Such loss (“loss”) or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss (“loss”) or damage.

1. The failure, malfunction or inadequacy of:
   a. Any of the following, whether belonging to any CJPRMA member or to others:
      (1) Computer hardware, including microprocessors;
      (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 is 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 you or for you 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 Covered Cause of Loss under the Boiler and Machinery Coverage Part or the Memorandum of Coverage; or we will pay only for the loss (“loss”) or damage caused by such “Specified Cause of Loss,” elevator collision, or Covered Cause of Loss.

We 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.

THIS ENDORSEMENT (6) CHANGES THE MEMORANDUM OF COVERAGE. PLEASE READ IT CAREFULLY.

EXCLUSION OF CERTAIN VACANT STRUCTURES/BUILDINGS

This addendum to the CJPRMA Property Memorandum of Coverage became effective January 1, 2015. This endorsement was incorporated into this Memorandum of Coverage effective July 1, 2018.

THIS ENDORSEMENT (7) CHANGES THE MEMORANDUM OF COVERAGE. PLEASE READ IT CAREFULLY.

DATA/CYBER

Information Security & Privacy Insurance with Electronic Media Liability Coverage
Information Security and Privacy Liability pays on behalf of the member damages and claims expenses excess of the retention which the member shall become legally obligated to pay because of any claim, including a claim for violation of a privacy law first made against the member and reported to underwriters during the Program period for:

- Theft, loss or unauthorized disclosure of personally identifiable non-public information or third party corporate information that is in the care, custody or control of the member, or an independent contractor that is holding, processing or transferring such information on behalf of the member
- Acts or incidents that directly result from the failure of computer security to prevent a security breach including:
- Alteration, corruption, destruction, deletion, or damage to a data asset stored on computer systems
- Failure to prevent transmission of malicious code from computer systems to third party computer systems
- Participation in a denial of service attack directed against a third party computer system
- The failure to timely disclose any of the above in violation of any breach notice law
- The failure to comply with a privacy policy that (1) prohibits or restricts the disclosure, sharing or selling of personally identifiable non-public information, (2) requires Insured Organization to provide access to or correct incomplete or inaccurate personally identifiable non-public information or (3) mandates procedures and requirements to prevent the loss of personally identifiable information
- The failure to administer an identity theft prevention program
- Privacy Notification Costs, in excess of the Retention and incurred by the member with Underwriters' prior consent resulting from the Insured Organization's legal obligation to comply with a breach notice law because of an incident that first takes place on or after the retroactive date and before the end of the Program period and is discovered by the member and reported to Underwriters during the Program period. Privacy Notification Costs means costs incurred within one year of the reporting of the incident or suspected incident to the Underwriters:
- To hire computer security experts
- Notification in compliance with a Breach Notice Law
- Public relations mitigation up to $100,000
- Credit monitoring for the purpose of mitigating potential damages

- Privacy notification is expanded to include notification at the underwriters' discretion to individuals affected by an incident in which their Personally Identifiable Non-Public Information has been subject to theft, loss or Unauthorized Disclosure

Regulatory Defense and Penalties pays on behalf of the member claims expenses and penalties which the member shall become legally obligated to pay because of any claim in the form of a regulatory proceeding resulting from a violation of a privacy law and caused by an incident described under certain sections of the information security and privacy liability section of the Program that first takes place on or after the Retroactive Date and before the end of the Program period.

Website Media Content Liability (occurrence based) pays on behalf of the insured damages and claims expenses, in excess of the Deductible, resulting from any claim made against the member for one or more of the following acts committed in the course of covered media activities occurring during the Program period:

- Defamation, libel, slander, trade libel, infliction of emotional distress, outrage, outrageous conduct, or other tort related to disparagement or harm to the reputation or character of any person or organization
- Privacy violation
- Invasion or interference with publicity
- Plagiarism, piracy, misappropriation
- Infringement of copyright
- Infringement of domain name, trademark, trade name, trade dress, logo, title, metatag, or slogan, service mark, or service name; or
- Improper deep-linking or framing within electronic content

Cyber Extortion indemnifies the member for costs incurred as a direct result of an extortion threat first made against the Insured Organization by a person other than employees, directors, officers, principals, trustees, governors, managers, members, etc.

First Party Data Protection indemnifies the member for a data protection loss excess of retention incurred as a direct result of (1) alteration, corruption, destruction, deletion or damage to a data asset or (2) inability to access a data asset, that first takes place during the Program period and is directly caused by failure of Computer Security to prevent a Security Breach, provided that such Security Breach must take place on or after the Retroactive Date and before the end of the Program period.

