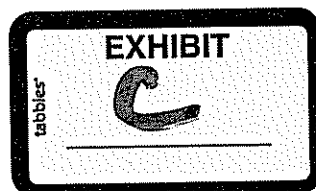


This Catastrophe Induction Manual is prepared for national distribution, and is not individually modified for each state. Claims personnel must be alert to individual state differences in policy language and law. All activities of State Farm Fire and Casualty Company personnel and independent claim personnel must be in compliance with local laws and regulations. If there is a conflict between the Catastrophe Induction materials and local laws, the local laws shall control.

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Model Unfair Claims Settlement Practices Act

Section 3. Unfair Claims Settlement Practices Prohibited

It is an improper claims practice for a domestic, foreign or alien insurer transacting business in this state to commit an act defined in Section 4 of this Act if:

- A. It is committed flagrantly and in conscious disregard of this Act or any rules promulgated hereunder; or
- B. It has been committed with such frequency to indicate a general business practice to engage in that type of conduct.

Section 4. Unfair Claims Practices Defined

Any of the following acts by an insurer, if committed in violation of Section 3, constitutes an unfair claims practice:

- A. Knowingly misrepresenting to claimants and insureds relevant facts or policy provisions relating to coverages at issue.
- B. Failing to acknowledge with reasonable promptness pertinent communications with respect to claims arising under its policies;
- C. Failing to adopt and implement reasonable standards for the prompt investigation and settlement of claims arising under its policies;
- D. Not attempting in good faith to effectuate prompt, fair and equitable settlement of claims submitted in which liability has become reasonably clear;
- E. Compelling insureds or beneficiaries to institute suits to recover amounts due under its policies by offering substantially less than the amounts ultimately recovered in suits brought by them;
- F. Refusing to pay claims without conducting a reasonable investigation;
- G. Failing to affirm or deny coverage of claims within a reasonable time after having completed its investigation related to such claim or claims;
- H. Attempting to settle or settling claims for less than the amount that a reasonable person would believe the insured or beneficiary was entitled by reference to written or printed advertising material accompanying or made part of an application;
- I. Attempting to settle or settling claims on the basis of an application that was materially altered without notice to, or knowledge or consent of, the insured;
- J. Making claims payments to an insured or beneficiary without indicating the coverage under which each payment is being made;
- K. Unreasonably delaying the investigation or payment of claims by requiring both a formal proof of loss form and subsequent verification that would result in duplication of information and verification appearing in the formal proof of loss form;

CATASTROPHE INDUCTION

- L. Failing in the case of claims denials or offers of compromise settlement to promptly provide a reasonable and accurate explanation of the basis for such actions;
- M. Failing to provide forms necessary to present claims within fifteen (15) calendar days of a request with reasonable explanations regarding their use;
- N. Failing to adopt and implement reasonable standards to assure that the repairs of a repairer owned by or required to be used by the insurer are performed in a workmanlike manner.

Our Commitment to Our Policyholders

It is the responsibility of the State Farm claim staff to implement Company philosophy with respect to claim handling. Our commitment to our policyholders is to treat them like a good neighbor. We should:

- Listen, be fair, be open, and carry out our part of the bargain under the contract in good faith.
- Be familiar and in compliance with those laws and regulations that impact claims in the appropriate state or province, and treat policyholders consistent with requirements of the law.
- Explain all relevant coverages under the policy. Encourage policyholders to report all losses and avail themselves of all benefits under their coverages.
- Diligently investigate the facts to determine if a claim is valid, reasonably evaluate the claim and act promptly in resolving the claim. If it is necessary to reject a claim for coverage or damages, it should be done promptly and courteously, with an explanation for the decision.
- Make an objective evaluation of the facts and circumstances supporting our policyholders' claims. Doing so helps ensure our policyholders obtain all benefits available provided by the insurance policy.
- Give insureds a reasonable opportunity to comply with their responsibilities under the policy. If a claim is rejected, be willing to listen to subsequent input from the insured. Complete any necessary follow up in a timely fashion, giving due consideration to any additional findings.
- Communicate with and be responsive to inquiries from insureds and their attorneys by promptly answering letters and phone calls.

In addition to our obligation to deal fairly with each policyholder, we also have an obligation to pay only covered claims in the proper amount. Payment of those claims not covered, or fraudulent claims, unnecessarily increases insurance costs for all policyholders.

In summary, we are committed to paying what we owe, promptly, courteously, and efficiently.

Printed In U.S.A.

160-3657

Claim Handling - Agency/Claims Relationship

Statement of Policy

An individual agent's profitability or that of the Company is not, and never has been, a consideration in claim handling decisions about coverage, liability, or damages.

State Farm agents, agency leadership, and claim representatives must maintain utmost care and good faith in their working relationships. A primary objective of the Marketing Partnership is assuring that all claims are promptly reported and paid in the proper amount under the appropriate coverage without regard to the effect, if any, such payments may have on an agent's Quality Results Profile (QRP).

Claim decisions must be based solely on the merits of the claim. Discouraging claim reports by policyholder, improperly influencing the amount or timing of claim payments, or shifting responsibility for claim obligations to other insurers are inappropriate actions.

Quality Results Profile

Quality Results Profile is an agency program developed to provide policyholders with quality insurance products at competitive prices. This program encourages each agent to develop and maintain a quality book of business. Claim decisions made by the Claim Department in certain situations directly affect the determination of QRP points credited to an agent.

While we must keep the lines of communication open and give due consideration to input from our agency partners, an individual agent's profitability or that of the Company is not, and never has been, a consideration in claim handling decisions involving:

- Under which coverage a loss should be paid
- Existence of coverage
- Who is or may be liable (whether a double insured or otherwise)
- Amount of reserves
- Extent of damages
- Subrogation action

From time to time agents will have legitimate questions pertaining to a particular claim. While we must be responsive to inquiries about these issues and explain the basis for our actions, claim decisions must be based solely on the merits of the claim. Decision-making authority on claim matters rests with the Claim Department personnel.

Attempts to influence unduly a decision by the Claim Department must be politely resisted and referred to the Claim Manager, who will take the matter up with the Agency Field Executive.

Summary

At the time of loss, it always has been State Farm's policy and practice to provide effective claim service to our policyholders, fairly and accurately determine what is owed, and pay that amount. Any quality-based compensation or incentive programs do not, in any way, alter this fundamental Company objective. This requirement is a cornerstone of our Marketing Partnership and is part of our Auto and Fire Claims training and Agency 2000 Pre-Selection and Internship development.

Estimates

Human Resources

Media Instructions

Customer Service

File Requirements

Catastrophe Orientation

To achieve our objective of providing good neighbor service to our policyholders, all employees of the Company and anyone working on State Farm's behalf must adhere to basic work performance expectations. A professional work environment, positive interaction with policyholders, appropriate security measures, and other business conduct are among these expectations.

Human Resources Contacts

Telephone Numbers

Business Practices

All Company employees and others working on behalf of State Farm must adhere to the business practices of State Farm. Key subjects include:

- Report Information Accurately
- Acquiring and Using Sensitive Information
- Antitrust
- Improper Payments
- Gifts, Entertainment, & Meals
- Confidentiality and Proprietary Matter
- Equal Employment Opportunity
- Drugs & Alcohol
- Workplace Security
- Sexual or other forms of harassment which interfere with work performance or create a hostile or offensive work environment

Specific Catastrophe Issues

- All information sought by the media regarding State Farm's practices **MUST** be referred to Public Affairs
- Appropriate attire must be worn while on State Farm business. **DO NOT** wear State Farm business attire after business hours
- Per Diem for specific location
- Organizational chart of Catastrophe Operations
- Security and safety issues unique to the catastrophe
- State Farm I.D. badge to be worn at all times while on duty
- No weapons allowed on Company property or while conducting Company business

Medical Procedures

- On site nurse (if applicable) _____
- Workers' Compensation procedures
- Local medical facilities
- Procedures for obtaining immunizations, safety equipment, etc.

Miscellaneous

- Department file information
- Employee & Agents Assistance Program - ph _____
- Exit procedures
- Procedures for lost supplies, broken equipment, etc.....

Notes

Claim Representative/Agency Media Instructions

When approached by the media, advise the reporter that it is your job to help our policyholders with their claims. Then refer the reporter to the Public Affairs Department at the following numbers:

Public Affairs Contacts

Telephone Numbers

If the reporter insists on an interview, talk about your specific role in handling claims. Steer clear of statements or opinions on issues of Company policy, philosophy, dollar amounts and the number of claims reported or expected. These type of questions MUST be deferred to Public Affairs. If the reporter remains insistent and will not leave without a comment, here are some general statements you may be able to use:

To report a loss, State Farm policyholders should first contact their agent or call 1-800-SFCLAIM (1-800-732-5246).

