

**RENTAL
DWELLING
POLICY**

AUTO CLUB FAMILY INSURANCE COMPANY
12901 NORTH FORTY DRIVE
ST. LOUIS, MISSOURI 63141
(314) 523-7350

A STOCK COMPANY

A SUBSIDIARY OF THE AUTOMOBILE
CLUB INTER-INSURANCE EXCHANGE

**THIS POLICY BOOKLET, WITH THE
DECLARATIONS CERTIFICATE AND
ENDORSEMENTS, IF ANY, ISSUED TO FORM A
PART THEREOF, COMPLETES THIS POLICY.**

SAMPLE DOCUMENT

READ YOUR POLICY CAREFULLY

This policy is a legal contract between you and us.

**YOUR RENTAL DWELLING POLICY -
QUICK REFERENCE**

DECLARATIONS CERTIFICATE

Your Name
Location of Your Insured Premises
Policy Period
Coverages
Amounts of Insurance
Deductible

Beginning
On Page

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SAMPLE DOCUMENT

RENTAL DWELLING FORM

AGREEMENT

We will provide the insurance *you* have selected in return for the premium due *us* and compliance with all applicable policy provisions. The enclosed declarations page shows the policy period, the premises to which this insurance applies, the coverages and limits *you* have chosen and *your* premiums. Insurance under this policy is provided only for the coverages for which a premium is stated in the declarations. The declarations page is part of this policy.

DEFINITIONS

In this policy, “*you*” and “*your*” refer to the named insured shown in the Declarations and the spouse if a resident of the same household. “*We*”, “*us*” and “*our*” refer to the Company providing this insurance. In addition, certain words and phrases, when printed in *bold italic*, are defined as follows:

1. “*Actual cash value*” means, at the time of the loss, the *replacement cost* of the item or building less any *depreciation*.
2. “*Bodily injury*” means bodily harm, sickness or disease, including required care, loss of services and death that results.
3. “*Business*” means any full or part time activity intended for economic gain. *Business* includes, but is not limited to, commercial enterprise; trade; profession; occupation or employment; and the renting, leasing, or holding for rental or lease of any part of any premises by any *insured*.
4. “*Depreciation*” means the lessening of the economic value of any property because of wear and tear, deterioration and obsolescence.

5. **“Fungi”** means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by *fungi*.

6. **“Insured”** means the following residents of *your* household:

- a. *You*.
- b. *Your* spouse.

7. **“Insured premises”** means:

- a. the one, two, three or four family dwelling, other structures and grounds; or
- b. that part of any other building;

primarily held for rent or lease that *you* own and is shown as the *insured premises* on the declarations page.

8. **“Medical expenses”** means reasonable charges for necessary medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, prosthetic devices and funeral services.

9. **“Metal roof covering”** means the metal roofing material exposed to the weather, the underlayments applied for moisture protection and all flashings required in the replacement of a *metal roof covering*.

10. **“Nuclear Hazard”** means any nuclear reaction, radiation or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these.

11. **“Occurrence”** means an accident, including continuous or repeated injurious exposure to substantially the same general harmful conditions, which results, during the policy period, in:

- a. *bodily injury*; or
- b. *property damage*.

Continuous or repeated injurious exposure to essentially the same conditions is considered to be one *occurrence*.

12. **“Pollutant”** means any solid, liquid, vaporous, gaseous or thermal irritant or contaminate, including but not limited to smoke, vapor, soot, fumes, acids, alkalis, chemicals, asbestos, radon, carbon monoxide gas, fuel oil,

gasoline, lead paint, PCB and waste.

13. **“Property damage”** means physical injury to, destruction of or loss of use of tangible property.

14. **“Replacement cost”** means:

a. with respect to buildings and structures that are not buildings, the lesser of the cost, at the time of the loss, to repair or to replace covered damaged to destroyed property:

- (1) at the location of the *insured premises*;
- and
- (2) for the same use; and
- (3) with materials of like or reasonably similar kind and quality.

Replacement cost does not include:

- (1) the loss to any property;
- (2) the cost of repairing, reconstructing or demolishing any property; or
- (3) the cost of removing the debris of any property;

occurring as a result of the enforcement of any building ordinance or law.

b. With respect to personal property, awnings, wall-to-wall carpeting, household appliances, outdoor antennas and outdoor equipment; the cost, at the time of the loss, of new property:

- (1) identical to the lost or damaged property;
- or
- (2) of like or reasonably similar kind and quality and of comparable usefulness as the lost or damaged property if identical property is not obtainable.

15. **“Residence employee”** means:

a. an employee of an *insured* whose duties are related to the maintenance or use of the *insured premises*, including household or domestic services;

or

b. one who performs similar duties elsewhere not related to the *business* of an *insured*, unless the *business* is in connection to the renting, leasing or holding for rental or lease of the *insured premises*.

16. **“Tenant”** means any person or persons who rents or leases all or any part of the *insured premises* from *you* for the purpose of a private residence.

17. **“Theft”** means the unlawful taking and carrying away of property from another person with the intent to deprive the other person of that property.

Theft does not include the conversion, embezzlement or secretion of another’s property by any person to whom possession was entrusted. This applies whether or not entrustment was obtained by trick or false pretense.

SECTION I - PROPERTY COVERAGES

COVERAGE A – Dwelling

We cover:

1. The dwelling on the *insured premises* shown in the declarations, used principally as a private residence including structures attached to the dwelling. This shall not include attached driveways, walkways, patios, fences and external walls not part of the perimeter of the dwelling and not necessary for the structural integrity of the dwelling.

2. Materials and supplies located on or next to the *insured premises* for use in constructing, altering or repairing the dwelling or other structures on the *insured premises*.

3. Wall-to-wall carpeting installed in the dwelling on the *insured premises*.

4. Outdoor antennas on the *insured premises*.

COVERAGE B – Other Structures

We cover:

1. Driveways, walkways, patios and fences attached to the dwelling.

2. External walls attached to but not part of the

perimeter of the dwelling and not necessary for the structural integrity of the dwelling.

3. Other structures on the *insured premises*, either set apart from the dwelling by clear space or connected to the dwelling only by a fence, utility line or similar connection.