First Party Network Business Interruption indemnifies the member for business interruption loss as a direct result of the actual and necessary interruption or suspension of computer systems that first takes place during the Program period and is directly caused by a failure of computer security to prevent a security breach.
It is noted and agreed that this Program is hereby amended as follows:

The Insurer will not pay for Damage or Consequential loss directly or indirectly caused by, consisting of, or arising from:

1. Any functioning or malfunctioning of the internet or similar facility, or of any intranet or private network or similar facility;
2. Any corruption, destruction, distortion, erasure or other loss or damage to data, software, or any kind of programming or instruction set;
3. Loss of use or functionality whether partial or entire of data, coding, program, software, any computer or computer system or other device dependent upon any microchip or embedded logic, and any ensuing liability or failure of the Insured to conduct business.

This Endorsement shall not exclude Subsequent Damage or Consequential loss, not otherwise excluded, which itself results from a Defined Peril. Defined Peril shall mean: Fire, Lightning, Earthquake, Explosion, Falling Aircraft, Flood, Smoke, Vehicle Impact, Windstorm or Tempest.

Such Damage or Consequential loss described in 1, 2, or 3 above is excluded regardless of any other cause that contributed concurrently or in any other sequence.

THIS ENDORSEMENT (8) CHANGES THE MEMORANDUM OF COVERAGE. PLEASE READ IT CAREFULLY. THIS ENDORSEMENT SUPERSEDES ANY CYBER EXCLUSIONS IN THE PROPERTY MEMORANDUM OF COVERAGE EFFECTIVE JULY 01, 2017

Cyber Liability

Coverage is provided on claims made basis

Information Security & Privacy Insurance with Electronic Media Liability Coverage
Information Security and Privacy Liability pays on behalf of the Insured/Member damages and claims expenses excess of the retention which the Insured/Member shall become legally obligated to pay because of any claim, including a claim for violation of a privacy law first made against the Insured/Member and reported to underwriters during the Program period for

- theft, loss or unauthorized disclosure of personally identifiable non-public information or third party corporate information that is in the care, custody or control of the Insured/Member, or an independent contractor that is holding, processing or transferring such information on behalf of the Insured/Member.
- Acts or incidents that directly result from the failure of computer security to prevent a security breach including
    - Alteration, corruption, destruction, deletion, or damage to a data asset stored on computer systems
    - Failure to prevent transmission of malicious code from computer systems to third party computer systems
    - Participation in a denial of service attack directed against a third party computer system
- The failure to timely disclose any of the above in violation of any breach notice law
- The failure to comply with a privacy policy involving the disclosure, sharing or selling of personally identifiable non-public information
- The failure to administer an identity theft prevention program

Privacy Notification Costs pay the Insured/Member for reasonable and necessary costs to comply with a breach notice law because of an incident that first takes place on or after the retroactive date and before the end of the Program period. Privacy Notification Costs means costs incurred within one year of the reporting of the incident or suspected incident to the Underwriters:

- To hire security experts;
- Notification provisions,
- Public relations mitigation up to $50,000 subject to Nil coinsurance
- Credit monitoring for the purpose of mitigating potential damages and are subject to Nil coinsurance
    - Credit file monitoring,
    - Mailing and third party administrative costs

To provide notification to:

Individuals who are required to be notified by the **Insured Organization** under the applicable **Breach Notice Law**; and

In the Underwriters' discretion, to individuals affected by an incident in which their **Personally Identifiable Non-Public Information** has been subject to theft, loss, or Unauthorized Disclosure in a manner which compromises the security or privacy of such individual by posing a significant risk of financial, reputational or other harm to the individual.

Regulatory Defense and Penalties pays on behalf of the Insured/Member claims expenses and penalties which the Insured/Member shall become legally obligated to pay because of any claim in the form of a regulatory proceeding resulting from a violation of a privacy law and caused by an incident described under certain sections of the information security and privacy liability section of the MOC.

Website Media Content Liability (occurrence based) days on behalf of the insured damages and claims expenses resulting from any claim made against the Insured/Member for one or more of the following acts committed in the course of covered media activities:

- Defamation, libel, slander, trade libel
- Privacy violation
- Invasion or interference with publicity
- Plagiarism, piracy, misappropriation of ideas under implied contract
- Infringement of copyright
- Infringement of domain name, trademark
- Improper deep-linking or framing within electronic content

Cyber Extortion indemnifies the Insured/Member for costs incurred as a result of an extortion threat by a person other than employees, directors, officers, principals, trustees, governors, managers, members, etc.

First Party Data Protection indemnifies the Insured/Member for data protection loss as a result of alteration, corruption, destruction, deletion, damage or inability to access data assets.

