



cis property/casualty trust  
cisoregon.org

# 2019-20 Property Coverage

Grants Pass Department of Public Safety  
Parkway Public Safety Center  
800 East Park Street

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## **CIS TRUST**

### **PROPERTY COVERAGE AGREEMENT**

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*Various provisions of this agreement restrict coverage. Read the entire coverage agreement carefully to determine rights, duties, and what is and what is not covered. Words or phrases that appear in **bold-faced** type have special meanings, as found in Section 3., Definitions, and elsewhere in this coverage agreement.*

In accordance with and subject to the City County Insurance Services Declaration and Agreement of Trust (herein "**Trust Agreement**") and the Bylaws and Rules of the **Trust**, and in consideration of the contribution for which this coverage agreement is written, the **Trust** will pay the **Member** for physical loss or damage to the **Member's** property in accordance with the terms and conditions set forth in this Agreement.

#### 1. LIMITS OF LIABILITY

The following limits and sublimits apply per **occurrence**, unless otherwise stated:

A. The limit for loss of or damage to property at any covered location shall be the value for such location or item of property currently filed by the **Member** with the **Trust**. However, if the property is included on the CIS Property Schedule as a **building** or as **contents** and if either:

- (1) such value results from appraisal provided by the **Trust**, including trending, if any, recommended by the **Trust**; or
- (2) the **Trust** has given written approval of such location or item of property for guaranteed replacement coverage; then

replacement cost value is afforded by this coverage agreement without limitation, subject to paragraphs B, C, D, and E below and except as provided in Section 9.

B. Except for losses caused by **earthquake, flood**, or crime (as provided in Section 10.), the limit of liability for all losses to covered property:

- (1) the most the Trust will pay under this coverage for any one **occurrence** for all **members** is \$600,000,000 for all loss or damage covered by the **Trust** under both this coverage agreement and under the **Trust** Auto Physical Damage Coverage agreement at the time of loss. If more than one Trust **Member** suffers loss or damage during an **occurrence**, and the total covered damage for all **Members** exceeds the **Trust's** \$600,000,000 coverage limit, **Members** making claims shall be compensated for their loss or damage on a pro-rata basis, determined by comparing the dollar amount of covered damage suffered by each **Member** to the dollar amount of covered damage for all **Members** during the **occurrence**. Such determination shall be made based upon all claims reported within the 30-day period following the date damage is first reported to the **Trust** by any **member**. Claims reported more than 30 days after the first report date of the **occurrence** will be calculated based upon damage done and funds remaining to reach the Trust's **occurrence** maximum limit.

- C. With respect to the peril of **earthquake**, the aggregate limit of liability for all losses resulting from one or more **occurrences** during the coverage year shown on the Declarations page is \$5,000,000 for all loss or damage covered by the **Trust** under both this coverage agreement and under the **Trust** Auto Physical Damage Coverage agreement at the time of loss, unless a higher limit is shown on the Declarations page or specified by endorsement and is the most the Trust will pay under this coverage agreement.

The most the **Trust** will pay under this coverage during any one coverage year for all **members** is \$300,000,000 for all loss or damage covered by the **Trust** under both this coverage agreement and under the **Trust** Auto Physical Damage Coverage agreement at the time of loss, regardless of the number of **earthquakes** during the coverage period and regardless of the number of **Members** or covered parties seeking coverage.

If more than one Trust **Member** suffers loss or damage during an **earthquake**, and the total covered damage for all **Members** exceeds the **Trust's** \$300,000,000 coverage limit stated above, **Members** making claims shall be compensated for their loss or damage on a pro-rata basis, determined by comparing the dollar amount of covered damage suffered by each **Member** to the dollar amount of covered damage for all **Members** during the **earthquake**. Such determination shall be made based upon all claims reported within the 30-day period following the date **earthquake** damage is first reported to the **Trust** by any **member**. Claims reported more than 30 days after the first report date of the **earthquake** will be calculated based upon damage done and funds remaining to reach the **earthquake** maximum limit.

- D. With respect to the peril of **flood**, the aggregate limit of liability for all losses resulting from one or more **occurrences** during the coverage year shown on the Declarations page is \$5,000,000 for all loss or damage covered by the **Trust** under both this coverage agreement and under the **Trust** Auto Physical Damage Coverage agreement at the time of loss, unless a higher limit is shown on the Declarations page or specified by endorsement and is the most the Trust will pay under this coverage agreement. Properties located in areas which are not participating in the National Flood Insurance Program (NFIP) are not eligible for **Flood** coverage under this coverage agreement. Also, as described in Section 2., DEDUCTIBLES, coverage provided under this agreement for property located in NFIP participating areas defined as a **Special Flood Hazard Area (SFHA)** by Federal Emergency Management Agency is excess of coverage available for that property through NFIP whether purchased or not.

The most the **Trust** will pay under this coverage during any one coverage year for all **members** is \$300,000,000 for all loss or damage covered by the **Trust** under both this coverage agreement and under the **Trust** Auto Physical Damage Coverage agreement at the time of loss regardless of the number of **floods** during the coverage period and regardless of the number of **Members** or covered parties seeking coverage.

If more than one Trust **Member** suffers loss or damage during a **flood**, and the total covered damage for all **Members** exceeds the **Trust's** \$300,000,000 coverage limit stated above, **Members** making claims shall be compensated for their loss or damage on a pro-rata basis, determined by comparing the dollar amount of covered damage suffered by each **Member** to the dollar amount of covered damage for all **Members** during the **flood**. Such determination shall be made based upon all claims reported within the 30-day period following the date **flood** damage is first reported to the **Trust** by any **member**. Claims reported more than 30 days after the first report date of the **flood** will be calculated based upon damage done and funds remaining to reach the **flood** maximum limit.

- E. Unless otherwise provided by endorsement, the following additional limits apply per **occurrence**:
- (1) Combined **Loss of Revenue** and **Rental Value** (Section 9.C.): \$1,000,000
  - (2) Combined **Extra Expense** and **Rental Expense** (Section 9.D.): \$1,000,000
  - (3) Property in Transit (Section 9.E.): \$1,000,000
  - (4) Equipment Hired, Rented or Borrowed for a period of 60 days or less (Section 9.F.): \$150,000
  - (5) Crime Coverage (Section 10.), per **occurrence and annual** aggregate: \$50,000
  - (6) Off-Premises Service Interruption (Section 15.): \$100,000
  - (7) Miscellaneous Coverages (Section 4.M.): \$50,000
  - (8) Personal Property at Unscheduled Locations (Section 4.P.): \$15,000
  - (9) Personal Property of Employees or volunteers (Section 4.Q.), per occurrence and annual aggregate: \$15,000
  - (10) Temporary Emergency Shelter Restoration (Section 4.R.): \$50,000
- F. When coverage has been elected, as provided under the appropriate coverage Section, the following optional **occurrence** limits apply:
- (1) Police Dogs (Section 11.) for any single police dog: \$15,000
  - (2) Comfort/Therapy Animal (Section 9.K.): Stated Value
- G. Unless otherwise provided by endorsement, the following **occurrence** sublimits apply (limits referred to as "sublimits" are part of, not in addition to, the limit of coverage applicable to the covered property described in the CIS property schedule):
- (1) Restoration/Reproduction of Books, Records, etc. (Section 9.G.): \$100,000
  - (2) **Electronic Data** Restoration/Reproduction (Section 9.H.): \$250,000
  - (3) Pollution Cleanup (Section 4.I.): \$25,000
  - (4) Unscheduled **Fine Arts** (Section 9.J.): \$100,000

## 2. DEDUCTIBLES

- A. Unless otherwise provided by endorsement, deductibles stated in the Property Coverage Declarations shall apply to losses incurred by each **Member** for each **occurrence**. Except the following deductibles apply each occurrence for:
- (1) **Earthquake**: a \$25,000 deductible shall apply to losses incurred by each **Member** unless a larger deductible is stated in the Property Coverage Declaration, in which case the larger deductible shall apply.

