



## COMMERCIAL CONDITIONS PROVISIONS

### POLICY CONDITIONS

In addition to the policy *terms* which are contained in other sections of this policy, the following conditions also apply.

### CONDITIONS APPLICABLE TO ALL COVERAGES

1. **After-death Continuation of Basic Property Insurance**-Insurance under this policy shall be continued in the circumstances set forth below and shall end at whichever is later:
  - a. For 180 days after *your* death without regard to the policy period shown in the Declarations, unless *your* premises and *your* property covered by the policy on the date of *your* death are sold prior to that date; or
  - b. Until the policy period shown in the Declarations ends, unless *your* premises and *your* property covered by the policy on the date of *your* death are sold prior to the date when the policy period ends.

Continuation of coverage after *your* date of death is subject to all of the policy provisions which include payment of the premium due for the policy period set forth on the Declarations page and for any applicable extension of that period. Continuation of coverage after *your* death is subject to the definition set forth above in the definitions section of this policy of who is an *insured* if *you* die while covered under this policy.

2. **Assignment**-This policy may not be assigned without the written consent of the company.
3. **Bankruptcy of an Insured**-Bankruptcy or insolvency of an *insured* does not relieve the company of *our* obligations under this policy.
4. **Cancellation and Nonrenewal**
  - a. **Cancellation**

This policy may be cancelled under the following conditions:

- 1) When *You* May Cancel-*You* may cancel this policy by returning the policy to *us* or by giving *us* notice in writing and stating at what future date coverage is to end. This policy terminates automatically on the anniversary or expiration date if *you* surrender the policy to *us*, if *you* have notified *us* or *our* agent of *your* intent not to renew, or if *you* have not tendered the installment or renewal premium on or before the anniversary or expiration date.
- 2) When *We* May Cancel- *We* may cancel this policy for the reasons set forth below by notice in writing delivered to or forwarded by registered or first class mail to *you* at the address shown on the declarations. Proof of delivery or mailing is acceptable proof of notice. This notice must be delivered or mailed the required number of days prior to the effective date of the cancellation. For a description of the number of days of required notice, refer to: a) Cancellation of Policies In Effect For Less Than 60 Days, b) Cancellation of Policies in Effect For 60 Days Or More.

- a) **Cancellation of Policies In Effect For Less Than 60 Days**

If this is a new policy which has been in effect less than 60 days and is not a renewal, *we* may cancel for any reason by giving the required notice at least 30 days before cancellation is effective. A renewal of a policy issued by *us* is not a new policy.

- b) **Cancellation of Policies in Effect For 60 Days Or More**

If this policy has been in effect 60 days or more or is a renewal of a policy issued by *us*, *we* may cancel or nonrenew only on the anniversary date unless the cancellation is for the reasons set forth below and by giving the required notice at least as required by statute. The reasons are:

- (1) A condition, factor or loss experience material to insurability has changed substantially or a substantial condition, factor or loss experience material to insurability has become known during the policy term. Notice of cancellation will be delivered or mailed at least 60 days before the effective date of cancellation.
- (2) Loss of reinsurance or a substantial decrease in reinsurance has occurred, which loss or decrease shall, at the time of cancellation, be certified to the Insurance Commissioner as directly affecting in-force policies. Notice of cancellation will be delivered or mailed at least 60 days before the effective date of cancellation.
- (3) The *insured* has made a material misrepresentation which affects the insurability of the risk. Notice of cancellation will be delivered or mailed at least 15 days before the effective date of cancellation.

- (4) The policy was obtained through fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company. Notice of cancellation will be delivered or mailed at least 60 days before the effective date of cancellation.
- (5) The **insured** has failed to pay a premium when due, whether the premium is payable directly to the company or its agents or indirectly under a premium finance plan or extension of credit. Notice of cancellation will be delivered or mailed at least 15 days before the effective date of cancellation.
- (6) The **insured** has requested cancellation.
- (7) Material failure to comply with policy **terms**, conditions or contractual duties. Notice of cancellation will be delivered or mailed at least 60 days before the effective date of cancellation.
- (8) Other reasons that the Insurance Commissioner may approve. Notice of cancellation will be delivered or mailed at least 60 days before the effective date of cancellation.