First Party Network Business Interruption indemnifies the Insured/Member for business interruption loss as a direct result of the actual and necessary interruption or suspension of computer systems and is directly caused by a failure of computer security to prevent a security breach.

Third Party Liability:

$25,000,000 **Annual Program and Program Aggregate Limit of Liability** (subject to Program exclusions) for all Insured's/Members combined (Aggregate for all coverage's combined, including Claims Expenses), subject to the following sub-limits as noted.

$2,000,000 **Annual Aggregate Limit of Liability** for each Insured/Member for **Information Security & Privacy Liability. Each Member of a JPA will have a $2,000,000 Limit Each** (Aggregate for all coverages combined, including Claim Expenses) but sublimited to:

$500,000 **Annual Program Aggregate Limit of Liability** for each Insured/Member **Privacy Notification Costs coverage**. Limit is $1,000,000 if Beazley vendor services are used.

$2,000,000 **Annual Program Aggregate Limit of Liability** for each Insured/Member for all **Claims Expenses and Penalties for Regulatory Defense and Penalties**

$2,000,000 **Annual Program Aggregate Limit of Liability** for each Insured/Member for all Damages and Claims Expenses for **Website Media Content Liability** (Occurrence Based)

First Party Computer Security:

$2,000,000 **Program Aggregate Sublimit of Liability** for each Insured/Member for **Cyber Extortion Loss**
$2,000,000 **Program Aggregate Sublimit of Liability** for each Insured/Member for Data **Protection Loss and Business Interruption Loss**
$50,000 Fraudulent Instruction Coverage
$50,000 Telecommunications Fraud Coverage
$50,000 Consequential Reputational Loss
$100,000 Forensic Expenses
$500,000 Dependent Business Interruption

First Party Business Interruption Sub-Limits of Liability for each Insured/Member:

$50,000 1) Hourly Sublimit
$50,000 2) Forensic Expense Sublimit
$150,000 3) Dependent Business Interruption Sublimit.

THIS ENDORSEMENT (9) CHANGES THE MEMORANDUM OF COVERAGE. PLEASE READ IT CAREFULLY. THIS ENDORSEMENT SUPERSEDES ANY POLLUTION EXCLUSIONS IN THE PROPERTY MEMORANDUM OF COVERAGE EFFECTIVE JULY 01, 2017

Pollution Liability

Coverage is provided on a Claims Made Basis

Covered Locations:

1. Any location owned, operated, managed, leased or maintained by the insured or insured member
2. Any location that meets the prerequisites to coverage identified in the Automatic Acquisition and Due Diligence section of this endorsement.
3. Any other location specifically scheduled as a covered location by endorsement
4. Any subsurface potable water, wastewater or storm water pipes to or from a covered location, provided that such pipes are located within a one thousand (1,000) foot radius of such location

Coverage:

Pollution Conditions or Indoor Environmental Conditions – Coverage for claims and first-party claims arising out of a pollution condition on, at, under or migrating from a covered location, or an indoor environmental condition at a covered location, provided the claim is first made, or the member first discovers such pollution condition or indoor environmental condition during the Program period. Coverage only applies to pollution conditions or indoor environmental conditions that first commence, in their entirety, on or after the retroactive date, and prior to the end of the Program period.

Covered Operations - Coverage for claims and first-party claims arising out of a pollution condition or indoor environmental condition resulting from covered operations, provided the claim is first made, or the Insured first discovers such pollution condition or indoor environmental condition, during the Program period. Any such claim or first-party claim must be reported to the Insurer, in writing, during the Program period. Coverage only applies to pollution conditions or indoor environmental conditions that first commence, in their entirety, on or after the retroactive date and prior to the end of the Program period.

Transportation Coverage - Coverage for claims and first-party claims arising out of a pollution condition resulting from transportation, provided the claim is first made, or the Insured first discovers such pollution condition, during the Program period. Any such claim or first-party claim must be reported to the Insurer, in writing, during the Program period. Coverage only applies to pollution conditions that first commence, in their entirety, on or after the retroactive date and prior to the end of the Program period.

Business Interruption/Extra Expense – Included

Non-Owned Disposal Site Coverage - Coverage for claims arising out of a pollution condition on, at, under or migrating from a non-owned disposal site, provided the claim is first made during the Program period. Any such claim must be reported to the Insurer, in writing, during the Program period. Coverage only applies to pollution conditions that are attributable to the Insured's waste generated at a covered location and received at the non-owned disposal site, in its entirety, on or after the retroactive date and prior to the end of the Program period.