- (2) **Flood:** other than within or partially within a **Special Flood Hazard Area (SFHA)** or in, on, or over a body of water or any floodway: a \$25,000 deductible shall apply to losses incurred by each **Member** unless a larger deductible is stated in the Property Coverage Declaration, in which case the larger deductible shall apply.
  - (3) **Flood:** within or partially within a **Special Flood Hazard Area (SFHA):**
    - a. for any covered property eligible for National Flood Insurance Program (NFIP), coverage afforded under this coverage agreement is excess of the maximum limit of coverage which could have been purchased through NFIP, whether purchased or not;
    - b. for any covered property which is located in a **SFHA** but classified ineligible for NFIP insurance, coverage afforded under this agreement is subject to a deductible equal to 5% of the value of each **unit** damaged subject to a \$100,000 minimum and a \$500,000 maximum per occurrence. For determining the deductible applicable to a property ineligible for NFIP coverage, **unit** shall be considered to include the covered **building** and any covered **contents** located within the covered **building**.
  - (4) For **buildings** vacant more than 90 consecutive days before the loss or damage occurs, covered losses are subject to a per occurrence deductible of \$10,000 or the per occurrence building deductible stated on the Property Coverage Declarations, whichever is greater. As used in this deductible, the term vacancy shall mean any **building** when 70% or more of its total square footage is not rented or used to conduct customary operations. **Buildings** under construction or renovation are not considered vacant.
- B. Except with respect to loss under Section 2.A.(3), if two or more deductible amounts in this coverage agreement apply to a single **occurrence**, the total to be deducted shall not exceed the largest deductible applicable. Unless otherwise specified, deductibles apply "per **occurrence**."

### 3. DEFINITIONS

- A. "**Building**" means the structure including but not limited to permanently installed machinery and equipment, additions, including, unless covered elsewhere, additions under construction and related materials and supplies on or within 1000 feet of the described structure.
- B. "**Contents**" means personal property located in or within 1000 feet of a described **building** and including the **member's** use interest in fixtures, alterations, installations, or additions at non-owned locations occupied by the **member**, provided such improvements were made at the **member's** expense. **Contents** also includes personal property usually located at a described **building** while temporarily located elsewhere.
- C. "**Computer Programs**" means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data.
- D. "**Earthquake**" means earth movement, including but not limited to **earthquake**, landslide, mudflow, earth sinking, earth rising or shifting, or volcanic eruption unless loss by another

peril not otherwise excluded under this coverage agreement ensues, then such ensuing loss shall not be deemed caused by **earthquake**.

- E. **"Electronic Data"** means information, facts, or **Computer Programs** stored, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy discs, CD ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment.
- F. **"Fine arts"** means property that is rare or that has artistic merit or historic value. This includes antiques including antique equipment, rare articles, etchings, pictures, artwork, statuary, marbles, bronzes, porcelains, and bric-a-brac. Items described on the **Trust** property or mobile equipment schedule as museum display/contents shall be considered scheduled **fine arts**.
- G. **"Flood"** means **flood** however caused, inundation, overflow of streams or other bodies of water, tidal wave or tidal water, tsunami, or spray from any of the foregoing, all whether driven by wind or not, unless loss by another peril not otherwise excluded under this coverage agreement ensues, then such ensuing loss shall not be deemed caused by **flood**.
- H. **"Fungus"** means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.
- I. **"Fair Market Value"** means the value the owner of a property could expect to receive for that property were it to be sold in a transaction between a willing buyer and a willing seller, neither under any compulsion to buy or sell and both having reasonable knowledge of relevant facts.
- J. **"Mobile Equipment"** means property mobile in nature such as equipment, machinery, tools, snowmobiles, self-propelled four-wheeled vehicles such as ATV's and golf carts, boats, self-propelled water vehicles such as jet skis, mobile temporary structures on wheels such as mobile offices or command units with permanently attached and loose equipment included in the unit. Comfort/therapy animals, trained and certified to provide comfort and emotional support to victims of crimes or trauma, are considered mobile equipment.
- K. **"Named Member"** or **"Member"** means the entity named on the Declarations page and its officers, employees and agents including volunteers, authorized to act on behalf of the **Named Member**, all acting within the scope of their employment or duties whether arising out of a governmental or proprietary function.
- L. **"Occurrence"** means the total or partial loss, by any peril or combination of perils covered against, arising out of a single event. When the term applies to loss or losses caused by windstorm, cyclones or tornadoes, hail, sleet, **earthquake**, **flood**, volcanic action, or atmospheric disturbance occurring during each period of 72 consecutive hours shall be considered one **occurrence** whether or not such windstorm, cyclones or tornadoes, hail, sleet, **earthquake**, **flood**, volcanic action, or atmospheric disturbance were continuous or sporadic in their sweep or scope, and irrespective of whether same was due to the same meteorological or geological condition. Each "condition" shall be deemed to commence on the first happening of any material damage from windstorm, cyclones or tornadoes, hail, sleet, **earthquake**, **flood**, volcanic action, or atmospheric disturbance not within the period of any previous "condition".

For purposes of Section 1.E.(5) and Section 10. (Crime Coverage), all losses caused by the single act, or any number of such acts, of the same person, or group of persons acting in collusion, involving the same or substantially the same methods resulting in the loss, or losses, shall be deemed a single **occurrence**. Further, for purposes of Section 1.E.(5) and Section 10., the date of any loss shall be deemed to be the date when the wrongful acts causing the loss were completed regardless of when the loss is discovered by the **Member**.

- M. **"Property in the Open (PIO)"** means outdoor fencing, gates, flag poles, light poles, handicap ramps, generators, park equipment such as, but not limited to, playground equipment, benches, picnic tables, trash receptacles, back stops, bleachers, basketball poles, soccer goals, and drinking fountains.
- N. **"Special Flood Hazard Area (SFHA)"** means the land area covered by the floodwaters of the base flood on National Flood Insurance Program (NFIP) maps. The **SFHA** is the area where the NFIP's floodplain management regulations must be enforced and the area where the mandatory purchase of **flood** insurance applies. The **SFHA** includes Zones A, AO, AH, A1-30, AE, A99, AR, AR/A1-30, AR/AE, AR/AO, AR/AH, AR/A, VO, V1-30, VE, and V.
- O. **"Trust Agreement"** means City County Insurance Services Agreement and Declarations of Administrative Trust.
- P **"Trust"** means the City County Insurance Trust, as further described in the **Trust Agreement**.
- Q **"Unit"** shall mean each of the following:
  - (1) Each separate **building** or structure.
  - (2) The **contents** of each separate **building** or structure.
  - (3) Property in each yard.

#### 4. PROPERTY AND INTERESTS COVERED

Except as hereinafter excluded, this coverage agreement includes the following when caused by a covered cause of loss:

- A. All real and personal property of every kind and description now or hereafter existing in any form including **Buildings, Contents, and Property in the Open (PIO)**:
  - (1) Owned by the **Member** or in which the **Member** has an insurable interest;
  - (2) Held by the **Member** in trust, in storage, for repairs or otherwise;
  - (3) Held on joint account with others, specifically including the **Member's** legal liability therefore;
  - (4) For which the **Member** has assumed or may assume liability or has insured for the account of others, including charges of every description accruing against the property of others,

provided, however, that the foregoing are included and identified in either the current CIS Property Schedule, CIS Mobile Equipment Schedule, or CIS Extra Items Schedule at the time of the loss.

