

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EARTHQUAKE AND VOLCANIC ERUPTION COVERAGE (SUB-LIMIT FORM WITH PERCENTAGE DEDUCTIBLE)

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY COVERAGE PART STANDARD PROPERTY POLICY

- A.** When this endorsement is attached to the Standard Property Policy, the terms Coverage Part and Coverage Form in this endorsement are replaced by the term policy.
- B.** This endorsement applies to the Covered Property and Coverages for which an Earthquake – Volcanic Eruption Limit Of Insurance is shown in the Earthquake – Volcanic Eruption Coverage Schedule or in the Declarations.

C. Additional Covered Causes Of Loss

1. The following are added to the Covered Causes of Loss:
- a. Earthquake.
 - b. Volcanic Eruption, meaning the eruption, explosion or effusion of a volcano.

All Earthquake shocks or Volcanic Eruptions that occur within any 168-hour period will constitute a single Earthquake or Volcanic Eruption. The expiration of this Policy will not reduce the 168-hour period.

2. If the Earthquake – Volcanic Eruption Coverage Schedule or the Declarations indicates that this endorsement covers Earthquake – Sprinkler Leakage Only, then the Covered Causes of Loss in Paragraph **C.1.** of this endorsement do not apply, and the following apply instead:
- a. Sprinkler Leakage resulting from Earthquake.
 - b. Sprinkler Leakage resulting from Volcanic Eruption. Volcanic Eruption means the eruption, explosion or effusion of a volcano.

All Earthquake shocks or Volcanic Eruptions that occur within any 168-hour period will constitute a single Earthquake or Volcanic Eruption. The expiration of this Policy will not reduce the 168-hour period.

D. Exclusions, Limitations And Related Provisions

1. The Exclusions and Limitation(s) sections of the Causes Of Loss Form (and the Exclusions section of the Mortgageholders Errors And Omissions Coverage Form and the Standard Property Policy) apply to coverage provided under this endorsement, except as provided in Paragraphs **D.2.** and **D.3.** below.
2. To the extent that the Earth Movement Exclusion might conflict with coverage provided under this endorsement, the Earth Movement Exclusion does not apply.
3. The exclusion of collapse, in the Causes Of Loss – Special Form and Mortgageholders Errors And Omissions Coverage Form, does not apply to collapse caused by Earthquake or Volcanic Eruption.
4. The Additional Coverage – Collapse, in the Causes Of Loss – Broad Form, Causes Of Loss – Special Form and Mortgageholders Errors And Omissions Coverage Form, does not apply to the coverage provided under this endorsement. This endorsement includes coverage for collapse caused by Earthquake or Volcanic Eruption.
5. We will not pay for loss or damage caused directly or indirectly by tidal wave or tsunami, even if attributable to an Earthquake or Volcanic Eruption.

6. We will not pay for loss or damage caused by or resulting from any Earthquake or Volcanic Eruption that begins before the inception of this insurance.
7. The Ordinance Or Law Exclusion in this Coverage Part continues to apply with respect to any loss under this Coverage Part including any loss under this endorsement, unless Ordinance Or Law Coverage is added by endorsement.
8. We will not pay for loss of or damage to exterior masonry veneer (except stucco) on wood frame walls caused by or resulting from Earthquake or Volcanic Eruption. The value of such veneer will not be included in the value of Covered Property or the amount of loss when applying the Property Damage Deductible applicable to this endorsement.
This limitation, **D.8.**, does not apply if:
 - a. The Earthquake – Volcanic Eruption Coverage Schedule or the Declarations indicates that the "Including Masonry Veneer" option applies; or
 - b. Less than 10% of the total outside wall area is faced with masonry veneer (excluding stucco).
9. Under this Coverage Part, as set forth under Property Not Covered in the Coverage Form to which this endorsement is attached, land is not covered property, nor is the cost of excavations, grading, backfilling or filling. Therefore, coverage under this endorsement does not include the cost of restoring or remediating land.

