

CAUSES OF LOSS - DIFFERENCE IN CONDITIONS FORM

1. Covered Causes of Loss

When Difference in Conditions is shown in the Declarations, Covered Causes of Loss means Direct Physical Loss or Damage to Covered Property, except those causes of loss listed in the Perils Excluded.

2. Limit of Liability

a. The limit of liability of these Insurers in respect to each and every loss occurrence shall not exceed:

\$_____ per occurrence; except further subject to 2.b. & 2.c. below.

b. As respects loss or damage caused by or resulting from Earthquake, the limit of liability during any one policy year shall not exceed:

\$_____.

c. As respects loss or damage caused by or resulting from Flood, the limit of liability during any one policy year shall not exceed:

\$_____, for all locations combined; subject to the below (if Flood Zones pre-fixed A or V are covered).

\$_____ for all covered locations in Flood Zones pre-fixed A or V.

If the words "Not Covered" are shown, instead of a limit, then no coverage is provided for that peril.

3. Deductible Clause:

All claims for loss or damage arising out of a single occurrence shall be adjusted as one claim, and the following Deductible amount will be subtracted from the adjusted amount of loss. If two or more perils contribute to a single occurrence, the total deductible shall not exceed the largest deductible applicable.

- Earthquake: a. _____% of the total insurable values of each separate "unit" (as defined below) at the time when such loss occurs, subject to \$_____ minimum per occurrence; OR
- b. _____% of the total insurable values of each building at the time when such loss occurs, subject to \$_____ minimum per occurrence; OR
- c. _____% of the total insurable values of each location at the time when such loss occurs, subject to \$_____ minimum per occurrence.

Flood: \$xxxx

All Other Perils: \$xxxx

The following shall be considered a separate "unit" of insurance:

- a) Each separate Building or Structure;
- b) Contents in each Separate Building or Structure;
- c) Property in the Yard or open at each scheduled Location;
- d) Business Income/Extra Expense in each Separate Building or Structure

4. Perils Excluded:

This policy does not insure against any loss or damage which is directly or indirectly caused by or which is contributed to by:

- (A) (1) Fire, Lightning, Explosion, Vandalism, Malicious Mischief, Sprinkler Leakage, or Earthquake-induced Fire and/or Explosion;
 - (2) Windstorm or Hail, Smoke, Aircraft or Vehicles, Riot or Civil Commotion, or Sinkhole Collapse;
 - (3) Other perils as defined and limited, under policies insuring against perils carried by the Insured under any other more specific insurance arranged for and in the name of the Insured;
 - (4) Any perils covered by a standard all risk insurance policy approved by the authority having jurisdiction, whether purchased or not;
 - (5) Theft (including but not limited to burglary and robbery), pilferage, or larceny.
- (B) Loss or damage caused by or resulting from water below the surface of the ground including that which exerts pressure on or flows, seeps, or leaks through sidewalks, driveways, foundations, walls, floors or paved surfaces, or through doors, windows or any other openings in such sidewalks, driveways, foundations, walls, floors or paved surfaces;
- (C) Loss or damage caused by or resulting from disappearance of property or loss or shortage of property disclosed on taking inventory;
- (D) Loss or damage caused by or resulting from wear and tear, mechanical breakdown, derangement, inherent vice, latent defect, gradual deterioration, smog, moth, vermin, rodents, termites or other insects including larvae or pupae thereof;
- (E) Loss or damage caused by or resulting from smoke, vapor or gas from agricultural smudging, or industrial operations;
- (F) Loss or damage caused by or resulting from dampness of atmosphere, dryness of atmosphere, changes in or extremes of temperature, shrinkage, evaporation, loss of weight, leakage of contents, breakage of glass or other fragile materials (other than lenses of photographic or scientific instruments), marring, scratching, rust or corrosion, exposure to light, contamination, change in flavor or color or texture or finish;
- (G) Dishonest or criminal act by any Insured, partner, employee (including leased employee), director, trustee, authorized representative, or anyone to whom an Insured entrusts property for any purpose:
 - (1) Acting alone or in collusion with others; or
 - (2) Whether or not occurring during the hours of employment;
- (H) Loss or damage caused by or resulting from any fraudulent scheme, trick, device or false pretense practiced upon the Insured or upon any person(s) to whom the property may be entrusted;
- (I) Loss or damage caused by or resulting from electrical injury or disturbance to electrical appliances, fixtures or wiring caused by electrical currents artificially generated, except with respect to ensuing loss caused by or resulting from a peril not otherwise excluded;