- B. Newly Acquired Property. All real and personal property acquired or constructed by the **Member** during the current coverage period, provided such property is not otherwise excluded herein, and provided the **Member** pays the appropriate contribution for coverage of such property during the current coverage period, prorated from the date of acquisition or construction. If the current coverage period is a renewal extension of coverage within the **Trust** property coverage program, real or personal property acquired or constructed by the **Member** during the 60-day period immediately preceding commencement of the current coverage period shall be considered the current coverage period for reporting purposes. In all cases, the maximum limit of coverage provided under this coverage part shall not exceed \$1,000,000 for any one **occurrence**.
- C. Combined **Loss of Revenue** and **Rental Value** (as defined in Section 9.C.).
- D. Combined **Extra Expense** and **Rental Expense** (as defined in Section 9.D.).
- E. Property in Transit (as specifically provided in Section 9.E.).
- F. Equipment Hired, Rented or Borrowed for a period of 60 days or less (as specifically provided in Section 9.F.).
- G. Restoration/Reproduction of Books, Records, etc. (as specifically provided in Section 9.G.).
- H. Electronic Data Restoration/Reproduction (as specifically provided in Section 9.H.).
- I. Pollution Cleanup. Costs incurred to remove pollutants from land or water at covered premises if the release, discharge or dispersal is caused by or results from a loss not otherwise excluded under this coverage agreement. Such costs shall be paid only if reported to the **Trust** within 180 days of the date of the loss or the expiration of this coverage agreement, whichever is earlier.

The limit stated in Section 1.G.(3) is the most the **Trust** will pay any single **Member** under this section for losses occurring in any one coverage year.
- J. Crime Coverage (as specifically provided in Section 10.).
- K. Police Dogs (as specifically provided in Section 11.).
- L. Off-Premises Service Interruption (as specifically provided in Section 15.).
- M. The limit of coverage specifically provided in Section 1.E.(7), Miscellaneous Coverages, applies in the aggregate to the following costs, if incurred as a result of loss for which coverage is provided by this coverage agreement:
  - (1) Fire Department service charges.
  - (2) Foam solution or other fire extinguishing materials lost, expended, damaged or destroyed, including cost to recharge systems.
- N. Removal of covered property from locations endangered by any of the perils covered against hereunder. The limit of coverage provided under this provision for property

removed to any other location shall not exceed the limit of coverage provided for that property at the location from which it was removed.

- O. Debris Removal. Notwithstanding the provisions of Exclusion 8.J., in the event of direct physical damage to the property covered under this agreement, (subject otherwise to its terms, conditions and limitations, including but not limited to any applicable deductible) the **Trust** agrees to pay:

- (1) Expenses reasonably incurred in removal of debris of damaged or destroyed covered property from the premises of the **Member**;
- (2) Cost to clean up, at the premises of the **Member**, made necessary as a result of such physical loss or damage;

PROVIDED that this agreement does not cover the costs of decontamination or removal of water, soil or any other substance on or under such premises, except as provided in Section 4.I.

The most the **Trust** will pay for debris removal, as described above, is an amount which when combined with the limits of coverage stated in the property schedule for the damaged **building, contents, and/or PIO**, does not exceed 125% of the limit/s so stated.

- P. Personal property of the **named member** at locations not otherwise covered, subject to the coverage limit stated in 1E(8) and subject to the deductible stated in the coverage declarations as applicable to scheduled property locations or \$2,500, whichever is greater. However, this extension of coverage does not apply to property while in transit.

- Q. At the **named member's** request, personal property of the **named member's** officers, employees, or volunteers which is not otherwise covered, and which is used in the course of the officer, employee, or volunteer's duties on behalf of the **named member**, while such property is located on the **named member's** premises or at a site where the **named member** is conducting operations at the time of loss. The limit of coverage under this provision shall not exceed the maximum per occurrence and aggregate limit stated in Section 1.E.(9). Coverage provided shall also be subject to a maximum per item limit of \$1,000. Calculation of the loss covered under this provision shall be based upon the actual loss of each officer, employee, or volunteer (claimant) after the application of a \$250 per claimant deductible. The minimum deductible per occurrence under this provision shall be equal to two claimant deductibles, or \$500.

- R. Temporary Emergency Shelter Restoration. The **Trust** will pay the necessary costs incurred for cleaning and restoration of any **member** owned building which is described in the **member's** current CIS Property Schedule, which is required before the **member** can reoccupy such building following its use for **temporary emergency shelter operations**. Cleaning and restoration costs are limited to those which are necessary to restore the building and its contents to the condition and for the purpose to which they were used prior to their use for **temporary emergency shelter operations**. Coverage applies to clean-up costs associated with **temporary emergency shelter operations** that begin during the **Trust** coverage period.

Trust will provide up to \$25,000 per **occurrence** for covered cleaning and restoration at any one location subject to a maximum of \$50,000 per **occurrence** for covered cleaning and restoration at all covered locations. Coverage provided under this provision shall be excess over any other source of reimbursement available to the **member** for such cleaning and restoration costs.

**Temporary emergency shelter operations** as used in this coverage part means the use of the **Member's** described building on a short term basis (for less than 90 days), on a voluntary basis or as the result of an order by a civil authority, for the purpose of providing temporary shelter to disaster victims, refugees, or persons under emergency medical quarantine.

- S. Limited Cyber Property Coverage: Limited Coverage for damage to **Electronic Data, direct damage to hardware and software** is provided subject to a maximum limit of \$250,000 for all loss or damage arising from a **cyber event**. This limit is the most the **Trust** will pay for loss or damage arising from any one **cyber event** regardless of the number of **Members** or covered parties seeking coverage.

The most the **Trust** will pay under this extension of coverage during any one coverage year is \$750,000, regardless of the number of **cyber events** during the coverage period and regardless of the number of **Members** or covered parties seeking coverage.

If more than one Trust **Member** suffers loss or damage during an **cyber event**, and the total damages for all **Members** exceeds the \$250,000 coverage limit, **Members** making claims shall be compensated for their loss or damage on a pro-rata basis, determined by comparing the dollar amount of covered damage suffered by each **Member** to the dollar amount of covered damages for all **Members** during the **cyber event**. Such determination shall be made based upon all claims reported within the 30-day period following the date of the **cyber event**. Claims reported more than 30 days after the date of the **cyber event** will be calculated based upon damage done and funds remaining to reach the **cyber event** maximum limit.

Coverage provided under this extension of coverage is subject to the **occurrence** deductible stated in the **Member's** Property Coverage Declarations or a \$10,000 deductible, whichever is greater.

A Cyber Event means a harmful or malicious code or similar instructions introduced into or enacted on a computer system (including **electronic data**) or a network to which it is connected, designed to damage or destroy any part of the system or disrupt normal operations or the destruction of Electronic Data caused by an employee or third-party vendor.

## 5. TERRITORIAL LIMITS

This coverage agreement covers loss occurring anywhere in the world.

## 6. PERILS

This coverage agreement covers against all direct physical loss or damage except as excluded herein.

## 7. PROPERTY EXCLUDED

This coverage agreement does not apply to:

- A. Land or land values; growing crops.
- B. Animals (except police and comfort/therapy animals as defined in this agreement).

- C. Aircraft.
- D. Landscaping, berms, dikes, ditches, lagoons, roads, sidewalks, trails, paths and similar improvements to real property not involving **buildings** or structures, unless the foregoing are identified and included in the current CIS Property Schedule or CIS Mobile Equipment Schedule at the time of the loss.
- E. Watercraft more specifically insured elsewhere or to any watercraft over 28 feet in length.
- F. Vehicles designed and licensed for highway use.
- G. **Money** and **securities** (as defined at Section 10.F.), accounts, bills, currency, deeds, and evidences of debt (except as hereinafter provided in Section 10.).
- H. Property insured under another contract of insurance.
- I. Shipments by mail or Parcel Post from the time they pass into the custody of the Postal Service.
- J. Overhead transmission and distribution lines and their supporting structures, other than those on or within 1,000 feet of premises shown on the **Member's** property schedule.