Catastrophe Management Coverage - Coverage for reasonable and necessary expenses approved by the Insurer, in writing, except for those expenses incurred during the same seven (7) day period associated with emergency response costs, which have been incurred by the Insured for the following:

- Responsive consulting services rendered by a catastrophe management firm;
- Printing, advertising, mailing of materials of public relations materials;
- Travel by directors, officers, employees or agents of the Insured or the catastrophe management firm, incurred at the direction of the catastrophe management firm;
- To secure the scene of a pollution condition or indoor environmental condition;
- Sums advanced to third-parties directly harmed by the pollution condition or indoor environmental condition for their medical costs, funeral costs, psychological counseling, travel expenses costs, temporary living costs or other necessary response costs.

Catastrophe management costs do not include any legal defense costs.

Emergency Response Costs – Coverage for first-party remediation costs incurred within seven (7) days following the discovery of a pollution condition or indoor environmental condition in order to abate or respond to an imminent and substantial threat to human health or the environment arising out of:

- A pollution condition or indoor environmental condition on, at, under or migrating from a covered location; or
- A pollution condition resulting from transportation, provided such emergency response costs are reported to the Insurer within fourteen (14) days of when the Insured first became aware of such pollution condition or indoor environmental condition

Fungi and legionella are included in the definition of Indoor Environmental Condition

Products Pollution Coverage – Coverage for claims arising out of product pollution, provided that the claim is first made during the Program period. Any such claim must be reported to the Insurer, in writing, during the Program period. Coverage only applies to product pollution that first commences, in its entirety, on or after the retroactive date.

Retroactive Dates:

Premises Pollution:	July 1, 2013
Transportation:	July 1, 2013
Non-Owned Disposal Sites:	July 1, 2013
Covered Operations:	July 1, 2011
Products Liability:	July 1, 2001 (water)
Products Liability:	July 1, 2006 (bio-solids)
City of Livermore (sewage backup only):	January 8, 2013
City of Livermore properties:	January 8, 2013

Limits:

$5,000,000	Per Pollution Condition or Indoor Environmental Condition
$5,000,000	Aggregate limit for all Pollution Condition or Indoor Environmental Conditions
$750,000	Catastrophe Management Sublimit
$2,000,000	Product Condition Sublimit
$2,000,000	Product Condition Aggregate
$2,000,000	Covered Operations Sublimit
$2,000,000	Covered Operations Aggregate Sublimit
$1,000,000	Per Bacteria/Virus Condition

Deductibles:

$75,000	Per Pollution Condition or Indoor Environmental Condition SIR
$375,000	Aggregate SIR for all Pollution Conditions
$37,500	Maintenance SIR per Pollution Condition
3 Days	Business Interruption Deductible

Exclusions:

Products Liability – does not apply to coverage for product pollution pursuant to the products pollution coverage in this Program.

Asbestos – does not apply to:

- claims for bodily injury or property damage, or any associated legal defense expenses arising out of asbestos or asbestos-containing materials;

- first-party claims arising out of asbestos or asbestos-containing materials discovered in soil or groundwater; and

- first-party remediation costs arising out of asbestos or asbestos-containing material, provided such remediation costs are the result of a pollution condition that first commenced during the Program period and does not arise out of or relate to any pollution conditions which existed prior to Program inception, is

unintended and unexpected from the standpoint of the insured, is sudden, direct and immediate, is first discovered by the Insured within seven (7) days of commencement, and is reported to the Insurer as soon as practicable, but in no event less than twenty-one (21) days following the discovery of such pollution condition by the Insured.

Contractual Liability – does not apply to environmental indemnity obligations

Divested Property – does not apply to any pollution conditions or indoor environmental conditions that first commenced, in whole or in part, prior to the effective date that any such covered location was divested, as identified in this Program.

Employers' Liability

Criminal Fines and Criminal Penalties

First-Party Property Damage – does not apply to first-party remediation costs, emergency response costs, business interruption loss and catastrophe management costs.

Fraud or Misrepresentation

Insured's Internal Expenses – does not apply to emergency response costs, along with any associated catastrophe management costs incurred during that same seven (7) day period or any other costs, charges or expenses incurred with the prior written approval of the Insurer.

Insured vs. Insured

Intentional Non-Compliance

Lead Based Paint - does not apply to:

- claims for bodily injury, property damage or any associated legal defense expenses arising out of lead-based paint;
- first-party remediation costs arising out of lead-based paint discovered in soil or groundwater;
- first-party remediation costs arising out of lead-based paint,

provided such remediation costs are the result of a pollution condition that first commenced during the Program period and does not arise out of or relate to any pollution conditions which existed prior to Program inception, is unintended and unexpected from the standpoint of the insured, is sudden, direct and immediate, is first discovered by the Insured within seven (7) days of commencement, and is reported to the Insurer as soon as practicable, but in no event less than twenty-one (21) days following the discovery of such pollution condition by the Insured.