4. Wall-to-wall carpeting installed in other buildings on the *insured premises*.

COVERAGE C – Landlord’s Furnishings

We cover personal property, usually situated at the *insured premises*, that is owned by *you* and that is usual to the occupancy of the dwelling.

Property Not Covered

Under **COVERAGE A – Dwelling** and **COVERAGE B – Other Structures**, *we* do not cover:

1. any land, including the land supporting the dwelling or other structure;
2. the cost to replace, rebuild, stabilize or otherwise restore land;
3. the cost of any device or treatment applied to land for the purpose of adding, protecting or restoring the stability of any structure supported by that land.

In addition, under **COVERAGE B – Other Structures**, *we* do not cover structures used in whole or in part in *business*. However, this shall not apply to:

1. structures that are rented, leased or held for rental or lease to any person who is a *tenant* of the *insured premises*;
2. garages that are rented, leased or held for rental or lease for use as private parking garages.

Under **COVERAGE C – Landlord’s Furnishings**, *we* do not cover:

1. Property specifically insured and separately described either individually or as a class in any other insurance.
2. Animals, birds or fish.
3. Motor vehicles or all other motorized land conveyances. This includes:
 - a. their equipment and accessories; or
 - b. electronic apparatus that is designed to be operated solely by use of the power from the electrical system of motor vehicles or all other motorized land conveyances. Electronic apparatus includes:
 - (1) accessories or antennas; or
 - (2) tapes, wires, records, discs or other media;for use with any electronic apparatus described in this item 3.b.

The exclusion of property described in 3.a. and 3.b. above applies only while the property is in or upon the vehicle or conveyance.

4. Aircraft and parts. Aircraft means any contrivance used or designed for flight, except model or hobby aircraft not used or designed to carry people or cargo.
5. Watercraft, other than rowboats and canoes.
6. Property of occupants, roomers, boarders or other residents of the *insured premises*.
7. Property rented, leased or held for rental or leased to others away from the *insured premises*.
8. **Business** data, including such data stored in:
 - a. books of account, drawings or other paper records; or
 - b. electronic data processing tapes, wires, records, discs or other software media.

However, *we* do cover the cost of blank recording or storage media and of pre-recorded computer programs available on the retail market.

9. Accounts, bills, bullion, currency, deeds, evidences of debt, manuscripts, money, securities, credit cards or fund transfer cards.

COVERAGE D – Loss of Rental Income

1. If a loss covered under **SECTION I – PROPERTY COVERAGES** makes the *insured premises* unfit to live in by rendering it unsafe for human habitation or by creating a condition that prevents the performance of any of the functions necessary for human habitation, *we* will pay actual loss of rental income while that part of the *insured premises* that is actually rented or leased to others is unfit to live in. *Our* payment shall be reduced by the expenses that do not continue while the rented part of the *insured premises* is unfit to live in.

Payment shall be for the shortest time reasonably required to repair or replace the damage.

2. If a civil authority prohibits *your tenant* from occupying the *insured premises* as a result of direct damage to neighboring premises by a cause of loss covered under **SECTION I – PROPERTY COVERAGES**, *we* will pay actual loss of rental income as described under 1. above for a period not exceeding two weeks during which occupancy is prohibited.

The periods of time under 1. and 2. above are not limited by the expiration of the policy; however, the events causing the *insured premises* to become unfit to live in, or the order of civil authorities prohibiting *your tenant* from occupying the *insured premises* must occur during the policy period.

We do not cover:

1. loss of rental income due to the *insured premises* becoming unfit to live in more than twelve months after the date of the physical loss that gave rise to the claim for loss of use;

2. loss or expense due to the cancellation of a lease or agreement.

The limit of liability for **COVERAGE D – Loss of Rental Income** shall not exceed 20% of the dwelling's **COVERAGE A - Dwelling** limit stated in the declarations.

ADDITIONAL COVERAGES

1. **Debris Removal.** *We* will pay *your* reasonable expense actually incurred by *you* for the removal of:
- a. debris of covered property if a Peril Insured Against, that applies to the damaged property, causes the loss; or
 - b. ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.

This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit of liability is available for debris removal expense.

We will also pay *your* reasonable expense actually incurred by *you*, up to \$500, for the removal from the **residence premises** of:

- a. *your* tree(s) felled by the peril of Windstorm or Hail;
- b. *your* tree(s) felled by the peril of Weight of Ice, Snow or Sleet; or
- c. a neighbor's tree(s) felled by a Peril Insured Against under COVERAGE C;

provided the tree(s) damages a covered structure. The \$500 limit is the most *we* will pay in any one loss regardless of the number of fallen trees.

2. **Reasonable Repairs.** In the event that covered property is damaged by an applicable Peril Insured Against, *we* will pay the reasonable cost actually incurred by *you* for necessary measures taken solely to protect against further damage. If the measures taken involve repair to other damaged property, *we* will pay for those

measures only if that property is covered under this policy and the damage to that property is caused by an applicable Peril Insured Against.

This coverage:

- a. does not increase the limit of liability that applies to the covered property; and
- b. does not relieve *you* of *your* duties, in case of a loss to covered property, as set forth in **SECTION I - CONDITIONS 3.c.**

3. **Trees, Shrubs and Other Plants.** *We* cover outdoor trees, outdoor shrubs, outdoor plants or lawns, on the *insured premises*, for loss caused by the following perils insured against: fire or lightning, explosion, riot or civil commotion, aircraft, vehicles not owned or operated by a resident of the *insured premises*, vandalism or malicious mischief or *theft*.

We will pay up to 5% of the limit of liability that applies to the dwelling, for all outdoor trees, outdoor shrubs, outdoor plants or lawns. No more than \$500 of this limit will be available for any one tree, shrub or plant. *We* do not cover property grown for *business* purposes.

This coverage is additional insurance.

4. **Fire Department Service Charge.** *We* will pay up to \$2,500 for *your* liability assumed by contract or agreement for fire department charges actually incurred when the fire department is called to save or protect covered property from a Peril Insured Against. *We* do not cover fire department service charges if the property is located within the limits of the city, municipality or protection district furnishing the fire department response.