## 8. PERILS EXCLUDED

This coverage agreement does not apply to:

- A. War and military action which includes loss or damage caused directly or indirectly by the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.
  - (1) War, including undeclared or civil war.
  - (2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
  - (3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

With respect to any action that comes within the terms of this exclusion and involves nuclear reaction or radiation, or radioactive contamination, the War and Military Action Exclusion supersedes the Nuclear Hazard Exclusion.

- B. 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) insured against by this agreement; except 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.
- C. Loss or damage to steam boilers, steam pipes, steam turbines or steam engines caused by explosion, rupture or bursting of such steam boilers, steam pipes, steam turbines or steam engines (other than explosion of accumulated gases or unconsumed fuel within the fire box or combustion chamber of any fired vessel or within the flues or passages which

conduct the gases of combustion there from); loss or damage to rotating parts of machinery solely caused by centrifugal force of the damaged machine, unless loss by a peril not excluded ensues, and then the **Trust** shall only be liable for such ensuing loss.

- D. Except as provided in Section 10. (Crime Coverage), loss directly caused by any fraudulent or dishonest act or acts committed by any of the **Member's** officers, employees, or agents, or persons (except carriers or bailees for hire) to whom the property may be entrusted (except as hereinafter provided), but not excluding resultant physical loss or damage not otherwise excluded.
- E. Loss or damage caused by or resulting from vermin, termites or other insects, contamination, rust, wear and tear, gradual deterioration, inherent vice, unless loss by a peril not excluded in this coverage agreement ensues, and then the **Trust** shall be liable for only such ensuing loss.
- F. Loss or damage caused directly or indirectly by the presence, growth, proliferation, spread or any activity of **fungus**, wet or dry rot or bacteria. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss. But if **fungus**, wet or dry rot or bacteria results in a **specified cause of loss**, we will pay for the loss damage caused by that **specified cause of loss**.

This exclusion does not apply when **fungus**, wet or dry rot or bacteria results from fire or lightning.

As used in this exclusion:

- (1) "**Specified cause of loss**" means the following: fire, lightning, explosion, windstorm or hail, smoke, aircraft or vehicles, riot or civil commotion, vandalism, leakage from fire extinguishing equipment, sinkhole collapse, volcanic action, falling objects, weight of snow, ice or sleet; or **water damage**;
  - (2) "**Water damage**" means accidental discharge or leakage of water or steam as the direct result of the breaking apart or cracking of any part of a system or appliance (other than a sump system including its related equipment and parts) containing water or steam.
- G. Loss or damage directly and solely caused by or resulting from processing, repairing, adjusting or servicing operations, latent defect failure, mechanical breakdown, faulty materials or workmanship, but not excluding ensuing physical loss or damage. With respect to **buildings** or structures under construction, the cost of making good any faulty workmanship, materials, construction or design, unless loss by a peril not excluded in this coverage agreement ensues, and then the **Trust** shall be liable only for such ensuing loss.
  - H. Loss or damage caused by or resulting from normal settling, cracking, or shrinkage, unless loss by a peril not excluded ensues, then the **Trust** shall be liable only for such ensuing loss.
  - I. Mere disappearance or shortage unless such disappearance or shortage can be reasonably shown to have been occasioned by robbery, theft, or larceny.
  - J. Except as specifically provided under Section 4.I. herein, loss, demand, claim or suit arising out of or in any way related to pollution including any cost or expense arising out of or in any way related to testing for, monitoring, cleaning up, removing, containing, treating, detoxifying, or neutralizing pollution. The **Trust** shall have no duty of any kind

with respect to any such loss, demand, claim or suit. This exclusion applies to all coverages under this coverage agreement.

- K. Expenses, fines, penalties or costs incurred or sustained by the **Member** or imposed on the **Member** at the order of any government agency, court or other authority, in connection with any kind or description of environmental impairment including seepage and pollution or contamination from any cause.

- L. Asbestos or any sum related thereto except as set forth below:

This coverage agreement applies only to loss involving asbestos physically incorporated into a covered **building** or structure, and then only such asbestos which has been physically damaged during the coverage period by one of the following listed perils: fire, smoke, explosion, lightning, windstorm, hail, direct impact of a vehicle, aircraft or vessel, riot or civil commotion, vandalism or malicious mischief, or leakage or accidental discharge of fire protection equipment.

This coverage is subject to each of the following additional policy conditions and limitations:

- (1) The covered peril listed above must have been the immediate, sole cause of damage to the asbestos.
- (2) The **Member** must have inspected the **building** or structure and reported the existence and cost of the damage within one year after:
  - a. The listed peril first damaged the asbestos; or
  - b. The last day of the coverage period during which the damage occurred, whichever is earlier.
- (3) Coverage under this coverage agreement shall not include any sum relating to:
  - a. Faults in the asbestos or its design or workmanship;
  - b. Asbestos not physically damaged by a listed peril;
  - c. Actions taken to protect human health or property; or
  - d. Standards or requirements set by any government or regulatory authority.

- M. Damage to **Electronic Data**, hardware or software not otherwise covered in Section 4.S.

- N. Artificially generated electrical current, including electrical arcing, that disturbs electrical devices, appliances or wires. But if artificially generated electrical current results in fire, we will pay for the loss or damage caused by that fire.

- O. Loss or damage caused directly or indirectly by the discharge, dispersal, seepage, migration, release, escape, or application of any pathogenic or poisonous or chemical materials. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

However, if both (1) and (2) below apply, the **Trust** will pay up to a maximum of \$10,000 for any and all claims for such loss or damage arising out of events occurring within the term of the coverage agreement:

- (1) The pathogenic or poisonous biological or chemical materials are normally kept at or brought onto your premises, with your consent, for use in your business operations at your premises; and
- (2) The discharge, dispersal, seepage, migration, release, escape or application of the pathogenic or poisonous biological or chemical materials is accidental and is not the result of a willful or malicious act against any persons, organizations, or property of any nature.

## 9. VALUATION AND BASIS OF RECOVERY

Subject to the Limits of Liability specified in Section 1. and all other terms, conditions and exclusions of this coverage agreement, the basis of recovery in case of loss shall be as follows:

- A. On all property, except as provided in paragraphs B through I below, the basis of recovery shall be based upon the valuation codes listed for the covered property in the CIS property schedule as follows:
- (1) If the property is coded GRV, valuation shall be the Replacement Value of the property at the time of loss, without deduction for depreciation, unless damage is caused by the perils of **flood** or **earthquake**. If the damage is caused by the perils of **flood** or **earthquake** and if covered damages for all **Trust members**, either during a single **occurrence** or in the aggregate, exceed \$100 million, such loss shall be adjusted without deduction for depreciation but not to exceed 110% of the value(s) stated on the CIS property schedule for the described property.
  - (2) If the property is coded RV or HRV, valuation shall be the Replacement Value of the property at the time of loss, without deduction for depreciation, but not to exceed 110% of the value(s) stated on the schedule for the described building.
  - (3) If the property is coded FRV, valuation shall be the Functional Replacement Value. Functional Replacement Value shall mean the cost to repair or replace the described building with a less costly building, using contemporary material, which is functionally equivalent to the damaged building. In the event of partial loss, the basis of recovery shall be the cost to repair or replace the damaged portion of the building with less costly materials, if available, in the architectural style that existed before the loss or damage occurred. Such loss shall be adjusted without deduction for depreciation but not to exceed 120% of the value(s) stated on the CIS property schedule for the described building unless damage is caused by the perils of **flood** or **earthquake**. If the damage is caused by the perils of **flood** or **earthquake** and if covered damages of all Trust members, either during a single occurrence or in the aggregate, exceed \$100 million, such loss shall be adjusted without deduction for depreciation but not to exceed 110% of the value(s) stated on the CIS property schedule for the described building.
  - (4) If the property is coded ACV, valuation shall be Actual Cash Value as determined using the market value or the replacement value less proper deduction for depreciation, not to exceed the values stated on the schedule. On property coded ACV, the **Trust** will not pay the full amount of any loss if the value of the covered property at the time of loss times 80% is greater than the limit of coverage stated in the property schedule for the property. Instead, the amount of the loss to be paid will be determined using the following steps:

- a. Multiply the value of the covered property at the time of loss by 80%;
- b. Divide the limit of coverage stated in the property schedule by the figure determined in step (a);
- c. Multiply the total amount of loss, before the application of any deductible, by the figure determined in step (b); and
- d. Subtract the deductible from the figure determined in step (c).