The policy may be cancelled from inception upon discovery by **us** that the policy was obtained through fraudulent statements, concealment of facts or omissions material to the acceptance of the risk or to the hazard assumed by **us**.

c) **Refund of Premium**

Upon cancellation of this policy, **we** refund to **you** the premium for the unexpired policy period on a pro rata basis. If **we** cancel, the pro-rata refund will be returned within 10 **business** days after the effective date of the cancellation. If the unearned premium is not refunded with the cancellation notice, it will be sent to **you** within the time frame stated. If **you** cancel the policy, the refund may be less than the pro-rata share and will be returned within 30 days after the effective date of the cancellation. The cancellation shall be effective even if a refund has not been offered or made. Any unearned premium amounts under \$5.00 will be refunded only on **your** request. Payment or tender of unearned premium is not a condition of cancellation.

- d) **Loss Notice**-The company must advise the first named **insured** that he/she is entitled to loss information upon written request.

b. **Nonrenewal**

- 1) **Nonrenewal**- **We** may nonrenew this policy by notice in writing delivered to or forwarded by registered or first class mail stating the specific reasons for nonrenewal to **you** at the address shown on the declarations at least 60 days before the expiration date of the policy. Proof of delivery or mailing is acceptable proof of notice. If **we** increase **your** renewal premium, **you** will receive written notice of **our** intent to increase the premium at least 30 days before the effective date of the increase. If the notice is mailed, it may be by registered or first class mail. Proof of mailing will be sufficient proof of notice.

- a) **We** refund the premium for the unexpired policy period on a pro rata basis.
- b) **Refund of Premium**-Payment or tender of unearned premium is not a condition of cancellation. If the unearned premium is not refunded with the cancellation notice, it will be sent to **you** within a reasonable time.
- c) **Loss Notice**-The company must advise the first named **insured** that he/she is entitled to loss information upon written request.

c. **Automatic Termination**-This policy automatically terminates on its expiration or on any anniversary date:

- 1) if **you** surrender or return the policy to **us**;
- 2) if **you** notify **us** or **our** agent, in writing, of **your** intent not to renew; or
- 3) if **you** have not paid the renewal or installment premium when due.

5. **Change, Modification or Waiver of Policy Terms**-A waiver or change of any **terms** of this policy must be issued by **us** in writing to be valid. **Our** request for an appraisal or examination under oath does not waive any of **our** rights.

6. **Conditional Reinstatement**-If **we** issue a cancellation notice because **you** didn't pay the required premium when due and **you** then tender a check, draft or other remittance which is not honored on presentation, **your** policy will terminate on the date and time shown on the cancellation notice and any notice **we** issue which waives the cancellation or reinstates the policy is void. This means that **we** will not be liable under this policy for claims or damages after the date and time indicated on the cancellation notice. **We** will give **you** notice of the dishonor of **your** remittance as soon as practicable but this shall not interrupt the cancellation of this policy.

7. **Conformity with Statute-Terms** of this policy, in conflict with the statutes of the state where the premises described in the Declarations are located, are amended to conform to such statutes.

8. **Inspections**-**We** have the right, but not the obligation, to inspect **your** property and/or operations. This inspection may be made by **us** or may be made on **our** behalf. An inspection or its resulting advice or report does not warrant that **your** property or operations are safe, healthful, or in compliance with laws, rules, or regulations. Inspections or reports are for the company's benefit only.

9. **Liberalization Clause**- If **we** adopt any revision of forms or endorsements during a policy period which would broaden coverage under this policy without additional premium, the broadened coverage will automatically apply to

this policy as of the date of adoption, provided that this change occurs 60 days prior to or during the period that this policy is in force. This does not apply to forms revisions of a subsequent date that shall include changes that broaden and restrict coverage whether such revisions are a general program revision or a revision by amendatory endorsement.