This coverage is additional insurance. No deductible applies to this coverage.

5. **Property Removed.** *We* insure covered property against direct loss from any cause while being removed from a premises endangered by a Peril Insured Against and for no more than 30 days while removed. This coverage does not increase the limit of liability that applies to the property being removed.

6. **Glass or Safety Glazing Material.**

a. *We* cover:

- (1) the breakage of glass or safety glazing material which is part of a covered building, storm door or storm window;
- (2) the breakage, caused directly by Earth Movement, of glass or safety glazing material which is part of a covered building, storm door or storm window; and
- (3) the direct physical loss to covered property caused solely by the pieces, fragments or splinters of broken glass or safety glazing material which is part of a building, storm door or storm window.

b. This coverage does not include loss:

- (1) to covered property which results because the glass or safety glazing material has been broken, except as provided in a.(3) above; or
- (2) on the *insured premises* if the dwelling has been vacant or unoccupied for more than 30 consecutive days immediately before the loss, except when the breakage results directly from Earth Movement as provided for in a.(2) above. A dwelling being constructed is not considered vacant.

Loss to glass covered under this **ADDITIONAL COVERAGES 6.** will be settled on the basis of replacement with safety glazing materials when required by ordinance or law.

This coverage does not increase the limit of liability that applies to the damaged property.

SECTION I - PERILS INSURED AGAINST

We insure for direct physical loss to the property described in **COVERAGE A - Dwelling, COVERAGE B - Other Structures** and **COVERAGE C - Landlord's Furnishings** caused by a peril listed below unless the loss is excluded in **SECTION I -**

EXCLUSIONS.

1. **Fire or lightning.**

2. **Windstorm or hail.** This peril does not include loss to the inside of a building or the property contained in a building, caused by rain, snow, sleet, sand or dust, unless the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand or dust enters through this opening.

This peril includes loss to watercraft and their trailers, furnishings, equipment and outboard engines or motors, but only while inside a fully enclosed building.

3. **Explosion.**

4. **Riot or civil commotion.**

5. **Aircraft**, including self-propelled missiles and spacecraft.

6. **Vehicles.** This peril does not include loss caused by a vehicle owned or operated by *you*.

7. **Smoke**, meaning sudden and accidental damage from smoke.

This peril does not include loss caused by smoke from agricultural smudging or industrial operations.

8. **Vandalism or malicious mischief.** This peril does not include loss to property on the *insured premises* if the dwelling has been vacant or unoccupied for more than 30 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant.

9. **Theft.** This peril does not include loss caused by *theft*:

- a. committed by or at the direction of any *insured, tenant*, or any other regular resident of the *insured premises*, except a *residence employee*;
- b. in or to a dwelling or other structure under construction, or of materials and supplies for use in the construction, until the dwelling is completed and

occupied; or

c. occurring away from the *insured premises*.

SECTION I - EXCLUSIONS

1. **We** do not insure for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss.

a. **Ordinance or Law**, meaning the enforcement, whether or not in connection with a physical loss to buildings or other structures covered under **SECTION I – PROPERTY COVERAGES**, of any ordinance or law:

(1) requiring or regulating the construction, demolition, remodeling, renovation or repair of property, including removal of any resulting debris. This exclusion 1.a.(1) does not apply to the amount of coverage that may be provided for under **ADDITIONAL COVERAGES**, Glass or Safety Glazing Material;

(2) the requirements of which result in a loss in value to property; or

(3) requiring any *insured* or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of *pollutants*.

This exclusion applies whether or not the property has been physically damaged or even if the irritant or contaminant has a function with respect to *your* property or *business*.

b. **Earth Movement**, meaning earthquake including land shock waves or tremors before, during or after a volcanic eruption; landslide; mine subsidence; mudflow; earth sinking, rising or shifting; or any earth movement caused by man or man-made forces or nature unless direct loss by:

(1) fire; or

(2) explosion;

ensues and then *we* will pay only for the ensuing loss.

Direct loss by *theft* resulting from earth movement

is covered.

c. **Water Damage**, meaning:

- (1) flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these, whether or not driven by wind;
- (2) any liquid or semi-liquid material or substance from outside of the plumbing system on the *insured premises* that enters the *insured premises* through sewers or drains or which overflows from a sump;
- (3) water below the surface of the ground, including water which exerts pressure on or seeps or leaks or flows through a building, sidewalk, driveway, foundation, swimming pool, spa or other structure; or
- (4) damage to the interior of the building from rain, snow or sleet unless the walls or roof of the building have first sustained a loss from a cause of loss covered under **SECTION I – PROPERTY COVERAGES** that created an opening through which the rain, snow or sleet entered.

Direct loss by fire, explosion or *theft* resulting from water damage is covered.

d. **Power Failure**, meaning the failure of power or other utility service if the failure takes place off the *insured premises*. But, if the failure of power or other utility service results in a loss, from a Peril Insured Against on the *insured premises*, *we* will pay for the loss or damage caused by that Peril Insured Against.

e. **Neglect**, meaning neglect of the *insured* to use all reasonable means to save and preserve property at and after the time of a loss, or when the property is endangered by a cause of loss *we* cover.

f. **War**, including the following and any consequence of any of the following:

- (1) undeclared war, civil war, insurrection, rebellion or revolution;
- (2) warlike act by a military force or military personnel; or
- (3) destruction, seizure or use for a military purpose.

Discharge of a nuclear weapon will be deemed a

warlike act even if accidental.

g. **Nuclear Hazard**, to the extent set forth in the **Nuclear Hazard Clause** of **SECTION I - CONDITIONS**.

h. **Intentional Loss**, meaning any loss arising out of any act or omission committed:

(1) by or at the expressed or implied direction of any *insured*; and

(2) with the intent to cause a loss, or that could reasonably be expected to cause loss.

i. **Increased Hazard**, meaning loss while the hazard is increased by any means within the control or the knowledge of the *insured*.