Advice to homeowners with losses: PERSONAL SAFETY is paramount. Make temporary repairs when possible to prevent further damage, and save the receipts for any temporary repairs made or materials purchased.

State Farm National Catastrophe Team members have already begun assessing damage in the area. Our No. 1 priority is to take care of our policyholders' needs as soon as possible.

We have National Catastrophe Team members in the area who, along with State Farm agents, are already issuing payments to policyholders for their damage.

In response to a reporter's request to accompany you on claim inspections, offer to relay their request to Public Affairs or provide them with the Public Affairs telephone number.

The Public Affairs Department should be informed of ALL media contacts right away.
Following these guidelines will help ensure a consistent and accurate State Farm response to media inquiries.

Customer Service

Disasters can be devastating and disruptive to people's lives. Be empathetic to our policyholders' needs. Whether you are at their home or business, talking to them on the telephone, or writing to them, you ARE State Farm to that person. Be a Good Neighbor!

Our goal in catastrophe situations is to take care of our policyholders' claims as quickly and efficiently as possible. Do your very best and put in a full day. This will enable us to provide the best service to the most policyholders in the quickest possible manner.

Return all phone calls on the same day the call was received.

Make prompt contacts on all files assigned to you even if it may be some time before you can conduct an inspection. This lets the policyholder know who has their claim and what to expect. Use this initial contact to answer any questions the policyholder may have about what they can do in the meantime, and to get more information about the damage they have incurred. You may find their damages are more or less severe than initially reported, helping you to effectively prioritize your assignments. It will also help you identify those losses with interior damage that will require someone to be home at the time of your inspection.

Review all assigned losses and identify claims by severity code. Plan to inspect Severity Code 1 files first. Organize remaining claims to maximize efficiency in routing and scheduling of inspections.

Make a thorough inspection of the property, being sure to inspect all structures, fences, gutters, siding, shutters, screens, etc. It is a good idea to ask the policyholders what damage they may have noted themselves. Thorough inspections help avoid incomplete evaluations and reopened files.

Communications with policyholders should be timely and conform to the Unfair Claim Practices Act in the affected state. If a file is not closed on first contact, the Cat letter writing package may be used, if appropriate, to continue correspondence with the policyholder. Be sure correspondence is correct before releasing it to be mailed.

Some files may require frequent contact. Every 30 days should be the maximum time between contacts. It is recommended to make follow-up contacts more frequently when needed. Document in the Activity Log all conversations with the insureds, and keep copies of correspondence in the file.

Personally discuss settlements with the policyholders prior to closing the file. This provides an opportunity to answer any questions the policyholder may have regarding the settlement, how to claim replacement cost (RC) benefits, etc.

CATASTROPHE INDUCTION

Keep the appointments you have made. If you are detained at one risk, and are running late, call your other appointments to let them know you will be running late. If this poses a problem, offer to reschedule at the earliest time convenient for the policyholder.

Whenever possible, settle claims on the first call after completing the inspection.

Approach every claim with the attitude of what you can do to help that policyholder. Accentuate the positive and what you can do for the policyholder, rather than what you cannot do. If none of the damage claimed is covered under the policy, explain why to the policyholder, preferably in person while at the risk. Be empathetic and understanding. Whenever possible, denials should be done in person. Denials should be followed up in writing.

If you encounter an unfamiliar or difficult loss problem, and are unsure exactly how to proceed, seek the help of your Catastrophe Team Manager.

Complete all paperwork within 24 hours of settling the claim, and promptly turn in all closed files to your Catastrophe Team Manager.

Basic File Requirements

- Claim Jacket 560-569 should be used. File contents and their order are listed on the inside of the jacket. The CCF/ECF should be included in the file.
- Sign the signature block and print your name clearly and legibly.
- Contacts will comply with time standards set forth by the region at the time of the catastrophe.
- Return all telephone calls on the same day the call was received.
- Provide concise and legible entries in the Activity Log. Document in the Activity Log the date the loss was received by the claim handler, the date the insured was contacted, the date of inspection, the date claim was paid, and the date of any other contacts and activities.

Structural Estimates

- An estimate or scope of the damage should be prepared by a company representative. The estimate should be on a line-by-line basis. Depreciation should be applied from dollar one to the building structures as outlined in OG 75-50.
- If applicable, place a Property Claim Agreement (560-273) in the loss jacket. Give the original copy to the insured, and retain a copy in our file.
- Document in the Activity Log that the Structural Damage Claim Policy form has been given to the insured.
- If settlement is to be based on a contractor's estimate, reconcile any difference between the contractor's estimate and the claim representative's estimate. The contractor's estimate may be acceptable if we are able to determine the scope of the repairs and costs are consistent with local prevailing prices.
- Payment should be promptly made with a clear explanation of how the settlement amount was determined. First contact settlements remain a service standard for our Company. Pending files should reflect the insured was specifically advised as to what is needed to conclude the claim. If there are questions about the contractor's estimate, the file should reflect the insured is advised of any questions.
- If we have prepared an estimate for roof damage which is a "repair" rather than a "replacement," a copy of a ~~Roof Workmanship, Labor and Material Guarantee~~ form should be given to the insured and a copy placed in the file, if the region uses this Guarantee.

- Review all structural damage estimates with the insured prior to issuing a draft. If an estimate is prepared and the insured is unavailable at the time of the inspection, review the estimate by telephone before sending a draft to the insured.

Personal Property

- If the loss involves personal property, transfer the inventory to the Personal Property Inventory Form unless the contents loss is simple enough that a notation in the claim log will provide sufficient documentation. For example, a bicycle is damaged and it is the only content item, a description of the bicycle and its age may become the basis for computing the payment. The computerized contents inventory system may be considered on larger inventories (in excess of 32 items or more than two pages).
- Apply depreciation on contents items on an item-by-item basis. Depreciation should follow Company guidelines as specified in OG 75-50. Explain depreciation and replacement cost benefits information to the policyholder. The use of the State Farm Replacement Service should be considered and documented.

Miscellaneous

- Mortgagees should be protected on all drafts as outlined in OG 74-04.
- Consideration should be given to salvage which should be tagged, logged, and scheduled for pick-up in accordance with local salvage handling requirements.
- An Underwriting Review, if appropriate, should be completed.
- Subrogation should be considered and addressed in the file.
- Make every effort to deny the claim in person and confirm in writing citing specific policy language.
- The "appraisal" process should be reviewed and approved by management prior to a demand.
- All claim personnel need to be familiar with the local Unfair Claim Practices Act.
- Files are to be submitted to management within 24 hours of the undisputed ACV payment. The file should stand on its own merits and clearly reflect the basis for repair or replacement of damaged areas.

Scene Investigation

- Review all assigned losses and identify claims by severity code. Inspect Severity Code 1 files first. Personally inspect each risk and take enough photographs to clearly show the damage involved, or that none exists. The photos should support the basis of the claim decision. If Polaroids will not accurately depict the condition, then 35mm may be used.
- Thoroughly inspect the property and document all damage.
- Do not ride with a contractor.
- A diagram is required where the damage is in multiple rooms and exceeds the minimum repair charge.
- Every roof that can be safely climbed should be thoroughly examined for damage.
- Claims involving roofs which cannot be safely climbed should be discussed with management. Alternative means of inspection (contractors, specialists, etc.) should be considered.
- A diagram of the roof that clearly shows the measurements of the damaged slopes, and the computations used to establish the square footage of the damaged areas. Note the location of damage and/or test squares. It is not necessary to measure undamaged slopes or areas.
- On total replacement of any slope, payment should be made on an actual cash value basis. A Property Claim Agreement form should be given to the insured and a copy placed in the file pending the replacement of the slope.
- The claim representative has the latitude to pay replacement cost benefits prior to the completion of the repairs when the insured presents an acceptable signed contract for repairs and/or the repairs are actually underway and documented in the files.