E. No Coinsurance

The Coinsurance Condition in this Policy, if any, does not apply to the coverage provided under this endorsement.

Various Coverage Extensions, in the Coverage Form to which this endorsement is attached, require coinsurance. The coinsurance requirement for such Coverage Extensions is eliminated with respect to coverage provided under this endorsement.

F. Limit Of Insurance

1. General Information

The term Limit of Insurance means the Limit of Insurance applicable to Earthquake – Volcanic Eruption for the Covered Property or Coverage under which loss or damage is sustained.

The Earthquake – Volcanic Eruption Coverage Schedule or the Declarations provides information on the Limit of Insurance applicable to Covered Property and Coverages for Earthquake – Volcanic Eruption.

2. Annual Aggregate Limit

The Limit of Insurance for Earthquake – Volcanic Eruption is an annual aggregate limit and as such is the most we will pay for the total of all loss or damage that is caused by Earthquake or Volcanic Eruption in a 12-month period (starting with the beginning of the present annual policy period), even if there is more than one Earthquake or Volcanic Eruption during that period of time. Thus, if the first Earthquake or Volcanic Eruption does not exhaust the Limit of Insurance, then the balance of that Limit is available for a subsequent Earthquake(s) or Volcanic Eruption(s).

If a single Earthquake or Volcanic Eruption (as defined in Paragraph **C.** of this endorsement) begins during one annual policy period and ends during the following annual policy period, any Limit of Insurance applicable to the following annual policy period will **not** apply to such Earthquake or Volcanic Eruption.

3. Increased Annual Aggregate Limit Option

If the Earthquake – Volcanic Eruption Coverage Schedule or the Declarations indicates that the Increased Annual Aggregate Limit Option applies, then the following applies instead of Paragraph **F.2.** above:

The Limit of Insurance for Earthquake – Volcanic Eruption is the most we will pay in a single Earthquake or Volcanic Eruption (as defined in Paragraph **C.** of this endorsement) for loss or damage caused by the Earthquake or Volcanic Eruption. If there is more than one Earthquake or Volcanic Eruption in a 12-month period (starting with the beginning of the present annual policy period), the most we will pay for the total of all loss or damage sustained during that period of time and caused by Earthquake or Volcanic Eruption is two times the Limit of Insurance.

If a single Earthquake or Volcanic Eruption (as defined in Paragraph **C.** of this endorsement) begins during one annual policy period and ends during the following annual policy period, any Limit of Insurance applicable to the following annual policy period will **not** apply to such Earthquake or Volcanic Eruption.

4. Additional Coverages And Coverage Extensions

Amounts payable under an Additional Coverage or Coverage Extension, as set forth in the applicable Coverage Form, do not increase the Limit of Insurance for Earthquake – Volcanic Eruption.

5. Limitation

For property or coverage that is subject to a Blanket Limit on Earthquake – Volcanic Eruption (as shown in the Earthquake – Volcanic Eruption Coverage Schedule or in the Declarations), we will not pay more than we would pay in the absence of such Blanket Limit. Therefore, the maximum amount payable for any such item of property or coverage is the Limit of Insurance or stated value (as shown in a Statement of Values on file with us) specific to that item of property or coverage for Covered Causes of Loss other than Earthquake – Volcanic Eruption.

6. Ensuing Loss

If a Cause of Loss (such as fire) is covered by means of an exception to the Earth Movement Exclusion, in the Causes Of Loss Form, we will also pay for the loss or damage caused by that other Covered Cause of Loss. But the most we will pay, for the total of all loss or damage caused by the Earthquake, Volcanic Eruption and other Covered Cause of Loss, is the Limit of Insurance applicable to such other Covered Cause of Loss. We will **not** pay the sum of the two Limits.