10. **Misrepresentation, Concealment or Fraud-** Under this policy, there is no coverage provided for all *insureds* if whether before or after a loss:
  - a. Any *insured* willfully concealed or misrepresented any material fact or circumstance concerning this insurance;
  - b. Any *insured* engages in conduct that is fraudulent concerning this insurance; or
  - c. Any *insured* makes false statements concerning this insurance.
11. **Policy Period-** This policy provides coverage for losses that occur only during the policy period.
12. **Policy Premium-** If this policy is issued without a specified expiration date, it may be continued by payment of the required premium for the next annual period. The premium must be paid to *us* as specified on *our* premium notice.
13. **Recoveries-** If *we* pay an *insured* for loss under this policy and lost or damaged property is recovered or payment is made by those responsible for the loss, the following provisions apply:
  - a. The *insured* must notify *us* or *we* will notify the *insured* promptly if either recovers the property or receives payment.
  - b. Any proper expenses incurred by either party in making the recovery are reimbursed first.
  - c. The *insured* may keep recovered property by refunding *us* the amount of the claim paid or any lesser amount to which *we* agree.
  - d. If the claim paid is less than the agreed loss due to a deductible, special limit of insurance or other limiting *terms* of the policy, any recovery will be pro-rated between the *insured* and *us* based on *our* respective interests in the loss.
14. **Subrogation-** If *we* pay for a loss, *we* may require that *you* assign to *us* the right of recovery up to the amount *we* have paid. *We* are not liable for a loss if, after the loss, *you* impair *our* right to recover against other third parties. *You* may waive *your* right to recover, in writing, before a loss occurs, without affecting coverage. If *we* pay a loss to *you* or on *your* behalf, and *you* recover from another party for the same loss, *you* must make payment to *us* as stated under Recoveries as set forth above.
15. **Suit Against Us**
  - a. **Property Coverages-** No suit to recover any property loss may be brought against *us* unless *you* have fully complied with the *terms* of this policy and the suit is commenced within two years after the loss. If any law of the state where the premises described in the Declarations is located makes this limitation invalid, then suit must begin within the shortest period permitted by the law.
  - b. **Liability Coverages-** No action can be brought against *us* unless there has been full compliance with the *terms* of the policy and the amount of *your* liability has been fixed by:
    - 1) a final judgment against the *insured* as a result of a trial; or
    - 2) a written agreement with *you*, the claimant, and *us*.No person has a right under this policy to enjoin *us* or implead *us* in actions that are brought to fix the liability of an *insured*.

#### CONDITIONS APPLICABLE TO PROPERTY COVERAGES ONLY

1. **Abandonment of Property-** *We* may take the property, or any part of it, at the agreed or appraised value, but an *insured* may not abandon the covered property to *us* unless *we* specifically agree.
2. **Appraisal-** If *you* and *we* do not agree on the cost to repair or replace, actual cash value of or amount of loss to covered property when loss occurs, either party may demand that these amounts be determined by appraisal. If either makes a written demand for appraisal, each shall notify the other of the appraiser's identity within 20 days of the written demand. The two appraisers will then select a competent, impartial umpire. If the two appraisers are unable to agree upon an umpire within 15 days, *you* or *we* can ask a judge of a court of record in the state where the property is located to select an umpire. The appraisers will then determine the amount of the damage stating separately and in detail: The cost to repair or replace, actual cash value of, and the amount of loss to each building item and item of personal property. If the appraisers submit a written report of any agreement to *us*, the amount agreed upon will be the amount of damage or value. If the appraisers fail to agree within a reasonable time, they will submit only their differences to the umpire. Written agreement so itemized and signed by any two of these three, sets the cost to repair or replace, actual cash value of and amount of loss to each item. Each appraiser will be paid by the party selecting that appraiser. Other expenses of the appraisal and the compensation of the umpire will be paid equally by *you* and *us*.
3. **Mortgagee, Secured Party, and Lender's Loss Payable Clause-** If a mortgagee is named on the declarations, a loss payable under Coverage A, B or F will be paid in the names of the mortgagee and *you*, as *your* interests may appear.

If more than one mortgagee is named, the order of payment will be the same as the order of precedence of the mortgages. The word mortgagee also includes a trustee. This clause applies only to the mortgagee or trustee and does not affect **your** rights or duties under this policy).