Basic File Requirements - Large Losses

- Large losses, because of their complexity, should be inspected. Inspections should take place as soon as practical.
- The standards provided in this section are in addition to those standards already provided in the Basic File Requirement and Scene Investigation categories.
- The file should reflect that we have provided the customer a clear explanation of the claim settlement process.
- There should be a systematic examination of the entire affected premises with organized, labeled photos to document both the damage and the undamaged portion of the premises. Polaroid photos are appropriate if they actually depict the damage. If not, 35mm photos should be used. Photographs should document both building and personal property losses.
- The damaged premises (exterior and interior) should be diagrammed with necessary and accurate measurements.
- Where there is nothing left of the structure, consideration should be given to obtaining (a) prior property appraisals, (b) building plans, drawings, permits which may be available at the local building department, (c) any photographs or videotapes depicting the interior and exterior of the building and contents that the insured may have stored in an off-site location or with relatives, and/or (d) any construction repair or remodeling contracts or estimates or receipts.
- Sometimes it is necessary, due to unique circumstances, to videotape the remains of the property. In order to document the building materials, it may be appropriate to obtain minor samples to identify the building materials once you have received the insured's authorization.
- It may be necessary to consider construction consultants if the construction is unique and involves significant complexities that may require assistance. For example, severe hillside construction with limited access may require the building of platforms for materials on the hillside in order to reconstruct the structure. Competitive bids should be secured and made a part of the file.
- Scope notes should be contained in the claim file. In most circumstances, if Xactimate is used to create the scope, no separate notes are needed. Any claim representative's notes should also be included in the claim file.

- All versions of the estimate should be retained in the claim file. Any alterations to the original estimate, or subsequent estimate, should be maintained in the file. Once we have made a determination of the undisputed actual cash value of the damage to the structure, review the basis for our claim settlement with the insured and issue a draft immediately.

Contents Loss

- Personal Property Inventory Forms should be used on all contents losses. Proper verification and documentation should be in the file.

Additional Living Expense (ALE)

- Additional living expenses should be documented. Summarize the additional expenses, normal expenses, and any appropriate abatements. Documentation for ALE should be contained in the ALE file. If multiple ALE payments are made, each should be documented. One tool to use is the ALE worksheet (566-289).

Miscellaneous

- All advances should be clearly documented in the file and recaps of all payments should be given in correspondence sent to the insured. A Statement of Loss (560-233) is required on all total losses. Salvage should be documented on the claim jacket. Subrogation should be considered, evaluated, and a determination made, if there is any faulty workmanship by a contractor, roofer, etc.
- The use of experts should be approved by management. These may include, but are not limited to, construction consultants, engineers, architects, real estate appraisers, and appraisers.

WYO Flood Losses (NFIP)

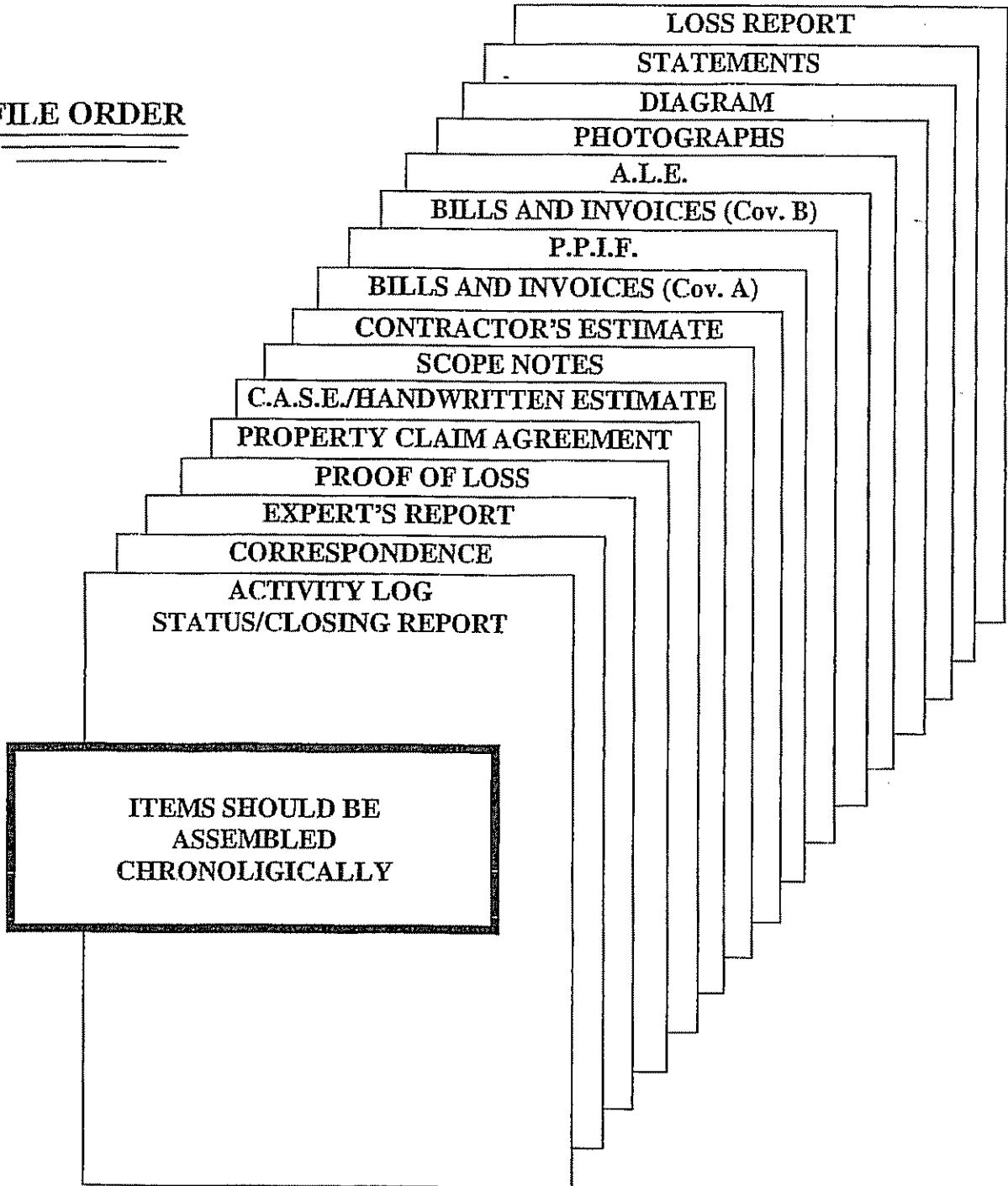
- 1) See Flood Claim Training Manual
- 2) See Flood Claim Management Reference Manual

Earthquake (Additional File Requirements)

The following standards are in addition to those specified in the Large Loss file requirements.

- The file should reflect that the crawl space areas have been inspected for damage to the interior of the foundation, piers, joist, etc. Determine if the mudsill has split, moved, or showed other signs of distortion.
- The file should reflect that during the walk-through, we inspected for distortion in walls and floors, major cracks in stucco, brick, or siding. Look for a relation between the exterior and interior damages.
- The file should reflect we inquired of the insureds if any geotechnical or structural engineering reports were done prior to the earthquake.
- If you determine a risk is scheduled for demolition or is in imminent threat of additional major damage, it may be advisable to videotape the complete exterior and any part of the interior of the building that can be safely viewed prior to demolition. Review these situations with your management.
- It is important to use 35mm photographs whenever possible.
- The file should reflect that, when warranted, we explained to the insured that it may be necessary to conduct some destructive testing before a complete scope of damage can be completed. This testing may consist of removing some drywall, paneling, or other type of wall coverings to view the framing. The testing may become extensive and require the use of experts.

FILE ORDER



Fire Claims

Catastrophe Estimatics Information

Points to consider:

A. Xactimate 99

1. Remember, when you use (1) for a missing wall, it may count for two sides. Missing walls should not be included within the estimates. Additionally, openings equal to or greater than 24 sq. ft. should be deducted with any deviations explained within the claim file.
2. The use of incorrect variables can result in over/underscoping.
3. Diagram measurements should match input measurements in the system.

B. Price List Issues

1. Catastrophe pricing issues should be referred to Catastrophe Management via the Price Check Request Form.
2. You should use the correct and most updated price list for the territory or territories in which you're handling claims.
3. You should become familiar with the Price List Definitions. The Price List Definitions outline the general scope of repair, as well as the type/grade of material within the specified unit cost.
4. If there is a price override in the estimate, it should be explained and adequately documented in the file.
5. The removal and replacement of a door unit includes the jamb and casing in most door replacements. Therefore, there will usually not be a need to figure these items separately.

Exceptions: Bi-fold door sets do not include the jamb, casing, or painting. The hardware associated with this unit cost is of a low-grade plastic material. If higher-grade hardware is involved as part of the loss, consider such hardware as a separate entry. By-pass mirror doors within the price list do not include a frame. Therefore, if involved as part of the loss, the frame must be written as a separate entry.