Landfills, Recycling Facilities, Ports, Airports, or Oil and/or Gas Producing or Refining Facilities

Material Change in Risk

Known Conditions

Professional Liability

Regulatory Compliance

Vehicle Damage

War or Terrorism

Work Product

Underground Storage Tank - does not apply to any underground storage tank that:

- Is scheduled in the MOC; or
- Has been removed or closed-in-place prior to Program inception and such removal or closure was conducted in accordance with environmental law.

Workers' Compensation

Sewage Backup

Lead Contaminated Water

THIS ENDORSEMENT (10) CHANGES THE MEMORANDUM OF COVERAGE. PLEASE READ IT CAREFULLY.

DEDUCTIBLE BUY-DOWN

Members adopted a buy-down option for the 2018-2019 program year. Members will contribute their pro-rata share of $500,000 into a deductible buy-down fund. All members contributing to the buy-down provision will be entitled to receive contributions from the fund based upon the following schedule:

A. A member will receive a $50,000 recovery for their first loss of the program year that is approved by the claims process and exceeds the $100,000 deductible limit within the MOC.

B. A member will receive a $25,000 recovery for their second loss of the program year that is approved by the claims process and exceeds the $100,000 deductible within the MOC.

C. Any member sustaining a third loss in the program year will be responsible for funding the $100,000 retention for any and all property claims once the buy down provision has been provided for losses one and two of the program year.

D. All remaining funds in the buy-down program at the conclusion of the program year may be applied to a buy-down option for the following program year or may be returned to the program participants based upon a vote of the program participants at the May 2019 Board of Directors Meeting. Based upon the determination by the program participants, each member will be eligible to receive their pro-rata share of the remaining funds based upon their percentage of participation in the program.

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CALIFORNIA JOINT POWERS
RISK MANAGEMENT AUTHORITY

AGENDA BILL

ITEM: 6	***TITLE:*** **PROPERTY PROGRAM DEDUCTIBLE BUY-DOWN**
MEETING: 04/18/2019	
GENERAL MANAGER: A.B.G.	

Recommended Actions:

None. This item is presented for information and discussion purposes only.

Strategic Direction:

This item addresses Strategic Goal 1, Employ Customizable Products and Services to be Competitive.

Item Explanation:

At the May 2019 annual meeting, the general manager will recommend to participants of the Property Program that they continue the deductible buy-down for program year 2019-2020 and eliminate the deductible buy-down starting with program year 2020-2021.

In May 2018, the participants of the Property Program voted to increase the program deductible from $25,000 to $100,000 for program year 2018-2019. At the same time, they voted a deductible buy-down option that allowed for a $50,000 buy-down for the first loss for a participant and a $25,000 buy-down for the second loss for the same participant. No buy-down is available for a third or subsequent loss in the program year.

The buy-down option was intended as a temporary measure to transition to the increased deductible, and the general manager will recommend that it be eliminated. Continuing the buy-down for program year 2019-2020 provides for an additional year of transition and allows program participants to plan for a $100,000 deductible with no buy-down beginning with program year 2020-2021. Elimination of the buy-down will mean that participants will need to retain the first $100,000 of any covered property loss, which should encourage loss control efforts at the participant level.

If the participants approve the elimination of the buy-down, any funds remaining in the buy-down pool will be returned to participants on a pro rata basis either as refunds or as a reduction of participant premium for the 2020-2021 program year.

Fiscal Impact

None currently. The ultimate fiscal impact will depend on the decision of Property Program participants.

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CALIFORNIA JOINT POWERS
RISK MANAGEMENT AUTHORITY

AGENDA BILL

ITEM: 7	***TITLE:*** **STRATEGIC PLANNING 2019**
MEETING: 04/18/2019	
GENERAL MANAGER: A.B.G.	

Recommended Actions:

None currently. The item is presented for discussion only.

Strategic Direction:

This item addresses all strategic goals adopted by the organization.

Item Explanation:

The Board of Directors adopted the current strategic plan at the December 15, 2016 board meeting. CJPRMA has reviewed and updated its strategic plan approximately every three years.

Staff will schedule strategic planning in 2019 to revise the strategic plan. The general manager will discuss options for conducting the strategic planning and possible dates for the meetings. President Greer suggested one possible facilitator, Rick Brush. Mr. Brush is currently the Chief Member Services Officer for CSAC-EIA, and he also works as an independent consultant providing strategic planning facilitation services.

Fiscal Impact:

None currently.