2. **We** do not insure for loss to property described in **COVERAGE A - Dwelling and COVERAGE B - Other Structures** caused by, resulting from, contributed to or consisting of:

a. *theft* in or to a dwelling under construction, or of materials and supplies for use in the construction, until the dwelling is finished and occupied;

b. vandalism, malicious mischief or breakage of glass or safety glazing materials if the dwelling has been vacant or unoccupied for more than 30 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant;

c. any of the following:

(1) wear and tear, marring, deterioration;

(2) inherent vice, latent defect, mechanical breakdown;

(3) smog, rust or other corrosion, mold, *fungi*, wet or dry rot or other decay;

(4) smoke from agricultural smudging or industrial operations;

(5) presence, discharge, dispersal, seepage, migration, release or escape of:

(a) *pollutants*;

(b) soil corrosives, including but not limited to chemicals, compounds, elements, suspensions, gels or crystals forming in the soil; unless the presence, discharge, dispersal, seepage, migration, release or escape is itself caused by a Peril Insured Against under **COVERAGE C - Landlord's**

Furnishings of this policy;

(6) cracking, sagging, settling, shrinking, bulging, bending or expansion, including resultant cracking, of pavements, driveways, walkways, patios, foundations, walls, floors, roofs or ceilings;

(7) birds, vermin, rodents or insects;

(8) animals owned or kept by an *insured*;

(9) freezing, thawing, pressure or weight of water or ice, whether driven by wind or not, to a:

(a) fence, pavement, driveway, walkway, patio, swimming pool or spa;

(b) foundation, retaining wall or bulkhead; or

(c) pier, wharf or dock;

(10) freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance, or by discharge, leakage or overflow from within the system or appliance caused by freezing. But this exclusion applies only while the dwelling is vacant, unoccupied or being constructed unless *you* have used reasonable care to:

(a) maintain heat in the building; or

(b) shut off the water supply and drain the entire system and all appliances of water;

(11) continuous or repeated seepage or leakage of water or steam over weeks, months or years from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system or from within a household appliance; or

(12) growth of, or pressure from the roots of trees, shrubs or other plants.

3. *We* do not insure for loss, by a covered peril, that alters the physical appearance of the **metal roof covering** but does not result in the penetration of water through the **metal roof covering** or does not result in the failure of the **metal roof covering** to perform its intended function of keeping out the elements over an extended period of time.

We do insure for loss, by a covered peril, to **metal roof coverings** that will allow the penetration of water through the **metal roof covering** or that results in the failure of the **metal roof covering** to perform its intended function of keeping out the elements over an extended period of time.

SECTION I - CONDITIONS

1. **Insurable Interest and Limit of Liability.** Even if more than one person has an insurable interest in the property covered, *we* will not be liable in any one loss:

- a. to any **insured** for more than the amount of the **insured's** interest at the time of loss; or
- b. for more than the applicable limit of liability.

2. **Deductible.** *We* will pay only when the amount of a loss covered under **SECTION I – PROPERTY COVERAGES**, or an expense covered under **ADDITIONAL COVERAGES** exceeds the amount of the deductible stated in the declarations, and then *we* will pay only the amount exceeding the deductible, up to the limit of liability.

The deductible shall apply to all losses except losses paid under the following provisions in **SECTION I – PROPERTY COVERAGES**:

COVERAGE D – Loss of Rental Income
ADDITIONAL COVERAGES – 4. Fire
Department Service Charge

3. **An Insured's Duties After Loss.** In case of a loss to covered property, *you* must see that the following duties are complied with. *We* have no duty or obligation to provide any coverage under this policy unless *you* or any **insured** making a claim under this policy have fully complied with the following conditions and duties.

- a. give prompt notice to *us*;
- b. notify the police in case of loss by theft;
- c. protect the property from further damage. If repairs to the property are required, *you* must:
 - (1) make reasonable and necessary repairs to protect the property; and
 - (2) keep an accurate record of repair expenses;

d. prepare and submit to *us* within 60 days of the loss an inventory of damaged personal property using the forms *we* provide showing the quantity, description, place of purchase, date of purchase, original cost, ***actual cash value***, ***replacement cost*** and amount *you* are claiming as a loss. *You* must attach all bills, receipts and related documents that justify the figures in the inventory;

e. as often as *we* reasonably require:

- (1) show the damaged property;
- (2) provide *us* with records and documents *we* request and permit *us* to make copies; and
- (3) any ***insured*** must submit to examination under oath, as often as *we* may reasonably request, while not in the presence of anyone else other than *your* attorney, and sign the same; and
- (4) answer oral or written interrogatories;

f. send to *us*, within 60 days after *our* request, *your* signed, sworn proof of loss, using the form *we* provide, which sets forth, to the best of *your* knowledge and belief;

- (1) the time and cause of loss;
- (2) the interest of the ***insured*** and all others in the property involved and all liens on the property;
- (3) other insurance which may cover the loss;
- (4) changes in title, use, occupancy, location, possession of, or exposure to the property during the term of the policy;
- (5) specifications of damaged buildings and detailed repair estimates;
- (6) the inventory of damaged personal property described in 3.d. above;
- (7) records supporting the loss of rental income; and

g. all ***insureds*** must help *us* and cooperate with *us* in the investigation of any claim presented under this policy.

4. **Loss Settlement and Limit of Liability.**

a. *We* will settle covered losses to:

- (1) personal property;
- (2) awnings, wall-to-wall carpeting,

household appliances, outdoor antennas and outdoor equipment, whether or not attached or otherwise connected to buildings;
for the lowest of the following at the time of the loss:

- (1) the *replacement cost* less *depreciation*, but not less than the fair market value of the lost or damaged property;
- (2) the cost to repair the damaged property;
- (3) the cost to replace the lost or damaged property with property of the same kind, of reasonably similar quality and usefulness, and in the same condition;
- (4) the limit of liability applicable to the lost or damaged property.

b. *We* will settle covered losses to structures that are not buildings for the lower of:

- (1) the *replacement cost* less *depreciation*, but not less than the fair market value at the time of the loss, of the damaged or destroyed part of the structure;
- (2) the limit of liability stated in the declarations for **Coverage B – Other Structures**.

c. *We* will settle covered losses to buildings as follows:

- (1) if the amount of the covered loss does not exceed \$2,500, *we* may, at *our* option, pay the *replacement cost* of the damaged or destroyed part of the building before repair or replacement is made.
- (2) if the loss is not subject to payment under (1) above, and:
 - (a) if *you* elect not to repair or replace, *we* will settle for the lower of:
 - i. the *replacement cost* less *depreciation*, but not less than the fair market value at the time of the loss, of the damaged or destroyed part of the building;
 - ii. the limit of liability stated in the declarations for **COVERAGE A - Dwelling** for loss to the dwelling, or for **COVERAGE B – Other Structures** for loss to other

buildings.