CATASTROPHE INDUCTION

6. The price list includes a roofing price for the removal and replacement of shingles, which includes the removal and replacement of 15 lb. felt. When using this charge, do not write the replacement of felt as a separate line item entry.

Also, the price list includes a roofing price for the replacement of shingles only. This should be considered for possible overlay situations or in cases where felt is not present at the time of the loss.

7. The painting unit prices include minor sanding, puttying, and preparation time. Removing/resetting of light fixtures, electrical plates, and heat vents included as separate line item entries would generally result in overscoping.

8. The unit prices for wood and chain-link fencing include the removal and replacement of one post set as part of the unit price.

The unit prices for the removal and replacement of fence gates include one post set in the charge.

9. The unit price for cartage and debris removal per ton usually includes necessary landfill fees for the area.

10. The dumpster load prices usually include landfill fees for the area.

11. Most of the prices for the removal and replacement of wood flooring include filling, sanding, and finishing. Therefore, there should not be a need to add a separate line item entry to finish the floor.

12. The unit prices for the removal and replacement of ceramic tile include the grout.

13. The removal price, within the unit cost, includes labor charges to place the item(s) removed into a dumpster a reasonable distance away. A dumpster in a driveway of a one or two-story residence would be considered reasonable and there would not typically be a need for additional charges to place debris in such dumpsters.

Note: The removal price does not include the cost of the dumpster itself.

14. Do not arbitrarily include floor prep as an additional line item entry when replacing vinyl sheet goods. A reasonable amount of floor prep is included in the unit price for the replacement of vinyl. If an above average amount of floor prep is required, we could add an entry to our estimate. Handle on a case-by-case basis.

15. PNT AC (painting acoustic ceiling (popcorn) texture) in the price guide includes sealer, latex paint, and labor. Additionally, normal masking and prep are included in the operations for this line item entry. Additional masking and preparation would only be necessary in special situations.

16. General Contractor Overhead and Profit: Refer to Estimating Best Practices within this section.

Subcontractor's overhead and profit is included within the unit cost.

C. Other

1. Routinely estimating insulation in all walls is a common error. Normally, wall insulation is only in the exterior walls.
2. Give attention to your efforts to estimate the correct grade of material. An example would be to estimate standard grade carpet when the home has high-grade or the opposite.
3. Watch the omission of hidden items. Examples: estimating to remove and replace the floor joist but omitting sub-flooring and/or the floor covering; estimating to remove and replace walls or flooring, but omitting the trim or base.
4. Sales tax should only be applied to material costs in most areas of the country.
5. All scope notes should stay in the file.
6. Estimating to include scaffolding for use on a one-story building is not necessary in most instances. If you feel it is necessary, explain in the Activity Log the reason any scaffolding was required to effect repairs.
7. Condensation problems can occur within double-glazed windows. This typically happens over a long time and is therefore not sudden and accidental. If a covered loss has occurred to double-glazed windows, consider subrogation and the fact these windows are usually warranted.
8. Consider 35mm photos on larger, more complex losses and on losses involving possible coverage issues. The key question to remember is whether or not the claim decision can be supported with the photographs within the claim file.
9. Remember to consider salvage, including selling items back to the policyholder. If salvage is involved, complete the Salvage Disposition Form.
10. Remember to consider appropriate subrogation opportunities.
11. Explain and reconcile estimate discrepancies with all parties involved.
12. Attach a calculator tape to contractors' estimates and to our handwritten estimates.
13. Review cleaning bills with the policyholder to verify charges and activities performed.
14. Review cleaning service and water extraction bills for items included within our estimate or other estimates.

Coverage B-HUBS

Reporting

Flooring Guidelines

Depreciation Guidelines

Coverage A-HUBS

Estimatic Best Practices

The following is a compilation of various estimatic best practices. The areas addressed provide general guidelines only and are not intended to definitely address every situation, nor do they replace the Operation Guides.

The Operation Guides and/or state or local law supersede the areas addressed. The specific policy should be reviewed for terms or conditions that may alter these general guidelines.

Due to possible future changes in the Operation Guides, policy language, or state/local laws, these items may change. Claim personnel should contact Catastrophe Management with any questions.

TOPICS

- Acoustic Ceiling Tiles
- Cabinets
- Cleaning
- Content Manipulation
- Debris Removal vs. General Demolition
- Demolition Overlap
- Depreciation
- Drywall
- Floor Coverings
- General Contractor Overhead and Profit
- Insulation
- Insured Labor
- Matching
- Minimum Charges
- Openings
- Painting
- Roofing
- Wallpaper
- Reconstruction Overlap
- Estimate Reconciliation

Acoustic Ceiling Tiles

If the damaged ceiling tiles were previously painted, it may be acceptable to replace only the damaged tiles and paint the ceiling again.

If they are not already painted, it may not be acceptable to paint the ceiling tiles. Judgment should be used. Be mindful of cases involving severe mismatch. Consider the age, condition, and availability of the existing tiles.

Cabinets

In nearly all cases, it is possible for the bottom, the ends, and/or the kick plates of cabinets to be repaired without replacing the entire cabinet. Close examination of the construction type, fastening systems used, and other considerations are necessary.

Stain and paint can be easily matched on cabinet surfaces.

For example, if there is an obsolete upper tier cabinet and no repairs can be effected, we may consider replacement of the upper cabinets even if one unit sustained damage. The lower cabinets (if unaffected) would not be considered as part of the loss. This situation would be handled on a case-by-case basis and require management input/approval.

Cleaning

If the damage consists of only very light smoke or soot, an itemized scope specifying each individual item in a room may be overscoping. A general overall cleaning on a per room basis or by the hour by either the contractor, restoration company, maid service, or insured may be more appropriate.

Content Manipulation

Routine use of the content manipulation charge would most likely result in overscoping. This charge should usually only be necessary when the items in the room must be removed in order to effect repairs. If items within the room are simply shuffled to the center of a room and draped, it is usually not necessary and/or is already included in the unit price. Unless there are unusually large, heavy, or "specialty" items, we would not include content manipulation. Do not hesitate to inquire as to whether or not actual content manipulation is necessary from repair firms in the impacted area.

Note: We should usually allow to reset appliances such as washers, dryers, ranges, etc.

Debris Removal vs. General Demolition

Debris removal should be included within our initial ACV payment when it is reasonably likely to be necessary as part of the loss. The price guide includes charges for individual pickup truck loads as well as charges based on specific dumpster sizes. Use good judgment with estimating the amount of necessary debris removal based on the amount, weight, and size (volume) of debris.

General demolition would most likely be applicable on larger losses such as tornadoes, fire losses, earthquake, flood, etc. If general demolition is necessary, consider this as a bid item in most cases.

Demolition Overlap

Remember to pay particular attention to the use of the "removal" function on all estimates. Demolition overlap can occur here, as the item many times has already been removed by the "loss" or by the repair firm performing another aspect of repair within our estimate. In these cases, we would only write to replace and add any necessary demolition charges or debris removal.

Following are a few examples of demolition overlap:

1. Total loss to the building from a tornado and the estimate line item entry reflects to remove and replace vs. replace with a separate line item entry for debris removal and/or general demolition.
2. Removing and replacing wallpaper while needing to remove and replace drywall on the same surface area(s). The function of "removing" the wallpaper is accomplished by the removal of the drywall.
3. Many times, losses involve damage to doors and door locks. If we're estimating to remove and replace the door, it is reasonable to ask that we write only to replace the locks, not remove and replace the locks. The locks have been removed by removing the door.

Depreciation

Refer to the Depreciation Guidelines section of this manual. Depreciation should be based on the depreciation guide with any necessary deviations adequately explained within the claim file.

If depreciation results in the ACV loss falling below the deductible, it should still be applied. If the policy has replacement cost benefits, then an appropriate PCA should be issued. Always be consistent.

Drywall

Drywall repair versus replacement - If the face paper of the drywall is compromised, the drywall will usually have to be replaced up to the point where the paper has not been compromised. Alternative repair techniques such as spackling are possible. Handle on a case-by-case basis.

Blown acoustics - If the blown acoustic is common, we will spot repair the blown acoustic and then paint the ceiling to a natural break. Good judgment should prevail as you compare the area damaged to the whole entirety of the ceiling area.

Floor Coverings

Two "finished floors" (for example, carpet over vinyl) - We will provide a smooth surface over which the carpet can be laid. This may mean replacing a section of the vinyl if only a section of the vinyl is damaged. Also, it could mean removing all of the vinyl. Handle on a case-by-case basis. When multiple layers of floor covering are involved, we will usually only owe to go back with the type of floor covering that served as the top surface.