Exhibits:

1. Brochure for Rick Brush Strategic Planning Facilitation

STRATEGIC PLANNING FACILITATION SERVICES

Rick Brush
Brush Strokes Consulting
r_brush@comcast.net
916.206.4048

INTRODUCTION

They say that many golf bets are won or lost on the first tee . . . it's what is negotiated prior to the first tee shot that will determine the outcome of the day. The same applies to successful strategic planning session outcomes!

With nearly thirty years of working in organizational management, fourteen years with local, state and national associations, and fifteen years with self-insured risk management pools, Rick Brush has been a part of many strategic planning sessions that ranged from excellent to not very productive. These experiences fueled his passion to create the "Perfect" strategic planning session and to provide this service to organizations.

He has spent his career working with groups of individuals and engaging them for the collective benefit of their group – in other words, getting board members to take off their individual hats, wear the hat of the organization, and figure out how they can best work together to plan the organization's future. His style is personal and collaborative, creating an environment that is comfortable to openly share information, debate in a constructive manner, and come to specific agreed upon goals.

THREE PARTS TO A SUCCESSFUL STRATEGIC PLANNING SESSION

BEFORE THE MEETING

Work that happens prior to the strategic planning meeting sets the stage for the day. Before the meeting, Rick will work with staff to establish a timeline to interview staff and key board members, create a survey to be sent to all participants, and make sure the table is set for a productive meeting. This is the foundation that enables the group to dive into matters swiftly and head on, so that on the day of the meeting, they will be engaged right from the start.

DURING THE MEETING

The best facilitators are simply that – facilitators of discussion. Rick does not impose his opinions into your process and deliberations, but will artfully lead discussions, recognize sticking points, know how to overcome them, and work to build consensus towards setting goals. This is the "*What*" phase, meaning "*What*" should be the organization's focus.

AFTER THE MEETING

He will work with your staff to build a report that is clear and concise, creating a useful document to implement the "*How*" phase. The report will document Strategic Goals, Outcomes, and Milestones. It will be used by staff to establish priorities, build timelines, identify responsible parties, and determine any necessary additional resources.

FACILITATOR BIO

Rick Brush is the President and Principal Consultant with Brush Strokes Consulting. He is also the Chief Member Services Officer for the CSAC Excess Insurance Authority (EIA), one of the largest self-insurance pools in the nation with approximately 2,000 public agency members. Rick is responsible for strategic initiatives for both the EIA and its captive insurance company, the Excess Insurance Organization. He is an integral part of the Senior Management team and is responsible for the delivery of professional and reliable risk management services to EIA members.

Previously, Rick worked at Bickmore, a risk management consulting firm, where he led the formation of five self-insurance groups (was the Administrator for one of them), and was the Administrator of a schools district joint powers authority.

Prior to that, Rick was the CEO of the California Society of Association Executives (CalSAE), the third largest society of association executives in the nation.

Perspective

Having been the CEO, Administrator and staff liaison of an organization, working with many strategic planning facilitators, Rick is well aware of the needs and expectations of staff. Having been a board member of many organizations, he also knows what it is like to sit in the seat of a board member. This gives him a unique perspective and understanding of the roles of each person in the room during a strategic planning session.

Specialties

- Strategic Planning
- Board Leadership
- Board Management
- Risk Management
- Relationship Building
- Strategic Partnerships

Contact Information

Rick Brush, President & Principal Consultant
Brush Strokes Consulting
r_brush@comcast.net
(C) 916.206.4048

References are available upon request.

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CALIFORNIA JOINT POWERS
RISK MANAGEMENT AUTHORITY

AGENDA BILL

ITEM: 8	***TITLE:*** **CONTRIBUTION TO SEWER SUMMIT**
MEETING: 04/18/2019	
GENERAL MANAGER: A.B.G.	

Recommended Actions:
None. This item is presented as a discussion item.

Strategic Direction:
This item addresses Strategic Goal #2: Invest Organizational Capital in the Development of targeted Educational and Training Programs

Item Explanation:
The California Sanitation Risk Management Authority (CSRMA) and the Planned Liability Assurance Network Joint Powers Authority (PLAN JPA) sponsor an annual training event called Sewer Summit. The Sewer Summit provides a full day of training in multiple tracks for wastewater and stormwater collection employees. For several years, CJPRMA has been a co-sponsor of the Sewer Summit, which has allowed an unlimited number of employees from CJPRMA member agencies to attend the training at no cost. CJPRMA contributes $2,500 per year for this sponsorship. This sponsorship is paid for from the CJPRMA training budget.

In January 2019, CSRMA contacted the general manager to request that CJPRMA increase its contribution to $10,000. For the 2018 Sewer Summit, CSRMA spent $20,000; PLAN JPA spent $37,112.34; and CJPRMA spent $2,500. 74 employees of CSRMA agencies attended the training; 30 employees of PLAN JPA agencies attended; and 31 employees of CJPRMA agencies attended. An additional 120 employees not affiliated with any of these agencies also attended at a cost of $50 per person.