(b) If *you* elect to repair or replace, *we* will settle for the lower of:

- i. the *replacement cost* less *depreciation*;
- ii. the limit of liability stated in the declarations for **COVERAGE A - Dwelling** for loss to the dwelling, or for **COVERAGE B – Other Structures** for loss to other buildings;

until repair or replacement is completed as required.

After repair or replacement is completed as required, *we* will settle on a *replacement cost* basis for additional cost *you* actually and necessarily incurred to repair or replace the damaged or destroyed part of the building, not to exceed the amount of the limit of liability stated in the declarations for **COVERAGE A - Dwelling** for loss to the dwelling, or for **COVERAGE B – Other Structures** for loss to other buildings.

Repair or replacement is considered completed as required if:

- i. it was started no more than 6 months after the date of initial settlement under this provision, and it was completed during the following 12 months; and
- ii. *we* were notified of the start date and the completion date within the 30 calendar days following each date.

Any loss claimed under (b) above that becomes ineligible for *replacement cost* settlement because repair or replacement was not completed as required will be settled as described under (a) above.

Our limit of liability for loss to any property insured under **SECTION I – PROPERTY**

COVERAGES shall not be increased because more than one person has an insurable interest in the property.

5. **Loss to a Pair or Set.** In case of loss to a pair or set, *we* may elect to:

- a. repair or replace any part to restore the pair or set to its value before the loss; or
- b. pay the difference between the value established for the property under provision 4. above before and after the loss.

6. **Glass Replacement.** Loss for damage to glass caused by a Peril Insured Against will be settled on the basis of replacement with safety glazing materials when required by ordinance or law.

7. **Appraisal.** If *you* and *we* fail to agree on the amount of loss, and any *insured* claiming coverage has complied with all other conditions of the policy, either may demand an appraisal of the loss in writing. If both parties agree in writing to appraisal, and to be bound by the results, each party will choose a competent and disinterested appraiser within 20 days after receiving a written request from the other. The two appraisers will choose a disinterested and impartial umpire. If they cannot agree upon an umpire within 15 days, *you* or *we*, upon written notice to the other, may request that the choice be made by a judge of a court of record in the state where the *insured premises* is located. The appraisers shall separately set the amount of the loss as defined in the policy. If the appraisers submit a written report of an agreement to *us*, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss.

Each party will:

- a. pay its own appraiser; and
- b. bear the other expenses of the appraisal and umpire equally.

8. **Other Insurance.** If a loss covered by this policy is also covered by other insurance, *we* will pay only the proportion of the loss that the limit of liability that applies

under this policy bears to the total amount of insurance covering the loss.

9. **Suit Against Us.** No action can be brought unless the policy provisions have been fully complied with and the action is started within one year after the date of loss.

10. **Our Option.** If *we* give *you* written notice within 30 days after *we* receive *your* signed, sworn proof of loss, *we* may repair or replace any part of the damaged property with like property, at *our* option.

11. **Loss Payment.** *We* will adjust all losses with *you*. *We* will pay *you* unless some other person is named in the policy or is legally entitled to receive payment. Loss will be payable 60 days after *we* receive *your* proof of loss, if all conditions of the policy of insurance have been complied with and:

- a. *we* reach an agreement with *you*;
- b. there is an entry of a final judgment; or
- c. there is a filing of an appraisal award with *us*.

12. **Abandonment of Property.** *We* need not accept any property abandoned by an *insured*.

13. **Mortgage Clause.** The word mortgagee includes trustee.

If a mortgagee is named in this policy, any loss payable under **COVERAGE A - Dwelling or COVERAGE B – Other Structures** will be paid to the mortgagee and *you*, as interests appear. If more than one mortgagee is named, the order of payment will be the same as the order of precedence of the mortgages.

If *we* deny *your* claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:

- a. notifies *us* in writing of any change in ownership, occupancy or substantial change in risk of which the mortgagee is aware;
- b. pays any premium due under this policy when notified if *you* have neglected to pay the premium; and
- c. submits a signed, sworn statement of loss within 60 days after receiving notice from *us* of

your failure to do so.

Policy conditions relating to An Insured's Duties After Loss, Appraisal, Suit Against Us and Loss Payment apply to the mortgagee.

If *we* decide to cancel or not to renew this policy, the mortgagee will be notified at least 10 days before the date cancellation or nonrenewal takes effect.

If *we* pay the mortgagee for any loss and deny payment to *you*:

- a. *we* are subrogated to all the rights of the mortgagee granted under the mortgage on the property; or
- b. at *our* option, *we* may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, *we* will receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.

Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.

14. **No Benefit to Bailee.** *We* will not recognize any assignment or grant any coverage that benefits a person or organization holding, storing or moving property for a fee regardless of any other provision of this policy.

15. **Nuclear Hazard Clause.**

- a. Loss caused by the *nuclear hazard* will not be considered loss caused by fire, explosion or smoke, whether these perils are specifically named in or otherwise included within the Perils Insured Against in **SECTION I – PROPERTY COVERAGES**.
- b. This policy does not apply under **SECTION I – PROPERTY COVERAGES** to loss caused directly or indirectly by *nuclear hazard*, except that direct loss by fire resulting from the *nuclear hazard* is covered.

16. **Recovered Property.** If *you* or *we* recover any property for which *we* have made payment under this policy, *you* or *we* will notify the other of the recovery. At *your* option, the property will be returned to or retained by *you* or it will become *our* property. If the recovered property is returned to or retained by *you*, the loss

payment will be adjusted based on the amount *you* received for the recovered property. *You* may need to refund to *us* all or part of the loss payment, if *you* recover property for which *we* paid *you*.