The **Trust** will pay the amount determined in step (d) or the limit of coverage stated in the property schedule, whichever is less.

Guaranteed Replacement Value (GRV), Replacement Value (RV), Historic Replacement Value (HRV), and Functional Replacement Value (FRV) valuations do not apply until the damaged or destroyed property is repaired or replaced. The **Named Member** may make claim for the Actual Cash Value (ACV) of the property damaged before repair or replacement takes place. The **Named Member** may later make claim for the difference between the ACV and the applicable form of replacement value if the **Member** notifies the **Trust** of their intent within 180 days after the loss.

In no case shall the amount of recovery exceed the amount actually necessary to repair or replace the property with material of like kind and quality, subject to the method of valuation indicated in the schedule and subject to the provisions of Section 1.

Permission is granted for the **Member** to replace the damaged property at the same site or at another site, but recovery is limited to what it would cost to replace on the same site. If property damaged or destroyed is not repaired, rebuilt or replaced within a reasonable period after the loss or damage, the **Trust** shall 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.

- B. (1) For property listed on the **mobile equipment** schedule, other than **fine arts** and comfort/therapy animals, the basis of recovery shall be Actual Cash Value (ascertained with proper deduction for depreciation) not to exceed the least of the following amounts:
  - a. The Actual Cash Value stated on the mobile equipment schedule.
  - b. The cost of reasonably restoring that property to its condition immediately before the loss occurred.
  - c. The cost of replacing that property with substantially identical property.
- (2) However, if Replacement Cost coverage is indicated on the schedule for the covered item, then the basis of recovery for that item shall be the Replacement Value (without deduction for depreciation) not to exceed the least of the following amounts:
  - a. The Replacement Value stated on the mobile equipment schedule.
  - b. The cost of reasonably restoring that property to its condition immediately before the loss occurred.
  - c. The cost of replacing that property with substantially identical new property.

C. Combined **Loss of Revenue** and **Rental Value** (subject to Section 1.E.(1)):

(1) **Loss of Revenue:**

- a. The term "**Loss of Revenue**" means the necessary loss of revenue resulting from an operation conducted by the **Member** and caused by a covered cause of loss herein during the term of this coverage agreement to real or personal property covered under this agreement.
- b. If such loss occurs during the term of this coverage agreement, it shall be calculated on the basis of ACTUAL LOSS OF REVENUE SUSTAINED by the **Named Member**, consisting of the revenue which the **Named Member** is hereby prevented from earning, less any non-continuing expenses and charges that are no longer being incurred as a result of the interruption of the normal operations of the **Named Member**.
- c. Resumption of operations: If the **Named Member** could reduce the loss of revenue resulting from interruption of operations:
  - i. by a complete or partial resumption of operations at the covered property location, whether damaged or not; or
  - ii. by making use of other available property or facilities; such reduction shall be taken into account in arriving at the amount of loss hereunder.

(2) **Rental Value:**

- a. The term "**Rental Value**" wherever used in this coverage agreement is defined as the sum of:
  - i. The total anticipated gross rental income from tenant(s) of the covered **buildings** and structure(s) and
  - ii. The amount of any charge(s) assumed by the tenant which would otherwise be an obligation of the **Member**.

With respect to **Loss of Revenue** and **Rental Value**, the following provisions apply. In determining the amount of revenue or rental value loss covered hereunder for the purposes of ascertaining the amount of loss sustained, due consideration shall be given to the experience of the **Named Member** before the date of the damage or destruction and to the probable experience thereafter had no loss occurred. The loss shall be computed from the date of such damage or destruction until such time as the above described **building(s)** could, with the exercise of due diligence and dispatch, be restored to the same tenantable condition as before the damage or destruction and not limited by the date of expiration of this coverage agreement.

In no case shall the total recovery due the **Named Member** from all **Loss of Revenue** and all **Rental Value** in any one **occurrence** exceed the combined limit of coverage shown in Section 1.E.(1).

D. Combined **Extra Expense** and **Rental Expense** (subject to Section 1.E.(2)):

- (1) The term "**Extra Expense**" shall mean the necessary expense excess of the total cost during the period of indemnity (including extensions thereof) for the purpose

of continuing the **Member's** operations over and above the total cost that would normally have been incurred to conduct the same operations during the same period had no loss occurred. In no event however, shall the **Trust** under this clause, be liable for loss of revenue.

If the real or personal property covered by this coverage agreement be destroyed or damaged by a covered peril occurring during the term of this coverage agreement, so as to necessitate the incurrence of **extra expense**, the **Trust** shall pay for such **extra expense** for the time, commencing with the date of destruction or damage and not limited by the date of expiration of this policy, during which the operations shall be affected in consequence of the damage.

- (2) With respect to **buildings** and structures leased to or rented by the **Member**:
- a. this coverage agreement will respond for **rental expense** incurred by the **Member**. **Rental expense** is defined as expenses in excess of those expenses which would have been incurred had a leased or rented premises not been damaged or destroyed by any peril covered under this coverage agreement. Such coverage will apply for all additional expenses incurred during the period of untenability or the remainder of the **lease** if it cannot be terminated prior to expiration of the **lease**, whichever period is shorter.
  - b. this coverage agreement will serve as **rental expense** coverage in those situations where the **Member** is required under a lease or rental agreement to maintain such coverage on behalf of any landlord.

In no case shall the total recovery due the **Named Member** from all **Extra Expense** and all **Rental Expense** in any one **occurrence** exceed the combined limit of coverage shown in 1.E.(2).

E. Property in Transit (subject to Section 1.E.(3)):

- (1) The **Trust** will pay for loss to property shipped by or to the **Member** by rail or air carrier, railway or air express, freight forwarders, public or private truck (including vehicles owned or operated by the **Member**), and including such shipments while waterborne on ferries or lighters. Coverage applies from the time such property leaves the factory, store or warehouse at initial point of shipment until such property is delivered at its destination, including such property (when incidental to transportation) while in or on docks, wharves, piers, bulkheads, depots, stations and platforms, awaiting shipment and after arrival.
- (2) Subject to Section 1.E.(3), the valuation of the property covered hereunder shall be the actual invoice cost, including prepaid freight, together with such costs and charges as may have accrued and become legally due thereon. If there is no invoice, the valuation of the property covered hereunder shall be the Actual Cash Value of the property covered at point of destination on the date of loss.
- (3) It is agreed the **Trust** shall pay only such claims for loss or damage as the **Member** shall be unable to recover, after making reasonable efforts to collect from the carrier, warehouseman, or bailee responsible therefore (other than litigation). The **Member** further agrees that if the carrier, warehouseman or bailee fails to make payment within a reasonable period of time, notice shall be given the **Trust** prior to the expiration of time for instituting suit against the carrier, warehouseman or bailee, as provided for in the bill of lading or receipt.