Two "finished floors" (for example, carpet over hardwood) - We owe to sand the wood to a point where a smooth surface is provided and to replace the carpet.

Note: The key in these types of losses is good judgment in evaluating whether or not the wood flooring could have been restored to a true "finished" floor prior to the loss? Consider whether or not the "finish" had been destroyed by a prior loss, including pet stains, paint, water damage, etc. The mere installation of carpet with tack strips does not necessarily preclude the floor from ever being restored to a "finished" state. If it is reasonable that the wood flooring could have been restored to a true "finished" floor, we may owe for actual wood floor replacement (usually finished) to provide the smooth surface. In this case, our adjustment of the flooring loss would include to remove and replace damaged wood flooring (unfinished, so adjust the unit cost), replace the floor finish with appropriate depreciation, remove the pad and carpet, and replace pad and carpet subject to appropriate depreciation.

Calculating carpet and rolled sheet goods - The drop and fill method is the correct method whether or not the laptop is used. The drop and fill method should be used in all situations regardless of the number of rooms. It is not necessary to round up the total roll length to a whole number.

Removal of floor covering - The removal of floor covering sheet goods is based on actual room sizes or the specific area to be removed. The removal of floor covering should be a separate line item entry within the estimate. Remember that some floor coverings can be and are overlaid.

General Contractor Overhead and Profit

In some instances, as repairs become more complex and as more trades become involved, a policyholder may choose to engage a general contractor. A general contractor coordinates and schedules the efforts of various subcontractors and is entitled to overhead and profit above the cost of individual subcontractors.

When it is reasonably likely that a covered repair will require the services of a general contractor to coordinate and supervisor the repair, the general contractor's overhead and profit payment shall be paid with the ACV payment. The appropriate percentage charge should be added to the bottom line ACV calculation. The need for a general contractor must be evaluated using good judgment on each loss according to the complexity of the repair, the degree to which trades require coordination, and the number of trades involved. If judgment dictates that the use of a general contractor is unnecessary, the cost associated with such use shall not be paid with the ACV payment.

When the need for a general contractor is questionable, the cost associated with a general contractor's overhead and profit is payable only if the property is repaired or restored by means of a general contractor. Overhead and profit should not be paid with the ACV payment in this case.

The claim representative has the latitude to issue replacement cost benefits prior to completion of the repairs when the insured presents an acceptable signed contract to repair the damage or when the repairs are underway. The acceptability of the contract is a matter of judgment for the claim representative on a case-by-case basis.

There will be occasions when the policyholder does the work based on our claim estimate. Our claim estimates should be written or evaluated on the basis of Xactimate pricing. The deductible and appropriate depreciation should be applied to the replacement cost estimate, and an ACV payment should be made. When the insured establishes the work is completed, the supplemental payment for replacement cost benefits should then be made based on the replacement cost estimate that was used to make the ACV payment. If a decision had been made that it was reasonably likely that a general contractor would be necessary to supervise and coordinate the repairs, the remainder of the general contractor overhead and profit allowance should be paid at the time the replacement cost benefits are paid.

Insulation

We do not automatically include insulation. Use judgment in determining the amount of water to which the insulation was subjected. Additionally, do not automatically let the entry default to a minimum charge.

Insured Labor

When an insured is performing work listed within our Xactimate pricing, our payment should be based on the price guide. In other words, review the price list definitions and pricing components for the trades involved and pay our insured per the retail labor rates. The payment should not exceed what it would have cost a contractor to do the same work.

Matching

Matching is an issue that will involve management review and input. This requires careful consideration of all factors and conditions involved. Judgment is required and the situations handled on a case-by-case basis.

Major or substantial mismatches usually involve color, size, or texture. If there is a major mismatch, we may consider paying more than what is actually damaged. Again, management involvement will be required.

If a decision is made to pay for undamaged material, show the cost to replace the undamaged material on the Property Claim Agreement and make payment when incurred or contracted to be done.

Minimum Charges

Appropriate number of minimum charges - The Xactimate pricing system enables the estimate writer to toggle minimums within line item entry. It is the estimate writer's responsibility to know how to appropriately apply or adjust the minimum charges. The use of multiple minimums of the same trade throughout the estimate is inappropriate.

Minimum charge adjustment - Judgment should be used. This will allow deviation from set minimum charges with some explanation provided for your claim decision. Consideration should be given as to whether or not a trade person performing other repairs will perform this activity or whether or not a specialty contractor will be necessary to effect repairs. If a specialty contractor is most likely to be necessary, the minimum charge should be extended. If not, our estimate should reflect a complete scope of repair with the minimums toggled off for repairs not requiring a specialty trade person.

Openings

As a general guideline, we will deduct all openings equal to or greater than 24 square feet. The 24 square foot guideline applies to all wall coverings, exterior finishes, painting, wallpaper, roofing (openings such as skylights), cabinetry, fireplaces, etc. The 24 square foot guideline does not apply to estimating framing or finish-carpentry. We will deduct all missing walls, regardless of their size.

CATASTROPHE INDUCTION

While adhering to the 24 square foot guideline, there will be occasions where an additional consideration will need to be given to certain wallpaper, paneling, and other items generating a large amount of waste to effect repairs. Any deviations should be adequately documented in the claim file.

Painting

Number of coats - When replacing only a section of drywall, we usually owe to seal the new drywall and apply one finish coat of paint to a natural break. Remember that new drywall must be sealed. This can be accomplished using a primer coat and one coat of paint or using two full finish coats of paint.

Many times, the seal/primer is tinted the same color as the finish coat of paint.

When handling fire losses involving heavy smoke damage to drywall, wherein the structural integrity of the drywall has not been compromised by water, heat, or fire, a more proper scope might include to clean the surface area, seal or prime the surface area, and paint the surface area two full finish coats. This is typically most applicable to heavy soot or smoke damage, wherein there is a need to cover up the staining and smell associated with this type loss.

Sealing multiple areas - If the unit cost of the painting does not include sealer, it is proper to seal the damaged area and paint the entire area one coat.

Painting undamaged trim - In most cases, it is not necessary to paint undamaged trim in a room. (For example, baseboard at the bottom of the wall is water stained, but chair rail or crown molding higher up is not stained. All are painted with enamel paint.) In this example, the baseboard should be painted, but not necessarily the chair rail or crown mold. Likewise, painting of door trim and jambs should not be "automatic" in these cases. If the doorjamb is to be painted, it is not necessary to paint both sides, as the doorstop can be considered a natural break.

Roofing

Note: Additional roofing topics are covered later within this Estimating section, and within the ROOFING GUIDELINES section of this Induction Manual.

Metal roof vents and gutters - If these items are merely slightly dented from hail, but remain functional, their replacements should be included in the settlement IF the damage occurred during the loss or claim in question. Prior damage should not be considered on the current claim if it was included in a prior settlement. Remember to carefully review prior claim files.

Wallpaper

24 square foot guideline - Applies when calculating the replacement of wallpaper. However, you must consider pattern match and necessary waste in your overall evaluation of the loss. Good judgment should prevail and we should only allow what is necessary to effect repairs.

Prep for wallpaper - Do not arbitrarily allow an additional line item entry for prep on all losses involving wallpaper. A reasonable amount of prep is included in the unit price for the replacement of wallpaper. Sizing is necessary when applying wallpaper to new drywall.

Reconstruction Overlap

Reconstruction overlap associated with over-itemization of scope is exemplified by the following:

1. Cleaning a toilet and cleaning the toilet seat.
2. Removing/resetting outlet and switch plates to paint. This is included within the preparation time in our paint prices.
3. Removing/resetting lights to paint. In most cases, painters will drop and bag lights including chandeliers versus removing/resetting them.

Reconstruction overlap resulting from improper scoping can occur in situations exemplified by the following:

1. Estimating wall framing twice because adjoining rooms share a common wall.
2. Painting and wallpapering the same walls.
3. Painting two sides of a door in one room and then picking it up again in the adjoining room.
4. Installing insulation between rooms and within interior walls. Typically, insulation exists only on exterior walls. If it exists on interior walls, document it within the claim file.
5. Allowing multiple minimums of the same item throughout the scope of the entire risk.
6. Painting the wall and then allowing additional line item entries for painting baseboards and other trim painted the same color with the same type paint as the wall would be overscoping.

Estimate Reconciliation

Estimate reconciliation is a vital and necessary part of providing Quality Claim Service to our policyholders.