17. **Volcanic Eruption Period.** One or more volcanic eruptions that occur within a 72-hour period will be considered as one volcanic eruption.

18. **Your Duty to Select and Maintain Policy Limits.** At each policy renewal date, the amount of the limit of liability stated in the declarations for **COVERAGE A - Dwelling** may be adjusted to account for inflation, current building costs, changes in the cost of items of property and other factors. Any adjustment of the amount of the **COVERAGE A - Dwelling** limit of liability will result in proportionate adjustments of the amounts of limits of liability of **COVERAGE B - Other Structures** and the amounts of the limits of liability of those **SECTION I - ADDITIONAL COVERAGES**, for which the limits of liability are stated in the policy as a percentage of the **COVERAGE A - Dwelling** limit of liability.

It is *your* duty, however, to select and maintain adequate amounts of insurance. To assist *you* in *your* duty, *we* will, if *we* deem necessary, conduct reasonable inspections of *your insured premises*. *You* must permit such inspections and cooperate with *us* during the inspection process.

SECTION II - LIABILITY COVERAGES

COVERAGE E – Landlord’s Liability

1. *We* will pay damages which any *insured* is legally liable to pay because of *bodily injury* or *property damage* caused by an *occurrence* arising out of the:

- a. ownership, maintenance, or use; or
- b. renting, leasing, or holding for rental or lease;

of the *insured premises*.

Damages do not include criminal fines, penalties or restitution orders.

2. *We* will defend any suit claiming damages for

bodily injury or *property damage* to which this coverage applies. *We* will defend suit even if the allegations are groundless, false or fraudulent. Defense lawyers will be hired by *us*. If any *insured* retains a lawyer for any claim, whether or not covered under this coverage, *we* will not pay the fees and cost charged by that lawyer. *Our* duty to defend ends when the amount *we* pay for damages resulting from one *occurrence* equals *our* limit of liability. *We* have no duty to defend any *insured* in any criminal action or proceeding in which the recovery of a fine, penalty or restitution is sought.

3. *We* may settle any claim or suit as *we* think proper.

COVERAGE F – Medical Payments to Others

We will pay the necessary *medical expenses* that are actually incurred or medically ascertained within three years from the date of an accident causing *bodily injury*. This coverage applies only:

1. to a person on the *insured premises* with the permission of an *insured*; or
2. to a person off the *insured premises*, if the *bodily injury*:
 - a. arises out of a condition on the *insured premises* or the ways immediately adjoining;
 - b. is caused by the activities of an *insured*; or
 - c. is caused by a *residence employee* in the course of the *residence employee's* employment by an *insured*.
3. To a *residence employees*.

SECTION II - EXCLUSIONS

1. Under **Coverage E – Landlord’s Liability** and **Coverage F – Medical Payments to Others**, *we* do not cover *bodily injury* or *property damage*:
 - a. arising out of:
 - (1) acts or omissions committed by or at the

direction of any *insured* with the intent to produce *bodily injury* or *property damage* of any kind and in any degree.

(2) acts or omissions committed by or at the direction of any *insured* that could reasonably be expected to result in *bodily injury* or *property damage* of any kind and in any degree. This applies whether or not the *insured* forms the intent or has the mental capacity to form the intent to cause *bodily injury* or *property damage*.

(3) criminal acts or omissions committed by or at the direction of any *insured* that could reasonably be expected to result in *bodily injury* or *property damage* of any kind and in any degree;

b. arising out of or in connection with:

(1) the operation of a family day care home;

or

(2) any other *business* engaged in by an *insured*.

This exclusion applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed or implied to be provided because of the nature of the *business*.

This exclusion does not apply to the renting, leasing, or holding for rental or lease, of the *insured premises* when used only for residential purposes;

c. arising out of the rendering of or failure to render professional services;

d. arising out of a premises:

(1) owned by an *insured*;

(2) rented to an *insured*;

(3) leased to an *insured*; or

(4) rented to others by an *insured*;

that is not an *insured premises*;

e. arising out of the ownership, maintenance, use, driving, operation, loading or unloading of motor vehicles;

f. arising out of the ownership, maintenance, use, driving, operation, loading or unloading of watercraft;

g. arising out of the ownership, maintenance, use,

operation, loading or unloading of aircraft, meaning any contrivance used or designed for navigation of or flight in the air, except model aircraft of the hobby variety not used or designed to carry people or cargo;

h. caused directly or indirectly by war, including the following and any consequence of any of the following:

- (1) undeclared war, civil war, insurrection, rebellion or revolution;
- (2) warlike act by a military force or military personnel; or
- (3) destruction, seizure or use for a military purpose.

Discharge of a nuclear weapon will be deemed a warlike act even if accidental;

i. which arises out of the transmission by any *insured* of any disease or illness or of any organisms or agents capable of causing such disease, through:

- (1) personal physical contact of any *insured* with any other person; or
- (2) the transmission of any *insured's* body fluids to any other person;

j. arising out of:

- (1) sexual misconduct, including but not limited to, sexual harassment, sexual abuse and sexual molestation;
- (2) corporal punishment;
- (3) physical or mental abuse;

whether or not committed with the intent to produce ***bodily injury***;

k. arising out of the manufacture, sale, delivery, or transfer, of any drug by any person;

l. arising out of, in connection with, aggravated by or consisting of ***pollutants***;

m. arising out of ownership, custody or care of pets or animals of an inherently vicious, aggressive or dangerous nature by the *insured* or *tenant* or any other person;

n. arising out of failure to supervise or the negligent supervision of a person;

o. arising out of any written or oral statement made by *you* or others on *your* behalf which is

material to any financial transaction;

p. arising out of the liability assumed by the *insured* under any contract or agreement except any indemnity obligation assumed by the *insured* under a written contract directly relating to the ownership, maintenance or use of the *insured premises*;

q. arising out of the liability for claims made against any *insured* arising out of the sale or transfer of the *insured premises* or other real estate, including but not limited to any claims made against any *insured* for fraud, misrepresentation, negligence or otherwise, failure to disclose or any other claim made against any *insured* arising out of the sale or transfer of real estate.