- F. Equipment Hired, Rented or Borrowed for a period of 60 days or less (subject to Section 1.E.(4)). The basis of recovery shall be the least of the following amounts:
- (1) The actual cash value, ascertained with proper deduction for depreciation, at the time of the loss,
  - (2) The cost of reasonably restoring the equipment to its condition immediately before the loss occurred,
  - (3) The cost of replacing the equipment with substantially identical equipment.
- G. Restoration/Reproduction of Books, Records, etc. (subject to Section 1.G.(1)):
- On books or records, manuscripts, drawings, film, audio tapes, video tapes, card index systems and other records excluding those described in 9H, not to exceed the cost of the blank materials, plus the actual cost of labor in transcribing or copying such records;
- H. **Electronic Data** Restoration/Reproduction (subject to Section 1.G.(2)):
- On tape, disc, drum, cell or other **electronic data** recording or storage media, the cost of such media. In addition, within the limit of liability specified in Section 1.G.(2), we will cover the actual cost of reproducing the data or programming on such **electronic data** recording or storage media, but only if there are at least weekly back-ups of such data, in usable form on media stored off site.
- I. Personal Property of Others:
- The basis of recovery shall be the least of the following amounts:
- (1) The actual cash value, ascertained with proper deduction for depreciation, at the time of the loss,
  - (2) The cost of reasonably restoring the property to its condition immediately before the loss occurred,
  - (3) The cost of replacing the property with substantially identical property.
- J. **Fine Arts:**
- (1) For unscheduled **fine arts**, the basis of recovery shall be the least of the following amounts:
    - a. The appraised value or, in the absence of such appraisal, the **fair market value** of the covered property identified as **fine arts**;
    - b. The cost of reasonably restoring the **fine arts** to its condition immediately before the loss occurred; or
    - c. The limit of coverage shown in item **Section 1.G.(4)**;
    - d. The cost of replacing the property with substantially identical property.
  - (2) For scheduled **fine arts**, the basis of recovery shall be the least of the following amounts:

- a. The appraised value or, in the absence of such appraisal, the **fair market value** of the covered property identified as **fine arts**,
- b. The cost of reasonably restoring the **fine arts** to its condition immediately before the loss occurred, or
- c. The amount shown for the **fine arts** item/s on the most recent **Trust** mobile equipment or property schedule.
- d. The cost of replacing the property with substantially identical property.

K. **Comfort/Therapy Animals:**

The **Trust** will pay the **Member** for **injury** to, or death of comfort/therapy animals owned by the member, subject to the following terms and conditions:

- a. Injury or death is the direct result of a covered peril within this coverage agreement.
- b. Animal is scheduled on the member's mobile equipment schedule.

Maximum recovery for injury or death is the amount of stated value on the mobile equipment schedule minus the deductible.

10. CRIME COVERAGE

The **Trust** will pay the **Member** for loss sustained during the coverage period as a result of:

- A. Direct loss of **money, securities** or property caused by theft or forgery by any officer, employee or agent of the **Member** acting alone or in collusion with others. Provided however, that such losses under Clause A shall be excluded if committed by any person known by any elected or appointed officer of the **Member** to have committed previous acts of theft, fraud or dishonesty while in the service of the **Member**, or prior thereto if such prior conduct involved **money, securities** or other property valued at \$25,000 or more.
- B. Direct losses caused by the actual destruction, disappearance or wrongful abstraction of **money** or **securities** within or from the **Member's** premises, or the premises, night depository chute or safe maintained by any bank or trust company. Exclusion 8.I., only as it pertains to "disappearance," does not apply to this subsection.
- C. Direct losses caused by the actual destruction, disappearance or wrongful abstraction of **money** or **securities** outside the **Member's** premises, while being conveyed by an officer, employee, or agent of the **Member** or an armored motor vehicle company authorized to have custody thereof. Exclusion 8.I., only as it pertains to "disappearance," does not apply to this subsection.
- D. (1) Direct losses caused by forgery or alteration of, on or in any check, draft, promissory note, bill of exchange or similar written promise, order or direction to pay a sum certain in money, made or drawn by, or drawn upon the **Member**, or made or drawn by one acting as an agent of the **Member** or purporting to have been made or drawn as set forth above, including:

- a. Any check or draft made or drawn in the name of the **Member** payable to a fictitious payee and endorsed in the name of the fictitious payee;
- b. Any check or draft procured in a face to face transaction with the **Member** or with one acting as agent of the **Member** by anyone impersonating another and made or drawn payable to the one impersonated and endorsed by anyone other than the one impersonated; and
- c. Any payroll check, payroll draft or payroll order made or drawn by the **Member** payable to bearer as well as to a named payee, and endorsed by anyone other than the named payee without authority of the payee.

If the **Member's** bank of deposit, at the request of the **Member**, shall refuse to pay any of the foregoing instruments made or drawn as set forth above alleging that the instruments are forged or altered, and this refusal shall result in suit being brought against the **Member** or bank to enforce payment and the **Trust** shall give its written consent to the defense of the suit, then any reasonable attorneys' fees, court costs or similar legal expenses incurred and paid by the **Member** or bank in defense shall be considered a loss under this coverage agreement, and the liability of the **Trust** for such loss shall be in addition to any other liability under this coverage agreement.

- (2) If, at the **Member's** request, the **Trust** waives any rights it may have against the bank upon which the instrument was drawn, the **Member** and the bank shall assign to the **Trust** all of their rights against any other person, firm or corporation. Provided, however, that coverage under Clause D does not apply to loss through forgery or alteration of, on, or in:
  - a. Any instrument, if such forgery or alteration is committed by any employee of the **Member** or by any person in collusion with any employee of the **Member**; or
  - b. Any registered or coupon obligations issued or purported to have been issued by the **Member**, or any coupons attached thereto or detached therefrom.

E. Direct losses caused by the intentional taking of **money** or **securities** through use of a computer, regardless of where such computer is located, or by:

- (1) Fraudulent electronic, telegraphic, cable, teletype or telephone instructions issued to a financial institution, directing such institution to debit a transfer account and to transfer, pay or deliver **money** or **securities** from such transfer account which instructions purport to have been transmitted by the **Member** but were in fact fraudulently transmitted by someone other than the **Member** without the **Member's** knowledge or consent, or
- (2) Fraudulent written instructions (other than those described in Clause D above) issued to a financial institution directing such institution to debit a transfer account and to transfer, pay or deliver **money** or **securities** from such transfer account by use of an electronic funds transfer system at specified intervals or under specified conditions which instructions purport to have been issued by the **Member** but were in fact fraudulently issued, forged or altered by someone other than the **Member** without the **Member's** knowledge or consent.

- (3) Loss of funds as a direct result of a member employee who in good faith and within established Member controls transfers money or securities by electronic transfer based on fraudulent transfer instructions received and relied upon from an imposter utilizing a fraudulent email or phone call or other communication method common to the Member to transfer money or securities to a falsely purported vendor with whom a written contract is in force, or a falsely purported director, officer or other employee of the Member, by an imposter without the vendor's or Member's knowledge or consent.

- F. Direct loss resulting from the failure of any officer or employee of the **Member**, acting alone or in collusion with others, who is required by law to give a bond requiring the faithful performance of his or her duties as prescribed by law, when such failure has as its direct and immediate result a loss of **money, securities** or property owned by or entrusted to the **Member** on behalf of others.

The Trust will also indemnify any **Member** official who is required by law to give a bond for faithful performance of their duties against loss through the failure of employees under the supervision of that official when such failure has as its direct and immediate result a loss of **money, securities** or property owned by or entrusted to the **Member** on behalf of others. Coverage under this Clause will provide all coverage that would be provided by a faithful performance bond required by ORS 210.120, ORS 221.903 or ORS 565.210 as to any public officials of the member that are required by those statutes to execute such bond.