(J) Loss or damage caused by or resulting from:

- (1) Normal settling, cracking, shrinking or expansion in buildings or foundations, walls, floors, or ceilings; or subsidence. Such loss or damage is excluded regardless of whether any covered cause or peril other than Earthquake contributes concurrently or in any sequence to the loss;
- (2) Earth movement. Earth movement includes but is not limited to loss or damage caused by, resulting from, contributing to or aggravated by sinkhole, landslide, subsidence, mudflow, rockslide, earth sinking, rising, shifting or settling, or the eruption, explosion, or effusion of any volcano, but does not include Earthquake as defined in this policy. This exclusion applies even though the loss or damage is contributed to in any manner by perils other than Earthquake which are insured against in this policy;
- (3) The negligent act or omission of any person;
- (4) Enforcement of any ordinance or law regulating the reconstruction, repair or demolition of any real property insured hereunder. This exclusion applies even though the loss or damage is contributed to in any manner by perils which are insured against in this policy;

(K) Loss or damage caused by or resulting from:

- (1) Hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack (a) by any government or sovereign power (de jure or de facto), or by any authority maintaining or using military, naval or air forces; or (b) by military, naval or air forces; or (c) by any agent of any such government, power, authority or forces;
- (2) Any weapon of war employing atomic fission or radioactive force whether in time of peace or war;
- (3) Insurrection, rebellion, revolution, civil war, usurped power or action taken by governmental authority in hindering, combating or defending against any such occurrence, seizure or destruction under quarantine or customs regulation, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade;

(L) Loss or damage caused by or resulting from 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 a peril covered under this policy;

(M) Loss or damage caused by or resulting from the freezing of plumbing, sprinkler or heating systems.

(N) Loss or damage caused by or resulting from errors in design, errors in processing, faulty workmanship or faulty materials, unless the collapse of the property or a part thereof ensues and then only the ensuing loss;

(O) Loss or damage to property while actually being worked upon and directly resulting therefrom, except ensuing loss from a peril not otherwise excluded by this policy;

(P) Loss or damage caused by or resulting from exposure to elements of the weather where any covered personal property is left in the open or not contained in buildings or permanent foundations;

(Q) Loss or damage caused by or resulting from delay, loss of market, loss of use, interruption of business, consequential loss of any nature;

- (R) Any loss or any increase in loss caused by or resulting from any of the following:
1. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body;
 2. Faulty, inadequate or defective:
 - (a) Planning, zoning, development, surveying, siting;
 - (b) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
 - (c) Materials used in repair, construction, renovation, or remodeling; or
 - (d) Maintenanceof part or all of any property on or off the insured premises;
- (S) Loss caused by or resulting from the failure of power or other utility service supplied to the insured premises, however caused, if the failure occurs away from the insured premises;
- (T) Loss or damage caused by or resulting from water that backs up or overflows from a sewer sump or drain (unless Flood is a covered Peril);
- (U) Loss or damage caused by or resulting from continuous or repeated seepage or leakage of water that occurs over a period of 14 days or more;
- (V) Loss of or damage to the interior of any building or structure, or to personal property in the building or structure, caused by or resulting from rain, snow, sleet, ice, sand or dust, whether driven by wind or not.
- (W) (1) Loss caused by or resulting from the discharge, dispersal, seepage, migration, release or escape of "pollutants";
- (2) Loss or expense to:
- (a) Extract "pollutants" from land or water; or
 - (b) Remove, restore or replace polluted land or water; or
 - (c) Investigate or defend any loss, injury, or damage, or for any cost, fine, or penalty or for any expense or claim or suit related to any of the above.
- is not covered.