- a. **We** will pay for loss or damage to buildings to each mortgagee shown on the Declarations and to **you** as interest may appear. If more than one mortgagee is named in the Declarations, they shall be paid in that order of priority.
- b. The mortgagee is entitled to receive loss payment even if the mortgagee has started foreclosure or other similar proceedings on the building or structure.
- c. The insurance for the mortgagee continues in effect even when **your** insurance may be void because of **your** acts, neglect or failure to comply with policy **terms**, provided that the mortgagee:
  - 1) Pays any premium due under this policy at **our** request insofar as **you** have failed to do so;
  - 2) Submits a signed, Sworn Statement in Proof of Loss within 60 days after receiving notice from **us** of **your** failure to do so; and
  - 3) Notifies **us** of any change in ownership, occupancy or substantial changes in risk known to the mortgagee. If all of these conditions are met, then the **terms** of this policy will apply directly to the mortgagee.
- d. If **we** pay the mortgagee for a loss where **your** insurance may be void as a result of **your** acts, neglect or failure to comply with policy **terms** then:
  - 1) The mortgagee's rights under the mortgage will be transferred to **us** to the extent of the amount **we** pay; and
  - 2) The mortgagee's right to recover the remainder of the mortgage debt from **you** will not be impaired. At **our** option, **we** may pay the mortgagee the remaining principal and accrued interest in return for a full assignment of the mortgagee's interest and any instruments given as security for the mortgage debt.
- e. If **we** cancel this policy, **we** will give written notice to the mortgagee at least:
  - 1) 10 days before the effective date of cancellation if **we** cancel for nonpayment of premium or other statutory reasons; or
  - 2) 30 days before the effective date of cancellation if **we** cancel for any other reason.
- f. If **we** do not renew this policy, **we** will give written notice to the mortgagee at least 10 days before the expiration of this policy.

All **terms** of this policy apply to the mortgagee unless modified by this clause.

- g. If a secured party is named on the declarations, a loss payable on property subject to the security interest will be paid in the names of the secured party and **you**, as interests may appear. If there is more than one security interest in the same property, the order of payment will be the same as the order of priority of the security interests.

However, no secured party's interest is covered for **your** conversion, embezzlement, or hiding of encumbered property in **your** possession, unless specifically insured against and a premium is paid for such.

- h. If a lender is named on the declarations, a loss payable on property on which the lender has an insurable interest will be paid to the lender and **you**, as **your** interests may appear.
- i. If **we** deny **your** claim, that denial does not apply to a valid claim of the secured party, or lender if that party has:
  - 1) notified **us** of change in ownership, occupancy, or material change in risk of which the secured party, or lender has become aware;
  - 2) paid the premium due under this policy on demand if **you** neglected to pay the premium; and
  - 3) submitted a signed, sworn proof of loss within 60 days after receiving notice from **us** if **you** failed to do so.
- j. If **we** cancel or do not renew this policy, **we** will notify the secured party or lender at least 10 days before the date cancellation or nonrenewal is effective.

All **terms** of this policy apply to the secured party or lender unless modified by this clause.

4. **No Benefit To Bailee**-Insurance under this policy shall not directly or indirectly benefit any hired carrier or anyone else who is paid for assuming custody of covered property.
5. **Payment to Mortgagee**-If **we** pay the mortgagee for a loss and deny payment to **you**, **we** are subrogated, up to the amount **we** paid for the loss, to all the rights of the mortgagee granted under the applicable mortgage on the property. Subrogation shall not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.  
**We** may, at **our** option, pay to the mortgagee the whole principal on the mortgage plus the accrued interest. Should this event occur, **we** shall receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.
6. **Payment to a Secured Party**-If **we** pay a secured party for a loss and deny payment to **you**, **we** are subrogated, up to the amount **we** paid for the loss, to all the rights of a secured party granted under the security agreement. Subrogation will not impair the right of the secured party to recover the full amount of the security agreement.  
**We** may, at **our** option, pay the secured party the remaining amount due on the security agreement, plus the accrued interest. In this event, **we** shall receive full assignment of the security agreement and securities held as collateral for the agreement.

7. **Payment to Lender**-If *we* pay a lender for a loss and deny payment to *you*, *we* are subrogated, up to the amount *we* paid for the loss, to the rights of a lender to collect on the debt from *you*. Subrogation will not impair the right of a lender to collect the rest of the debt from *you*.  
At *our* option, *we* may pay the lender the remaining amount due plus the accrued interest. In this event, *we* shall receive a full assignment of a lender's interest and any instruments given as security for the debt.
8. **Volcanic Action**-All volcanic action that occurs within a seven day period of time constitutes a single *occurrence*.