Exclusions d., e., f. and g. do not apply to *bodily injury* to a *residence employee* arising out of and in the course of the *residence employee's* employment by an *insured*.

2. **COVERAGE E - Landlord's Liability**, does not apply to:

a. liability for any loss assessment charged against *you* as a member of an association, corporation or community of property owners;

b. liability imposed under any contract, lease or agreement;

c. *property damage* to property owned by the *insured* or any other resident of *your* household;

d. *property damage* to property rented or leased to, occupied or used by or in the care, custody or control of the *insured*. This exclusion does not apply to *property damage* caused by fire, smoke or explosion.

e. *bodily injury* to any person eligible to receive any benefits:

(1) voluntarily provided; or

(2) required to be provided;

by the *insured* under any:

(1) workers' compensation law;

(2) non-occupational disability law; or

(3) occupational disease law;

f. *bodily injury* or *property damage* for which an *insured* under this policy:

(1) is also an *insured* under a nuclear energy liability policy; or

(2) would be an *insured* under that policy but for the exhaustion of its limit of liability.

A nuclear energy liability policy is one issued by:

- (1) American Nuclear Insurers;
- (2) Mutual Atomic Energy Liability Underwriters;
- (3) Nuclear Insurance Association of Canada;

or any of their successors; or

g. *bodily injury* to *you* or an *insured* within the meaning of *insured* as defined;

h. *bodily injury* to any person when the ultimate benefits of indemnification would accrue directly or indirectly to an *insured*;

i. liability for punitive or exemplary damages. However, if the underlying claim is covered under **Coverage E – Landlord’s Liability**, *we* will defend suit alleging such damages, but *we* will not indemnify such claims;

j. liability for *property damage* to property rented to a *tenant* of any *insured*;

k. liability imposed upon any *insured* by any governmental authority for *bodily injury* or *property damage*.

3. **COVERAGE F—Medical Payments to Others.**

does not apply to *bodily injury*:

- a. to a *residence employee* if the *bodily injury*:
 - (1) occurs off the *insured premises*; and
 - (2) does not arise out of or in the course of the *residence employee's* employment by an *insured*;
- b. to any person eligible to receive benefits:
 - (1) voluntarily provided; or
 - (2) required to be provided;

under any:

- (1) workers' compensation law;
 - (2) non-occupational disability law; or
 - (3) occupational disease law;
- c. from any:
 - (1) nuclear reaction;
 - (2) nuclear radiation; or
 - (3) radioactive contamination;

all whether controlled or uncontrolled or however

caused; or

- (4) any consequence of any of these;
- d. to any person, other than a *residence employee* of an *insured*, regularly residing on any part of the *insured premises*;
- e. to any *tenant* or other person, regularly residing on any part of the *insured premises*;
- f. to any person engaged in the maintenance, repair, alteration, demolition or new construction of the *insured premises*.

SECTION II – ADDITIONAL COVERAGES

We cover the following in addition to the limits of liability:

1. **Claim Expenses.** We pay:
 - a. expenses we incur and costs taxed against an *insured* in any suit we defend;
 - b. premiums on bonds required in a suit we defend, but not for bond amounts more than the limit of liability for **COVERAGES E – Landlord’s Liability**. We need not apply for or furnish any bond;
 - c. reasonable expenses actually incurred by an *insured* at our request, including actual loss of net earnings (but not loss of other income), for assisting us in the investigation or defense of a claim or suit;
 - d. interest on the judgment, up to our limit of liability, which accrues after entry of the judgment and before we pay or tender, or deposit in court that part of the judgment which does not exceed the limit of liability that applies; and
 - e. prejudgment interest awarded against the *insured* on that part of the judgment we pay. If we make an offer to pay the applicable limit of liability, we will not pay any prejudgment interest based on that period of time after the offer.
2. **First Aid Expenses.** We will pay reasonable expenses for first aid to others actually incurred by an *insured* for *bodily injury* covered under **SECTION II – LIABILITY COVERAGES**. We will not pay for first aid to you or any other *insured*.

SECTION II - CONDITIONS

1. **Limit of Liability.** *Our* total liability under **COVERAGE E – Landlord’s Liability** for all damages, including all derivative claims, including but not limited to damages for care, loss of consortium, loss of services and negligent entrustment, resulting from any one *occurrence* will not be more than the limit of liability for **COVERAGE E – Landlord’s Liability** as shown in the Declarations. This limit is the same regardless of the number of *insureds*, claims made, suits brought or persons injured. All *bodily injury* and *property damage* resulting from any one accident or from continuous or repeated exposure to substantially the same general harmful conditions shall be considered to be the result of one *occurrence*.

Our total liability under **COVERAGE F – Medical Payments to Others** for all *medical expenses* payable for *bodily injury* to one person as the result of one accident will not be more than the limit of liability for **COVERAGE F – Medical Payments to Others** as shown in the Declarations.

2. **Severability of Insurance.** This insurance applies separately to each *insured*. This condition will not increase *our* limit of liability for any one *occurrence*.

3. **Duties After Loss.** In case of an accident or *occurrence*, the *insured* will perform the following duties that apply. *You* will help *us* by seeing that these duties are performed:

- a. Give written notice to *us* as soon as is practical, which sets forth:
 - (1) the identity of the policy and *insured*;
 - (2) reasonably available information on the time, place and circumstances of the accident or *occurrence*; and
 - (3) names and addresses of any claimants and witnesses.
- b. In case of claim or suit against any *insured*, promptly forward to *us* every notice, demand,

summons or other process relating to the accident or **occurrence**.

- c. At **our** request, help **us**:
- (1) to make settlement;
 - (2) to enforce any right of contribution or indemnity against any person or organization who may be liable to an **insured**;
 - (3) with the conduct of suits and attend hearings, trials and depositions;
 - (4) to secure and give evidence and obtain the attendance of witnesses;
 - (5) submit to examinations under oath, not in the presence of any one else other than **your** attorney, and sign and return to **us** the transcript of such examinations; and
 - (6) authorize **us** to obtain any documentation **we** reasonably require in investigating any claim.
- d. The **insured** will not, except at the **insured's** own cost, voluntarily make payment, assume obligation or incur expense other than for first aid to others at the time of the **bodily injury**.