When comparing estimates, evaluate the following items:

A. Scoping:

1. Repair vs. Replace
 - Matching
 - Repairability
 - Obsolescence
 - Cost effective
2. Measurements
 - Rounding
 - Room offsets
 - Accuracy
 - Math errors
3. Unit cost vs. lump sum
 - What the item includes
 - Compare like items
 - Request breakdown
4. Upgrades
 - Materials
 - Additions
 - Code requirements
 - Design changes
 - Unrelated work
5. Overlooked items
 - Contractor
 - Claim representative
 - Request breakdown

B. Pricing:

1. Unit cost vs. lump sum
 - Pricing same operation
 - What price includes
 - Remove upgrades
2. Labor and material
 - Like kind and quality of materials
 - Hourly wage rate
3. Minimums and specialties
 - Unit cost not accurate
 - Increase production time
 - One minimum per trade per job
4. Overhead and profit
 - Not cumulative
5. Math errors
 - Unit of measure
 - Replacement cost vs. actual cash value

When reconciling differences with contractors or repair firms, remember to be professional and open minded in your discussions. Share our scope and/or estimate and ask the following:

1. How they arrived at their figures.
2. What they saw that made them feel a specific item was necessary.
3. Why they felt an item needed to be replaced versus repaired.

Explain to contractors or repair people:

1. Policy limits and/or exclusions.
2. How you arrived at your figures.
3. What you saw that made you feel a specific item was necessary.
4. Why you felt an item needed to be repaired versus replaced.

Once you've obtained the necessary information and any appropriate documentation, you will be in a position to make the proper claim decision. Good Neighbor Claim Service is exemplified by keeping the insured advised as to the status of their claim.

Coverage B-HO5

Reporting

Roofing Guidelines

Depreciation Guidelines

Coverage A-HO5

Roof Measurement

Type of Roof

Gable

Hip

Mansard

Gambrel

Shed

Steps in Process

1. Draw diagram
2. Find main body and measure
3. Find extensions and measure
4. Add waste (average %)

Waste = starter, cap, waste

Flat - 5%

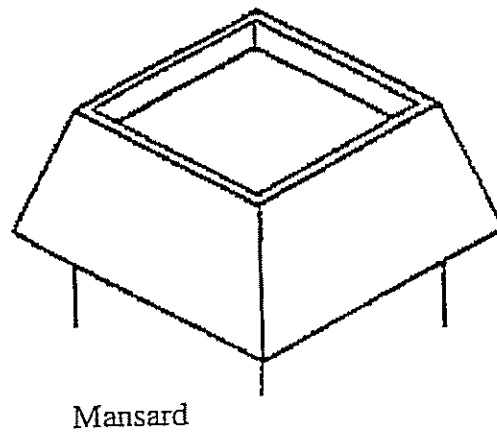
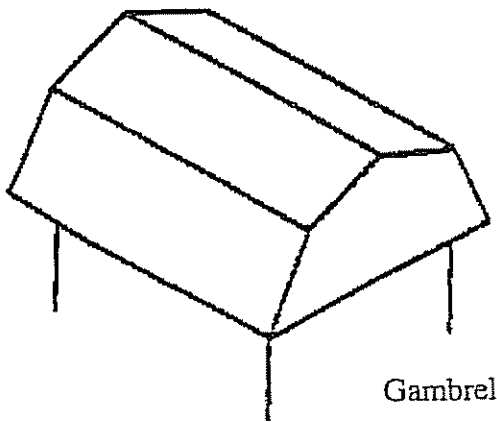
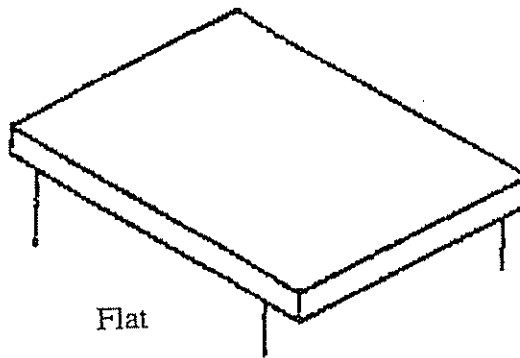
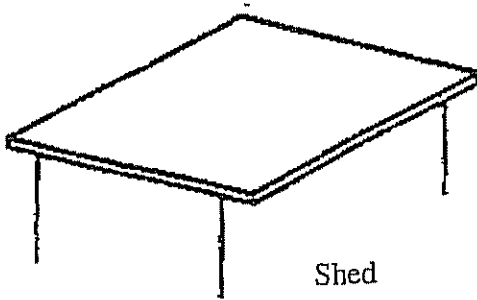
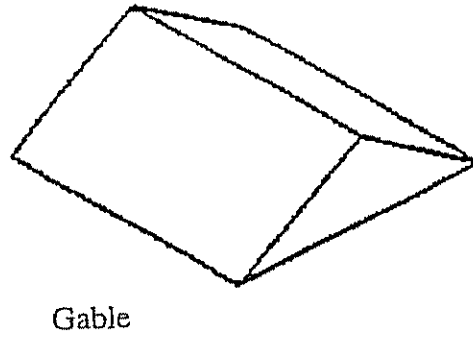
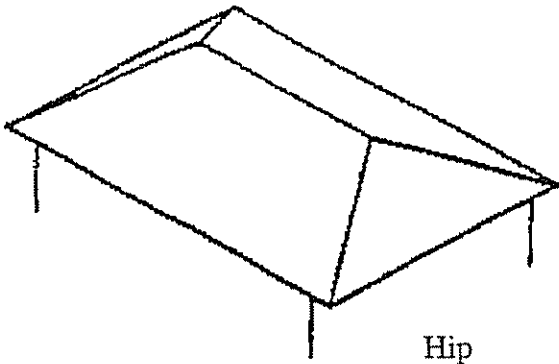
Gable - 10%

Hip - 15%

Composition shingles are typically sold 3 bundles per square, although architectural may be sold as 4 or 5 bundles per square. Therefore, replacement of composition shingles is rounded up to the next 1/3, 1/4, or 1/5 respectively.

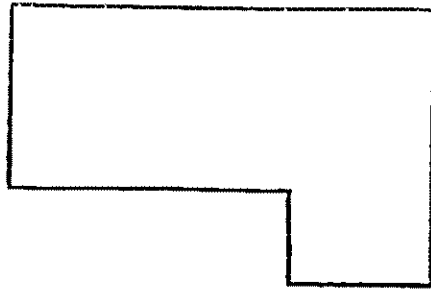


Roof Types

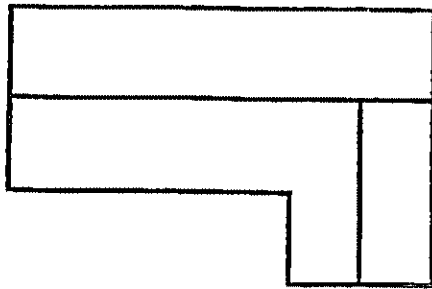


How to Diagram a Roof

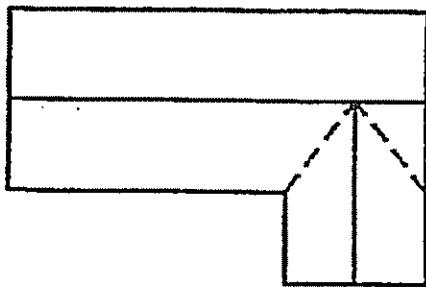
1. Draw Diagram



a) draw outline



b) draw ridge



c) draw valley with dotted lines

2. Find main body and measure

3. Find extensions and measure

4. Add waste (average %)

Gambrel - 10%

Hip - 15%

Flat - 5%

Gable - 10%

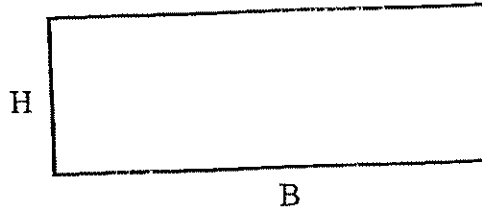
Mansard - 10%

Formulas for Estimating

Rectangles

The area of a rectangle equals the base multiplied by the height.

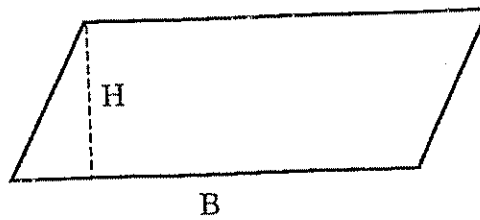
$$B \times H$$



Parallelograms

The area of a parallelogram equals the base multiplied by the height. All opposite sides of a parallelogram are parallel.