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

- (X) Any loss or increase in loss caused by or resulting from:
- (1) Asbestos, dioxin, or polychlorinated biphenols removal, encapsulation, covering, or any manner of control or abatement from any goods, products, or structure;
 - (2) Demolition, increase cost of construction, repair, debris removal or loss of use necessitated by the enforcement of any law or ordinance regulating asbestos, dioxins, or polychlorinated biphenols;

(3) Any governmental direction or request declaring that asbestos material present in or part of or utilized on any undamaged portion of the insured's property can no longer be used for the purpose for which it was intended or installed and must be removed or modified; or

(4) The presence of asbestos in any insured building or structure.

(Y) Loss or damage caused by or resulting from water, other liquids, powder or molten material that leaks or flows from plumbing, heating, air conditioning, fire protective systems, or other equipment and whether or not such loss or damage is directly or indirectly caused by or contributed to by a peril covered under this policy;

(Z) Loss of or damage caused by or resulting from weight of snow, ice or sleet.

(AA) Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by the Insured, or operated under the Insured's control. But, if loss or damage by fire or combustion results, the Insurers will pay for that resulting loss or damage. The Insurers will also pay for loss or damage caused by or resulting from the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.

5. **Statutory Requirements** - It is hereby agreed that if property covered under this policy is located in a state that requires a statutory policy or standard form(s) at variance with this policy or the form(s) attached hereto, then this insurance shall cover such property in accordance with the provisions of such required policy or form(s).

6. **Definition of Earthquake** - Earthquake shall be defined as follows:

A. Earth movement, meaning natural faulting of land masses, not including subsidence, landslide, rock slide, mudflow, earth rising, earth sinking, earth shifting or settling; unless, as a direct result of such earth movement.

B. Volcanic eruption, meaning the eruption, explosion or effusion of a volcano.

Earthquake shall not include loss or damage caused by an Earthquake-induced Fire, explosion or tsunami, even if attributable to an Earthquake or Volcanic Eruption.

Coverage will include Earthquake sprinkler leakage.

7. **Definition of Flood** - Flood shall be defined as follows:

A. Surface water, waves or tidal water, tsunami, and the rising (including the overflow or breaking of boundaries) of lakes, ponds, reservoirs, rivers, harbors, streams or similar bodies of water, whether driven by wind or not;

B. Mudslide or mudflow;

C. Water that backs up from any sewer or drain;

D. Any release of water impounded by a dam.

8. **Excess Insurance** - Permission is granted the Insured to have 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.
9. **Underlying All Risk Coverage** - It is understood and agreed that the Insured hereby represents that the property insured hereunder will be covered by standard all risk insurance, as approved by the authority having jurisdiction, during the term of this policy.
10. **Occurrence Definition** - The term "occurrence" shall mean any all individual losses or damage arising out of and directly occasioned by one event. When the term applies to loss or series of losses from the perils of tornado, cyclone, hurricane, flood, earthquake, volcanic eruption, and provided these causes are insured by this Policy, the duration and extent of any "occurrence" as defined shall be limited to 72 consecutive hours (except 168 consecutive hours as respects Earthquake in California). When filing proof of loss, the Insured may elect the moment at which the 72 consecutive hour period (except 168 consecutive hour period as respects Earthquake in California) shall be deemed to have commenced, which shall not be earlier than the first recorded loss to any covered property in that event during the period of insurance.

The above clause supercedes any other Occurrence Limit of Liability clause contained elsewhere in the policy, including the one on the Property Endorsement AR PE.

11. **Vacant Property** - It is agreed that any Vacancy Provisions or Vacancy restrictions in the policy shall not apply to the perils of Earthquake or Flood, if covered hereunder.