EXAMPLES – ENSUING LOSS

Two examples follow using these facts: The Commercial Property Coverage Part, in these examples, includes the Causes Of Loss – Basic Form (which covers fire) and this Earthquake And Volcanic Eruption Coverage endorsement. A building is damaged by Earthquake, and by Fire which is caused by the Earthquake. The value of the damaged building is \$1,000,000. The Limit of Insurance applicable to the building, for the Basic Causes of Loss, is \$800,000. The Limit of Insurance for Earthquake – Volcanic Eruption is \$400,000. The Earthquake Deductible amount is \$50,000.

Example 1

The damage due to Earthquake is \$500,000.

The damage due to Fire is \$500,000.

Payment for Earthquake damage is \$400,000 (\$500,000 damage minus \$50,000 Earthquake deductible = \$450,000; Limit is \$400,000).

Payment for Fire damage is \$400,000 (\$500,000 damage capped at the difference between the Basic Limit and the Earthquake Limit).

Total Loss Payment is \$800,000.

Example 2

The damage due to Earthquake is \$800,000.

The damage due to Fire is \$100,000.

Payment for Earthquake damage is \$400,000 (\$800,000 damage minus \$50,000 Earthquake deductible = \$750,000; Limit is \$400,000).

Payment for Fire damage is \$100,000 (amount of damage).

Total Loss Payment is \$500,000.

G. Property Damage Deductible

1. The provisions of Section **G.3.** of this endorsement are applicable to all Coverage Forms except:

- a. Business Income (And Extra Expense) Coverage Form;
- b. Business Income (Without Extra Expense) Coverage Form; and
- c. Extra Expense Coverage Form.

2. If the Declarations indicates that this endorsement covers Earthquake – Sprinkler Leakage Only, then the Deductible set forth in Paragraph **G.3.** of this endorsement does not apply to such coverage. The applicable Deductible for such coverage is the same Deductible that applies to Fire.

3. The Deductible, if any, in this Coverage Part is replaced by the following with respect to Earthquake and Volcanic Eruption:

a. All Policies

- (1) The Deductible provisions apply to each Earthquake or Volcanic Eruption.
- (2) Separate Deductibles are calculated for, and apply to, each building, personal property at each building and personal property in the open. Deductibles are separately calculated and applied even if:
 - (a) Two or more buildings sustain loss or damage;
 - (b) Personal property at two or more buildings sustains loss or damage; and/or
 - (c) A building and the personal property in that building sustain loss or damage.

- (3) We will not pay for loss or damage until the amount of loss or damage exceeds the applicable Deductible. We will then pay the amount of loss or damage in excess of that Deductible, up to the applicable Limit of Insurance.
- (4) When property is covered under the Coverage Extension for Newly Acquired or Constructed Property: In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage of the value of the property at time of loss. The applicable percentage for Newly Acquired or Constructed Property is the highest percentage shown in the Earthquake – Volcanic Eruption Coverage Schedule or in the Declarations for any described premises.
- (5) If there is loss or damage caused by Earthquake or Volcanic Eruption, and loss or damage caused by a Cause of Loss (e.g., fire) that is covered by means of an exception to the Earth Movement Exclusion, then the only applicable Deductible provisions are those stated in this endorsement.

b. Calculation Of The Deductible – Specific Insurance Other Than Builders Risk

(1) Property Not Subject To Value Reporting Forms

In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage (as shown in the Earthquake – Volcanic Eruption Coverage Schedule or in the Declarations, concerning the Earthquake – Volcanic Eruption Deductible) of the value of the property that has sustained loss or damage. The value to be used is that shown in the most recent Statement of Values on file with us.

(2) Property Subject To Value Reporting Forms

In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage (as shown in the Earthquake – Volcanic Eruption Coverage Schedule or in the Declarations, concerning the Earthquake – Volcanic Eruption Deductible) of the value of the property that has sustained loss or damage. The value to be used is the latest value shown in the most recent Report of Values on file with us.