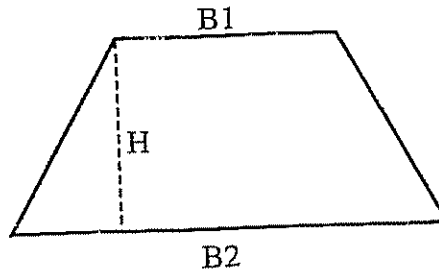
$$B \times H$$



Trapezoids

The area of a trapezoid equals one-half of the sum of the top and bottom multiplied by the height. Only the top and bottom sides are parallel.

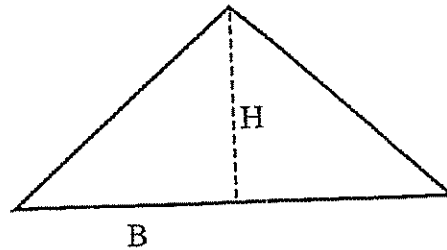
$$1/2 (B1 + B2) \times H$$



Triangles

The area of a triangle equals one-half of the base times the height. The height is the perpendicular distance from the base to the highest point.

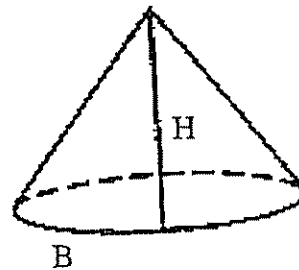
$$1/2 B \times H$$



Cones

To find the surface of a Cone, steeple, tower, multiply the circumference of the base by the height and divide by two.

$$\frac{B \times H}{2}$$



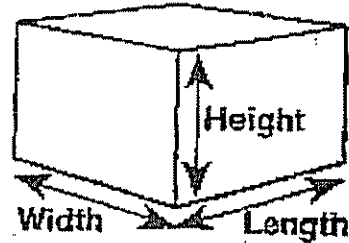
Other Formulas

Volume

(Unit of Measure is Cubic)

Cube

$$V = \text{Length} \times \text{Width} \times \text{Height}$$

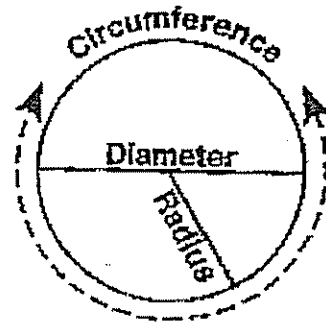


Circle

$$\text{Area} = \pi R^2$$

$$\text{Circumference} = \pi \text{ Diameter}$$

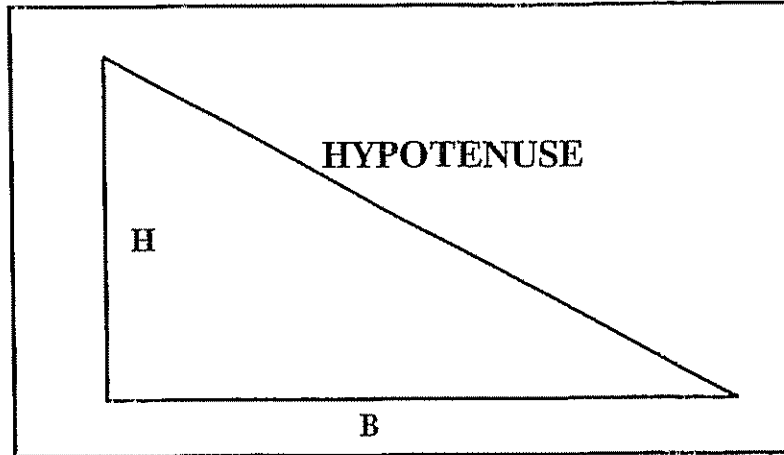
$$\text{Diameter} = \frac{\text{Circumference}}{\pi}$$



π = mathematical equivalent of 3.1416

Hypotenuse

There may be occasions when you will need to know the length of the side of a triangle opposite the right angle. This side is called the hypotenuse.



The formula for determining the hypotenuse is:

$$\sqrt{B^2 + H^2} = \text{HYP}$$

The process of extracting a square root is symbolized by $\sqrt{\quad}$. A square root is a number which, when multiplied by itself, equals the answer.

Examples

$$2 \times 2 = 4 \quad 2 \sqrt{4} \quad 2 \text{ is the square root of } 4$$

$$3 \times 3 = 9 \quad 3 \sqrt{9} \quad 3 \text{ is the square root of } 9$$

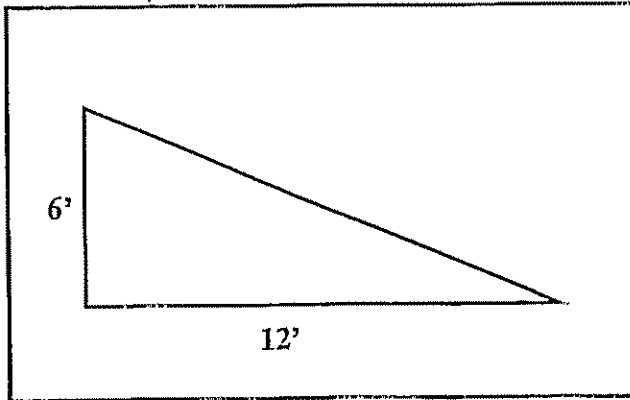
$$9 \times 9 = 81 \quad 9 \sqrt{81} \quad 9 \text{ is the square root of } 81$$

$$10 \times 10 = 100 \quad 10 \sqrt{100} \quad 10 \text{ is the square root of } 100$$

CATASTROPHE INDUCTION

Example

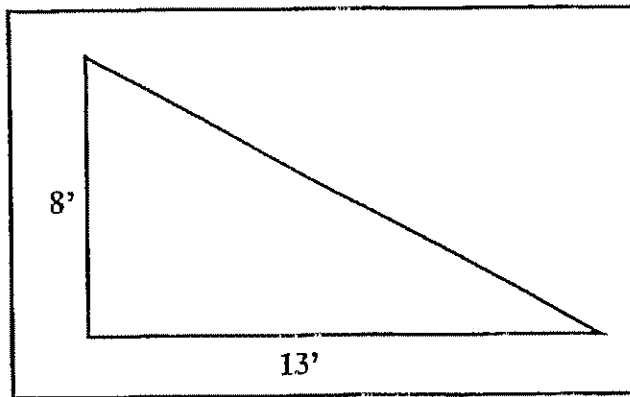
Find the hypotenuse of these triangles.



$$\begin{aligned}(6 \times 6) &= 36 \text{ ft.} \\ (12 \times 12) &= 144 \text{ ft.} \\ 36 + 144 &= 180 \text{ ft.}\end{aligned}$$

$$\sqrt{180} = 13.42 \text{ ft.}$$

The length of the hypotenuse is 13.42 ft.



ANSWER

The length of the hypotenuse is
15.26 ft.

$$\begin{aligned}(8 \times 8) &= 64 \text{ ft.} \\ (13 \times 13) &= 169 \text{ ft.} \\ 64 + 169 &= 233 \text{ ft.}\end{aligned}$$

$$\sqrt{233} = 15.26 \text{ ft.}$$

Mathematic Equivalents

INCH/FOOT

<u>INCH</u>		<u>DECIMAL</u>
1	=	.08
2	=	.17
3	=	.25
4	=	.33
5	=	.42
6	=	.50
7	=	.58
8	=	.67
9	=	.75
10	=	.83
11	=	.92
12	=	1.00

Linear Measure

12 Inches = 1 Foot

3 Feet = 1 Yard

Surface Measure

144 Square Inches = 1 Square Foot

9 Square Foot = 1 Square Yard

100 Square Feet = 1 Square

Volume Measure

1728 Cubic Inch = 1 Cubic Foot

27 Cubic Feet = 1 Cubic Yard

Unit Measurement

The majority of items estimated in fire claims are done on unit cost basis. Unit cost includes both labor and material. For each damaged item to be repaired or replaced, you simply determine unit measurement x unit cost for total cost of repairs.