The general manager agreed to contribute $5,000 for the 2019 Sewer Summit. However, before agreeing to contribute any additional money for future iterations of the training, the general manager will be available to discuss future participation in the Sewer Summit. Options include continued sponsorship of the Sewer Summit at various amounts or withdrawal of sponsorship.

Fiscal Impact:
The potential fiscal impact an annual maximum of $10,000

Exhibits:
1. 2018 Sewer Summit Cost Summary

2018 Sewer Summit Cost Summary		
Expenses:	2018 Proposal	2018 Actual
DKF Management & Planning Fee	$13,000.00	$13,000.00
Hotel, Food, and Parking	$28,000.00	$37,233.60
AV	$6,000.00	$6,127.83
Printing, Banner, Speaker Gifts, Photographer, Staff time	$8,000.00	$11,693.25
Speaker Lodging	-	$1,222.66
TOTAL expenses	**$55,000.00**	**$69,277.34**
Sponsorships/Income		
CSRMA	$20,000.00	$20,000.00
CJPRMA	$2,500.00	$2,500.00
Fees paid by 124 attendees @ $50 each	$4,000.00	$6,200.00
Vendor Fees: 7 @ $495/table	-	$3,465.00
Total Income	**$26,500.00**	**$32,165.00**
PLAN JPA Sponsorship (Expenses less Income)	**$28,500.00**	**$37,112.34**

2018 Sewer Summit Average Cost by Attendee			
Attendee Source	**Number of Attendees**	**Sponsorship**	**Average Cost per Attendee**
CSRMA	74	$20,000.00	$270.27
CJPRMA	31	$2,500.00	$80.65
PLAN JPA	30	$37,112.34	**$1,237.08**
Individual Attendees	120	Flat fee	$50.00
Total Attendees	**255**		

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CALIFORNIA JOINT POWERS
RISK MANAGEMENT AUTHORITY

AGENDA BILL

ITEM: 9	***TITLE:*** **RISK MANAGEMENT ISSUES**
MEETING: 04/18/2019	
GENERAL MANAGER: ABG	

Recommended Actions:

None. This item is being provided for information only.

Strategic Direction:

Strategic Goal 3, Foster Informed and Engaged Board Leadership.

Item Explanation:

This item is reserved for the discussion of risk management issues that are of concern to the members and for the provision of status updates on the risk management program.

1) Risk exposure in using Roundup herbicide

2) MMSEA Issues

Fiscal Impact

None.

Exhibits:

1. Scott Mann email re Roundup Risk Exposure
2. Article on Roundup Jury Verdict

From: Scott Mann
To: Rebecca Moon
Cc: Tina Murphy; Tony Giles
Subject: Evaluating Risk Exposure
Date: Monday, April 1, 2019 5:29:42 PM
Attachments: City"s IPM - Ch. 6, Art. 12 of June 1, 2010.pdf

Rebecca,

In light of a second jury verdict that rendered a decision against Bayer AG's 'Roundup' having caused non-hodgkin lymphoma in two cases (a school district groundskeeper and now a homeowner), prudence suggests that we evaluate the continued use of 'Roundup' or other glyphosate herbicides as part of the City's Integrated Pest Management (IPM) Program. Santa Clara County took action last summer (2018) to discontinue the use of 'Roundup' at all county facilities after the first verdict, this includes Sunnyvale Baylands Park, a county owned park maintained by Sunnyvale. Sunnyvale reports chemical uses annually to the County Agricultural Commission, but that is a state agency. Santa Clara County took independent action to cease the use of 'Roundup'.

> Here is a link to the Orange County Register article on last Thursday's jury verdict: https://www.ocregister.com/2019/03/19/jury-verdict-roundup-weed-killer-was-a-major-factor-in-mans-cancer/
>
> One quick internet search reveals several law firms advertising and seeking potential victims: https://learn.breakinginjurynews.com/roundup-bin-bing/?msclkid=79b5a2d0e5f01facddbafe7240520ee5

Additionally, we should also evaluate our risk exposure if the City continues to use 'Roundup' as part of our IPM. There are 11,000 plus related U.S. lawsuits, which Bayer AG inherited with its acquisition of Monsanto Co., that could cost as much as $5 billion to pay out. Prudence dictates that we evaluate its use and assess our risk exposure. Do we have any exposure by use of a third party product? Prior-verdict? Post-verdict?