However:

- (a) If the most recent Report of Values shows less than the full value of the property on the report dates, we will determine the deductible amount as a percentage of the full value as of the report dates.
- (b) If the first Report of Values is not filed with us prior to loss or damage, we will determine the deductible amount as a percentage of the value shown in the most recent Statement of Values on file with us.

c. Calculation Of The Deductible – Blanket Insurance Other Than Builders Risk

(1) Property Not Subject To Value Reporting Forms

In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage (as shown in the Earthquake – Volcanic Eruption Coverage Schedule or in the Declarations, concerning the Earthquake – Volcanic Eruption Deductible) of the value of the property that has sustained loss or damage. The value to be used is that shown in the most recent Statement of Values on file with us.

(2) Property Subject To Value Reporting Forms

In determining the amount, if any, that we will pay for property that has sustained loss or damage, we will deduct an amount equal to a percentage (as shown in the Earthquake – Volcanic Eruption Coverage Schedule or in the Declarations, concerning the Earthquake – Volcanic Eruption Deductible) of the value of that property as of the time of loss or damage.

d. Calculation Of The Deductible – Builders Risk Insurance

(1) Builders Risk Other Than Reporting Form

In determining the amount, if any, that we will pay for property that has sustained loss or damage, we will deduct an amount equal to a percentage (as shown in the Earthquake – Volcanic Eruption Coverage Schedule or in the Declarations, concerning the Earthquake – Volcanic Eruption Deductible) of the actual cash value of that property as of the time of loss or damage.

(2) Builders Risk Reporting Form

In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage (as shown in the Earthquake – Volcanic Eruption Coverage Schedule or in the Declarations, concerning the Earthquake – Volcanic Eruption Deductible) of the value of the property that has sustained loss or damage. The value to be used is the actual cash value shown in the most recent Report of Values on file with us.

However:

- (a) If the most recent Report of Values shows less than the actual cash value of the property on the report date, we will determine the deductible amount as a percentage of the actual cash value as of the report date.
- (b) If the first Report of Values is not filed with us prior to loss or damage, we will determine the deductible amount as a percentage of the actual cash value of the property as of the time of loss or damage.

H. Example – Application Of Deductible In G.3.b.(1) And G.3.c.(1) – For Specific Or Blanket Insurance Other Than Builders Risk (Not Subject To Value Reporting Forms)

The values, as shown in the most recent Statement of Values on file with us, are:

Building 1 \$500,000

Building 2 \$500,000

Business Personal Property at Building 1 \$250,000

Business Personal Property at Building 2 \$250,000

For this example, assume that the amounts of loss do not exceed the applicable Limits of Insurance (for specific insurance). Also assume that the total amount of loss does not exceed the applicable Blanket Limit of Insurance (for blanket insurance).

Building 1 and Business Personal Property at Building 1 have sustained damage; the amounts of loss are \$95,000 (Building) and \$5,000 (Business Personal Property).

The Deductible is 10%.

Building

Step (1): $\$500,000 \times 10\% = \$50,000$

Step (2): $\$95,000 - \$50,000 = \$45,000$

Business Personal Property

Step (1): $\$250,000 \times 10\% = \$25,000$

The loss, \$5,000, does not exceed the deductible.

The most we will pay is \$45,000. The remainder of the building loss, \$50,000, is not covered due to application of the Deductible. There is no loss payment for the business personal property.

I. Business Income And Extra Expense Period Of Restoration

This Section I. is applicable only to the Coverage Forms specified below:

- 1. Business Income (And Extra Expense) Coverage Form;
- 2. Business Income (Without Extra Expense) Coverage Form; and
- 3. Extra Expense Coverage Form.

The "period of restoration" definition stated in the Coverage Form, or in any endorsement amending the beginning of the "period of restoration", applies to each Earthquake or Volcanic Eruption. A single Earthquake or Volcanic Eruption is defined in Paragraph C. of this endorsement.