Coverage provided under this Clause does not include:

- (1) loss resulting from the failure of any entity acting as a depository for **money, securities** or any other property owned by or the responsibility of the **Member**,
- (2) except to the extent such liability is based on acts or omissions by public officials required by ORS 210.120, ORS 221.903 or ORS 565.210 to execute faithful performance bonds, and except to the extent such damages would be covered by such bonds, damages for which the member is legally liable resulting from
  - a. either the deprivation or violation of the civil rights of any other person by any officer or employee of the **Member**, or
  - b. the tortious conduct of any officer or employee of the member except the conversion of **money, securities** or property which either belong to the **Member** or are being held in any capacity by the **Member** for others,
- (3) coverage for any person commencing immediately upon such time as that person is known by any elected or appointed officer of the **Member** to have committed previous acts of theft, fraud or dishonesty while in the service of the **Member**, or prior thereto which would have constituted a loss covered under the terms of Clause F.

- G. For the purposes of this section, "**securities**" means all negotiable and non-negotiable instruments or contracts representing either "**money**"; defined as currency, coin, bank notes and bullion; or other property including revenue and other stamps in current use, tokens coins and tickets.

- H. Coverages provided under this Crime coverage section, Section 10., are suspended as described below, if the **member** fails to comply with the **member's** obligations under ORS 297.425 and/or ORS 297.435.

If the **member** is delinquent in compliance with the annual audit obligation, for more than 90 days past the **member's** anniversary date for compliance, the **Trust's** obligation under this section shall be suspended. The **member** is eligible for reinstatement at such time as the **member** 1) is in compliance with ORS 297.425 and ORS 297.435, and 2) the **member** has provided documentation to the **Trust** confirming no unresolved irregularities or deficiencies.

- I. Regardless of the number of years the **Named Member** has participated in the **Trust** property coverage program or the number of contributions paid, no limit of coverage cumulates from year to year or coverage period to coverage period.

## 11. POLICE DOGS

The **Trust** will pay the **Member** for **injury** to, or theft of, police dogs, subject to the following terms and conditions:

A. **"Injury"** means:

- (1) Physical injury, whenever and however incurred; and
- (2) Disease contracted within, and exclusively caused by, the police dogs use in law enforcement activities on behalf of the **Member**.
- (3) Death of police dog while in the line of duty.

- B. In the event of **injury**, the **Trust** will pay for reasonable and necessary veterinary care arising out of such **injury**. No coverage is provided under this coverage agreement for routine veterinary care. In the event an **injury** to a covered dog has been determined to be such as to preclude the dogs continued use as a police dog, the **Member** may elect either coverage for the costs related to the **injury** suffered or coverage for replacement of the injured dog, as outlined in 11D below, but not both.

- C. Coverage is provided only for those police dogs shown on the mobile equipment schedule currently filed by the **Member** with the **Trust**, unless such police dog was acquired by the **Member** during the coverage period noted above.

- D. In the event replacement of a covered police dog is necessary as the result of a covered loss, coverage will include the cost of additional training of the new dog and its handler, subject to the maximum liability for police dog coverage stated herein.

- E. The maximum liability of the **Trust** as to any single police dog during the coverage period noted above shall be \$15,000.

## 12. LOSS PAYABLE AND ADDITIONAL MEMBER

It is understood and agreed that the **Trust** will issue Certificates of Coverage under this coverage agreement to parties, other than the **Member**, having an interest in this coverage subject to the following provisions:

- A. Certificates issued to such other parties as evidence of coverage shall not constitute additional coverage.

- B. This coverage agreement shall extend to and cover the full insurable interest in the property covered hereby of such other parties to whom certificates have or will be issued and to the extent of their insurable interest such other parties shall be considered as additional **Members**.

It is understood and agreed that whenever a **Member**, as part of any design, management or construction contract, has contracted to procure Builders' Risk CIS endorsement for or in the name of, or with loss payable to, any person, firm or corporation, such party shall be deemed as added to this coverage agreement as an additional **Member** but only until such time as the project requiring the Builders' Risk CIS endorsement is completed.

13. NO CONTROL

This agreement shall not be prejudiced by any act or neglect of the owner of any **building** if the **Member** is not the owner thereof, or by any act or neglect, when such act or neglect of the owner or occupant is not within the control of the **Member** or by failure of the **Member** to comply with any warranty or condition contained in any form or endorsement attached to this coverage agreement with regard to any portion of the premises over which the **Member** has no control.

14. CONTINGENT LIABILITY FOR THE OPERATION OF BUILDING CODES

The limit for this coverage is included within the limit of liability as described in Section 1. and is not an additional amount of coverage.

In the event loss or damage covered hereunder causes the enforcement of any law, ordinance, governmental directive or standard regulating the construction, repair, use, or occupancy of property, the **Trust** will pay:

- A. The cost of demolishing the undamaged property, including the cost of clearing the site, but not to exceed an amount equal to 25% of the scheduled value of the building;
- B. Increased cost of repair or reconstruction of the damaged and undamaged property on the same or another site, limited to the cost that would have been incurred in order to comply with the minimum requirements of such law or ordinance regulating the repair or reconstruction of the damaged property on the same site. However, the **Trust** shall not be liable for any increased cost of construction loss unless the damaged property is actually rebuilt or replaced, and in no case shall the Trust be liable for more than \$5 million per occurrence for increased costs associated with repair or reconstruction of property due to the operation of building codes.

15. OFF-PREMISES SERVICE INTERRUPTION

This coverage agreement covers consequential losses or damage to scheduled property arising from changes in temperature or humidity due to damage or destruction of:

- A. Public utility plants, transformers or switching stations, substations or transformers (including transmission lines) (on or) off the premises, furnishing heat, light, power or gas to the **Member's** premises.
- B. Pumping stations or water mains (on or) off the premises furnishing the water supply to the **Member's** premises.

- C. Facilities (on or) off the premises furnishing communication services, including, but not limited to, communication transmission lines, coaxial cables or microwave radio relays furnishing telephone, radio or television services to the **Member's** premises.

16. IMPROVEMENTS AND BETTERMENTS

- A. The term "**Improvements and Betterments**" wherever used in this coverage agreement is defined as fixtures, alterations, installations or additions comprising a part of the described **building** and made or acquired at the expense of the **Member** exclusive of the rent paid by the **Member**, but which are not legally subject to removal by the **Member**.
- B. The word "**Lease**" wherever used in this coverage agreement shall mean the lease or rental agreement, whether written or oral, in effect as of the time of loss.
- C. In the event the **Improvements and Betterments** are damaged or destroyed during the term of this coverage agreement by the perils covered against, the liability of the **Trust** shall be determined as follows:
- (1) If repaired or replaced at the expense of the **Member** within a reasonable time after such loss, the replacement cost as provided under this coverage agreement.
  - (2) If not repaired or replaced within a reasonable time after such loss, the original cost of the **Improvements and Betterments** multiplied by the ratio of the unexpired term of the **lease** at the time of loss, including any **lease** options, to that at the time **Improvements and Betterments** were first made or acquired. However, if the **lease** contains a purchase option in favor of the **Named Member**, the **Improvements and Betterments** shall be valued as the sole personal property of the **Member** as if the purchase option had been exercised, without regard for the term of the existing **lease**. In no event shall this extension inure to the benefit of a lessor or a lessee other than the **Member**.
  - (3) If repaired or replaced at the expense of others for the use of the **Member**, there shall be no liability hereunder.

17. OTHER INSURANCE

If any other insurance or bonds are in effect at the time of loss and which would attach if this coverage had not been effected, this coverage shall apply only as excess and then only after all other insurance or bonds have been exhausted. Other insurance shall be deemed to include liability coverage applying to the **Member's** legal liability for the property of others.

18. SALVAGE AND RECOVERY CLAUSE

All salvage, recoveries and payments recovered or received prior to a loss settlement under this coverage agreement shall reduce the loss payable hereunder accordingly. If recovered or received subsequent to a loss settlement under this coverage agreement, such net amounts recovered shall be divided between the interests concerned, i.e., the **Member**, the **Trust**, and any parties participating in the loss, in proportion to their respective interests.