In speaking with Leonard Dunn, Urban Landscape Manager, due to the County ban, he recently began to experiment with a Glufosinate based herbicide at Sunnyvale Baylands Park. He will be evaluating the efficacy of the use of this chemical versus Glyphosate (Roundup) over the next two months. The following describes the difference between the two herbicides:

> Glyphosate – a Systemic Herbicide
>
> Glyphosate is a broad-spectrum systemic herbicide and crop desiccant. It is an organophosphorus compound, specifically a phosphonate, which acts by inhibiting the plant enzyme 5-enolpyruvylshikimate-3-phosphate synthase. It is used to kill weeds, especially annual broadleaf weeds and grasses that compete with crops.
>
> Glufosinate - Naturally Occurring Broad-Spectrum Systemic Herbicide
>
> Glufosinate is a naturally occurring broad-spectrum systemic herbicide produced by several

species of Streptomyces soil bacteria. Plants may also metabolize bialaphos, another naturally occurring herbicide, directly into glufosinate. The compound irreversibly inhibits glutamine synthetase, an enzyme necessary for the production of glutamine and for ammonia detoxification, giving it antibacterial, antifungal and herbicidal properties. Application of glufosinate to plants leads to reduced glutamine and elevated ammonia levels in tissues, halting photosynthesis, resulting in plant death.

We always need to be careful not to overract to these types of issues. However, we also need to be prudent. If Glufosinate is effective, why not make the switch and mitigate the risk of exposure? What are your thoughts?

I've copied Tony Giles for discussion as this could potentially affect the pool. Tony – would we want to address this potentially at the May board meeting? Should we explore an exclusion of coverage if an agency continues to use Glyphosate herbicides post-verdicts?

R/ Scott

BUSINESS

Jury verdict: Roundup weed killer was a major factor in man's cancer

It could cost Bayer AG some $5 billion to settle more than 11,000 related lawsuits connected to the pesticide.

FILE – This Jan. 26, 2017 file photo shows containers of Roundup, a weed killer made

By **BLOOMBERG** |
PUBLISHED: March 19, 2019 at 2:59 pm | UPDATED: March 19, 2019 at 3:09 pm

Bayer AG lost the first phase of a trial over claims its Roundup weed killer causes cancer and now moves to a second phase to determine liability and damages in the case of a man who sprayed the herbicide on his property for decades.

The next stage will be a steeper climb: jurors will hear evidence, including damaging emails, that the company manipulated public opinion to bury health concerns and promote sales of the bestselling herbicide.

After Bayer lost its first U.S. trial over Roundup, Tuesday's unanimous decision probably edges the company one step closer to a settlement, analysts say. They predict paying to resolve more than 11,000 related U.S. lawsuits, which Bayer inherited with its acquisition of Monsanto Co., could cost as much as $5 billion.

Edwin Hardeman, right, leaves a federal courthouse with his wife Mary in San Francisco, Monday, Feb. 25, 2019. A jury in federal court in San Francisco will decide whether Roundup weed killer caused Hardeman's cancer in a trial that started Monday that plaintiffs' attorneys say could help determine the fate of hundreds of similar lawsuits. (AP Photo/Jeff Chiu)

The verdict will "likely result in a flood of cases filed quickly" against Bayer, and "may expedite the ultimate settlement" of the Roundup claims, Anna Pavlik, senior counsel for special situations at United First Partners LLC in New York, said in an email. Pavlik cautioned that Bayer and plaintiffs' lawyers probably remain far apart on the price of resolving the lawsuits.

The trial in San Francisco federal court is structured more favorably for Bayer than the first one last summer. In that case, a California state court jury awarded a former school groundskeeper damages eventually reduced by a judge to $78.6 million.

The latest proceedings were split — at the company's request and in its favor — to first focus jurors' attention on the medical question of whether exposure to Roundup was a "significant factor" in causing plaintiff Edwin Hardeman's non-Hodgkin's lymphoma. Bayer argued the hepatitis Hardeman suffered for decades is the primary cause of his disease.

With that question decided against Bayer, jurors now will hear about two more weeks of testimony to determine whether the company is liable for Hardeman's

Evidence is almost certain to resurface that Monsanto ghostwrote scientific literature and influenced regulators to claim that Roundup is safe. The revelations proved pivotal in the previous verdict, which caused Bayer shares to plunge.

U.S. District Judge Vince Chhabria, who is handling the trial, previewed in a March 7 pretrial order the difficulty Bayer now faces.

While evidence that Roundup causes cancer is "quite equivocal," he wrote, "there is strong evidence from which a jury could conclude that Monsanto doesn't particularly care whether its product is in fact giving people cancer, focusing instead on manipulating public opinion and undermining anyone who raises genuine and legitimate concerns about the issue."

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