4. Duties of an Injured Person – COVERAGE F - Medical Payments to Others. The injured person or someone acting for the injured person will:

- a. give **us** written proof of claim and any further information required by **us**, under oath if required, as soon as is practical; and
- b. authorize **us** to obtain copies of medical reports and records.

The injured person will submit to a physical exam by a doctor of **our** choice when and as often as **we** reasonably require.

5. Payment of Claim - COVERAGE F - Medical Payments to Others. **We** may pay the injured person or any person or organization rendering services. Payment by **us** shall reduce the amount **we** owe. Payment by **us** is not an admission:

- a. of liability by **us** or by any **insured**;
- b. that the **medical expenses** were reasonable or necessary or otherwise covered under **Section II – LIABILITY COVERAGES**.

6. **Suit Against Us.** No action can be brought against *us* unless there has been full compliance with the policy provisions.

No one will have the right to join *us* as a party to any action against an *insured*. Also, no action with respect to **COVERAGE E – Landlord’s Liability** can be brought against *us* until the obligation of the *insured* has been determined by final judgment or agreement signed by *us*.

7. **Other Insurance - COVERAGE E – Landlord’s Liability.** This insurance is excess over any other valid and collectible insurance. If there is insurance provided by *us* under any other policy affording Personal Liability coverage:

- a. the limits of liability of the applicable policies may not be added together, combined, or stacked to increase the coverage for any one *occurrence*;
- b. the highest limits of any of the policies apply.

This provision does not apply to other insurance written specifically as excess over the limits of liability of this policy.

SECTION I AND II - CONDITIONS

1. **Policy Period.** This policy applies only to loss in **SECTION I – PROPERTY COVERAGES** or *bodily injury* or *property damage* in **SECTION II – LIABILITY COVERAGES** which occurs during the policy period.

2. **Concealment or Misrepresentation.** This entire policy will be void and all coverages forfeited, and payment will not be made to any *insured*, if before or after a loss, any *insured* has concealed or misrepresented any material fact or circumstance, or made false statements or engaged in fraudulent conduct concerning or relating to this insurance, the insurance application, the loss, the presentation of the claim or any other fact or circumstance material to the investigation and adjustment of the claim.

3. **Liberalization Clause.** If *we* make a change which broadens coverage under this edition of *our* policy without additional premium charge, that change will automatically apply to *your* insurance as of the date *we* implement the change in *your* state, provided that this implementation date falls within 60 days prior to or during the policy period stated in the Declarations.

This Liberalization Clause does not apply to changes implemented through introduction of a subsequent edition of *our* policy.

4. **Waiver or Change of Policy Provisions.** A waiver or change of a provision of this policy must be in writing by *us* to be valid. *Our* request for an appraisal or examination will not waive any of *our* rights.

5. **Cancellation.**

a. *You* may cancel this policy at any time by returning it to *us* or by letting *us* know in writing of the date cancellation is to take effect.

b. *We* may cancel this policy only for the reasons stated below by letting *you* know in writing of the date cancellation takes effect. This cancellation notice may be delivered to *you* or mailed to *you* at *your* mailing address shown in the Declarations.

Proof of mailing will be sufficient proof of notice.

(1) When *you* have not paid the premium, *we* may cancel at any time by letting *you* know at least 10 days before the date cancellation takes effect.

(2) When this policy has been in effect for less than 60 days and is not a renewal with *us*, *we* may cancel for any reason by letting *you* know at least 30 days before the date cancellation takes effect.

(3) When this policy has been in effect for 60 days or more, or at any time if it is a renewal with *us*, *we* may cancel:

(a) If there has been a material misrepresentation of fact which if known to *us* would have caused *us* not to issue the policy; or

(b) If the risk has changed substantially since the policy was issued.

This can be done by letting **you** know at least 30 days before the date cancellation takes effect.

c. When this policy is cancelled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata.

d. If the return premium is not refunded with the notice of cancellation or when this policy is returned to **us**, **we** will refund it within a reasonable time after the date cancellation takes effect.

6. **Nonrenewal.** **We** may elect not to renew this policy. **We** may do so by mailing to **you** at **your** mailing address shown in the Declarations, written notice at least 30 days before the expiration date of this policy. Proof of mailing will be sufficient proof of notice.

7. **Assignment.** Assignment of this policy will not be valid unless **we** give **our** written consent.

8. **Subrogation.** An **insured** may waive in writing before a loss all rights of recovery against any person. If not waived, **we** may require an assignment of rights of recovery for a loss to the extent that payment is made by **us**.

If an assignment is sought, an **insured** must sign and deliver all related papers and cooperate with **us**.

Subrogation does not apply under **SECTION II – LIABILITY COVERAGES** to Medical Payments to Others.

9. **Death.** If any person named in the Declarations or the spouse, if a resident of the same household, dies; **we** insure the legal representative of the deceased, but only with respect to the **insured premises** and property of the deceased covered under the policy at the time of death.

Insured includes:

- a. any member of **your** household who is an **insured** at the time of **your** death; and
- b. with respect to **your** property, the person having proper temporary custody of the property

until appointment and qualification of a legal representative; or

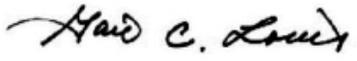
c. the grantee beneficiary designated under a beneficiary deed, which has been properly recorded prior to the death of the grantor, but only for the period from the date of the person's death until the first of the following occurs:

- (1) when said grantee beneficiary cancels the policy;
- (2) the date that alternative coverage is obtained on such property; or
- (3) the end of the policy period as shown in the Declarations.

10. **Bankruptcy.** Bankruptcy or insolvency of any *insured* shall not relieve *us* of any obligations under this policy.

All other provisions of this policy apply.

In Witness Whereof, *we* have caused this policy to be executed and attested, and, if required by state law, this policy shall not be valid unless countersigned by our authorized representative.

 _____ Secretary

 _____ President

SAMPLE DOCUMENT

Please keep your Declarations Certificates and
Endorsements with your policy.

Includes copyrighted material of Insurance
Services Office, Inc. with its permission.

SAMPLE DOCUMENT