In the event of a total loss to covered property, the **Trust** shall have the right to salvage the damaged property and shall retain title thereto upon payment to the **Member** of the loss as provided under this coverage agreement.

19. PERMITS AND AGREEMENTS

Permission is granted:

- A. For such use of the premises as is usual and incidental to the operations conducted therein and for existing and increased hazards and for change in use or occupancy except as to any specific hazard, use, or occupancy prohibited by the express terms of this coverage agreement or by any endorsement thereto;
- B. To keep and use all articles and materials, usual and incidental to said operations, in such quantities as the exigencies of the operations require;
- C. For any **building(s)** or premises to be and remain vacant or unoccupied without limit of time, subject to Section 2.A.(4);
- D. To construct additions and to make alterations and repairs to **building(s)** and to erect new **buildings** and structures, including temporary structures, materials, equipment and supplies therefore, subject to Section 4.B.

20. SUBROGATION

This coverage shall not be invalidated should the **Member** waive in writing any or all right of recovery against any party for loss, provided, however, that in the event the **Member** waives only a part of his rights against any particular third party, the **Trust** shall be subrogated with respect to all rights of recovery which the **Member** may retain against any such third party for loss from the perils covered against to the extent that payment therefore is made by the **Trust**, all subject to the following additional provisions:

- A. If made before loss has occurred, such agreement may run in favor of any third party.
- B. If made after loss has occurred, such agreement may run in favor only of a third party falling within one of the following categories:
  - (1) A third party covered under this agreement, or
  - (2) A tenant of the **Member**, or
  - (3) Officers, Employees or Agents of the **Member**.

In the event of any payment under this policy, the **Trust** shall be subrogated to the extent of such payment to all the **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 **Trust** to secure such right. The **Trust** will act in concert with all other interests concerned, i.e., the **Member** and any other company(ies) participating in the payment of any loss as primary or excess insurers, 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.

21. DUTIES IN THE EVENT OF A LOSS

In the event of loss covered by this Coverage Agreement, the **Member** shall:

- A. Take all measures reasonably necessary to preserve the damaged property; and
- B. Provide written notice of the loss to the **Trust** as soon as reasonably possible; and
- C. Fully cooperate with the **Trust**, and with any claims representatives or agents employed or engaged by the **Trust**, in the investigation of the claim, including, without limitation, providing access to inspect the damaged property and providing all available information pertaining to value of and damage to the property, and the cause of the loss; and
- D. Do nothing that will prejudice the **Trust's** rights with respect to recovery from third parties as provide in the preceding section of this Coverage Agreement pertaining to "Subrogation."

22. ABANDONMENT

There shall be no abandonment of property to the **Trust** under this coverage agreement.

23. PARTIAL PAYMENT CLAUSE

In the event of a loss covered by this coverage agreement, it is understood and agreed the **Trust** shall allow a partial payment(s) of claim subject to the coverage agreement provisions and normal **Trust** adjustment process. To obtain said partial claim payment, the **Member** shall submit a partial proof of loss with supporting documentation. It shall be lawful for the **Member** to make claim for the actual cost incurred in effecting repairs or replacement, or the agreed actual cash value of the damaged property. It is further agreed that the coverage deductible must be satisfied before said partial payment(s) are allowable.

24. COMMENCEMENT OF SUIT CLAUSE

Any suit brought under the terms of this coverage agreement must be commenced within twelve months of the date that proof of loss is rendered to the **Trust**, or, in the event that either the **Member** or the **Trust** makes a written demand for an appraisal, then such twelve-month period shall commence with the date of receipt by the **Member** of written acknowledgment by the **Trust** of the filing with it of the award of the appraisers. In the event liability is denied by the **Trust**, then said twelve-month period shall commence with the date of receipt by the **Member** of written denial of liability.

25. APPRAISAL

In the event of disagreement as to the amount of loss, the same shall be ascertained by two competent and disinterested appraisers, the **Member** and the **Trust** each selecting one, and the two so chosen then selecting a competent and disinterested umpire. The appraisers together shall then estimate and appraise the loss, stating separately the value and damage, and failing to agree, shall submit their differences to the umpire. The award in writing of any two shall determine the amount of such loss. The **Trust** and the **Member** shall pay the appraisers respectively selected by them, and shall bear equally the expense of the appraisal and the umpire.

26. LOSS REINSTATEMENT

It is agreed the amount of coverage hereunder shall not be reduced by the amount of loss paid, except as provided herein regarding loss caused by the perils of **earthquake** and **flood**.

27. RELEASED BILL OF LADING

This coverage shall not inure directly or indirectly to the benefit of any carrier, nor without the affirmative consent of the insured to the benefit of any other bailee. The **Member** may accept, without prejudice to this coverage, the ordinary or released value bills of lading of carriers as provided in their tariffs and the **Member** may waive subrogation against railroads under Side Track Agreements. Otherwise, the **Member** agrees not to enter into any special agreement with carriers or bailees releasing them from their common law or statutory liability. The **Trust** shall not be liable for any loss or damage which, without its written consent, has been compromised by the **Member** in violation of this section.

28. CIVIL AUTHORITIES

Notwithstanding any other provision of this coverage agreement, it is understood and agreed that property which is covered hereby is also covered against the risk of damage or destruction by civil authority during a conflagration and for the purpose of the same provided that neither such conflagration nor such damage or destruction is caused or contributed to by hostile or warlike action as set forth in Section 8.A.

29. CANCELLATION

This coverage agreement may be canceled by the **Member** or the **Trust** only in accordance with the Bylaws of the **Trust**.

30. ERRORS AND OMISSIONS

No inadvertent error, omission or failure hereunder shall prejudice the **Member's** right of recovery, but such shall be corrected when discovered.

31. JOINT LOSS AGREEMENT

A. In the event of damage to or destruction of property at a location designated in this coverage agreement and also designated in a boiler and machinery policy(ies), if there is a disagreement between the **Trust** and the boiler and machinery insurers with respect to:

- (1) Whether such damage or destruction was caused by a peril covered against by this coverage agreement or by an accident insured against by such boiler and machinery insurance policy(ies), or
- (2) The extent of participation of this coverage agreement and of such boiler and machinery insurance policy(ies) in a loss which is insured against, partially or wholly, by any or all of said policy(ies);

B. The **Trust** shall, upon written request of the **Member** pay to the **Member** one-half of the amount of the loss which is in disagreement, but in no event more than the **Trust** 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 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 **Member**, the **Trust** and the insurers, is limited to the minimum amount remaining payable under either the boiler and machinery policy(ies) or fire coverage;
- (2) The boiler and machinery insurer(s) shall simultaneously pay to the **Member** one-half of said amount which is in disagreement;
- (3) The payments by the **Trust** and the insurers hereunder and acceptance of the same by the **Member** signify the agreement of the **Trust** and the insurers to submit to and proceed with arbitration within 90 days of such payments. The arbitrators shall be three in number, one of whom shall be appointed by the boiler and machinery insurer(s) and one of whom shall be appointed by the **Trust** and the third appointed by the consent of the other two, and the decision by the arbitrators shall be binding on the **Trust** and the insurers and that judgment upon such award may be entered in any court of competent jurisdiction;
- (4) The **Member** agrees to cooperate in connection with such arbitration but not to intervene therein;
- (5) The provisions of this clause shall not apply unless such other policy issued by the boiler and machinery insurance company is similarly endorsed; and
- (6) Acceptance by the **Member** of sums paid pursuant to the provisions of this clause, including an arbitration award, shall not operate to alter, waive, surrender or in any way affect the rights of the **Member** against any of the insurers or the **Trust**.

32. COVERAGE PERIOD

Unless specifically stated otherwise, the time this coverage agreement becomes effective and terminates shall be understood to be 12:01 AM of the dates shown on the declarations page as the Coverage Period.



Patrick Priest  
Executive Director, CIS