Unit Measure to Use

Roofs

Shingles _____	SQ of Roofing
Felt _____	SQ of Roofing
Valleys _____	Linear or Running Foot
Ridge Vents/Caps _____	Linear or Running Foot
Roof Decking _____	SQ FT

Ceilings

Sheetrock _____	SQ FT
Texture Ceiling _____	SQ FT
Painting _____	SQ FT
Insulation _____	SQ FT

Walls

Sheetrock _____	SQ FT
Painting _____	SQ FT
Paneling _____	SQ FT
Wallpaper _____	Per Roll/SQ FT (check unit price)

Floors

Carpet Replacement _____	SQ YD
Padding _____	SQ YD
Carpet Cleaning _____	SQ FT
Vinyl Flooring _____	SQ YD
Underlayment _____	SQ FT
Subflooring _____	SQ FT

Trim

Baseboard _____	Linear Footage
Shoe _____	Linear Footage
Chair Rail _____	Linear Footage
Crown Molding _____	Linear Footage
Doors _____	Per Unit
Windows _____	Per Unit

Coverage B-H05

Reporting

Roofing Guidelines

Depreciation Guidelines

Coverage A-H05

Notes and Illustrations

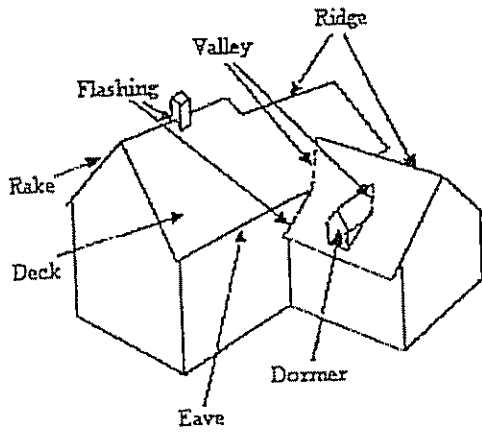


Figure 28. Roof Parts

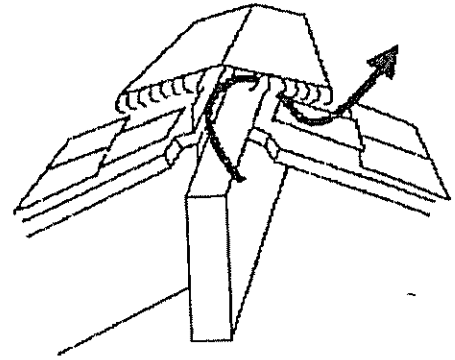


Figure 29. Ridge Vent

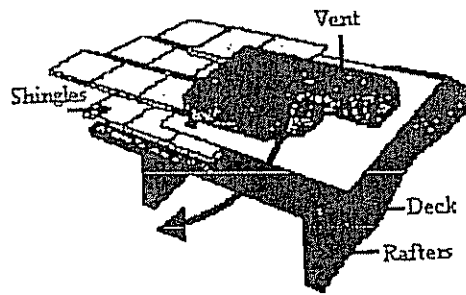


Figure 30. Roof Vent

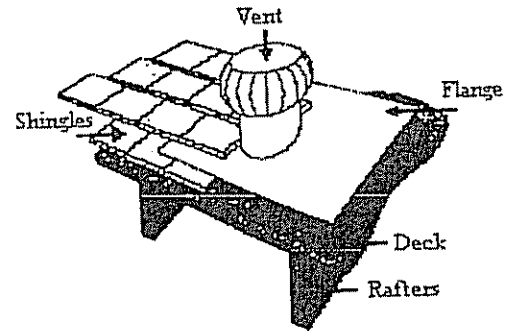
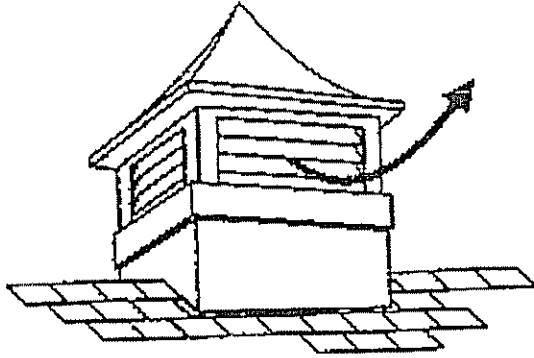


Figure 31. Turbine Vent

Notes and Illustrations



Cupola Vent

Coverage B-HO5

Reporting

Roofing Guidelines

Depreciation Guidelines

Coverage A-HO5

Additional Roofing Costs

In addition to the cost of shingles, you may have to pay extra for the following:

1. Steep roof (7/12 or greater) - You will need to determine the pitch of the roof. Toe boards may be needed to secure footing while one is working on the roof.
2. Two story roof - Charges will be paid only when shingles cannot be raised to the second story with a boom.
3. Tear off and clean up.
4. Felt paper - Usually it is included in the unit price of the shingles.
5. Valleys.

Your price list should reflect prices for the above cost items.

Roofing Material (RFG)

Roofing materials protect the building from the sun, rain, snow, wind, and dust. These materials also add to the attractiveness of the building by adding color, texture, and pattern.

Common roofing materials are:

- Composition roofing
- Wood roofing
- Built-up roofing

Composition Roofing

Composition roofing can be divided into three broad classes:

- Saturated felts
- Roll roofing
- Shingles

Saturated Felt

Felt paper is saturated with tar or asphalt to make it waterproof. Felt comes in different weights. 15 pound felt is commonly used as an underlayment to roll roofing and asphalt shingles. Heavier felts are used for special applications (discussed later).

Roll Roofing

Roll roofing is a fiber and asphalt saturated roofing material that comes in rolls. Rolls are normally 36" wide. The length of the roll varies depending on the weight of the roll roofing material. The weight of a square of roll roofing ranges from 45 to 90 pounds.

There are several different types of roll roofing. Some are *smooth* and are commonly used for built-up roofing. Others are *mineral surfaced* (have granules embedded in the surface) and can serve as a finish roof without being covered by some other material.

Shingles

Composition shingles are made of fiberglass or asphalt-saturated roofing material embedded with mineral granules. Their makeup is very similar to that of roll roofing. However, shingles come in various shapes and weights.

Typically, for any given design, different weights are available and heavier weights are more expensive and have longer manufacturer's warranties. Pricing is normally broken down by weight. The weight is the weight per square (100 SF) of shingles.

The most common shingle design is a *three-tab square butt shingle*. Next to three-tab shingles, *architectural (layered)* shingles are most common. Architectural shingles are designed to give the "layered" look of a wood roof.

Three-tab shingles normally range in weight from 200 lb. to 240 lb. and are packaged three bundles per square. These are often referred to as light to medium weight shingles.

Architectural shingles normally range in weight from 240 lb. to 360 lb., come three or four bundles per square, and are often referred to as medium to heavy weight shingles.

In both of these designs, the lighter weights are normally *fiberglass* shingles and the heavier weights are *asphalt* shingles.

In addition to rating shingles by the weight per square, shingles are also rated by the length of the warranty on them. The warranty normally lengthens as the weight of the shingles increases.

See Figure "Composition Shingle Designs."

Composition roofing is usually installed on closed (solid) decking covered with 15 lb. felt.

See Figure "Composition Shingle Installation."

Wood Roofing

Wood roofing can be divided into two categories:

- Wood shingles
- Wood shakes

Wood shingles are manufactured in random widths and are normally 16, 18, or 24 inches in length. The butt ends vary in thickness from 1/2" to 3/4", but are uniform for each length of shingle. Both surfaces are taper sawed so that the shingles lay flat.

Wood shakes come hand-split (or hand-split and resawn), taper split, or straight split. All surfaces that are "split" are rough surfaces. The hand-split and resawn shakes have a sawn or smooth back surface and a rough face. Since they have a smooth back, they lay flatter than the other styles of shakes.

Shakes are available in random widths and standard lengths are 18 and 24 inches.

Wood shingles and shakes come packaged four bundles to a square and can be purchased by the bundle or square.

Wood roofs are installed over one of two types of decking:

- Open (also called *spaced* or *gapped*) decking
- Closed (also called *solid*) decking

Because wood shingles need to breathe (have air movement around them), the most common method of installation is to install wood shingles and shakes over *open decking*. This improves attic ventilation and slows down the deterioration of the wood roofing.

However, in some parts of the country, wood roofing is installed over *closed decking*. This is done to protect the inside of the house from leaks due to wind-blown snow. This is a common practice in some parts of Colorado where the climate is dry and there is lots of wind-driven snow. In these dry (less humid) climates, designing for air movement around the shingles and shakes is less critical.

Felt is normally installed between layers of wood roofing, but in some cases when closed decking is used for wood shingles, felt is installed over the entire roof deck before application of wood roofing.

See Figure "Wood Roofing Installation."

The wood shingle is usually thinner than the wood shake, and it is evenly sawed on both sides.

Built-Up Roofing

Built-up roofs are applied to most flat roofs, or to roofs that have very little pitch. They are commonly referred to as *tar-and-gravel roofs*.

See Figure "Built-up Roofing."

Notes and Illustrations

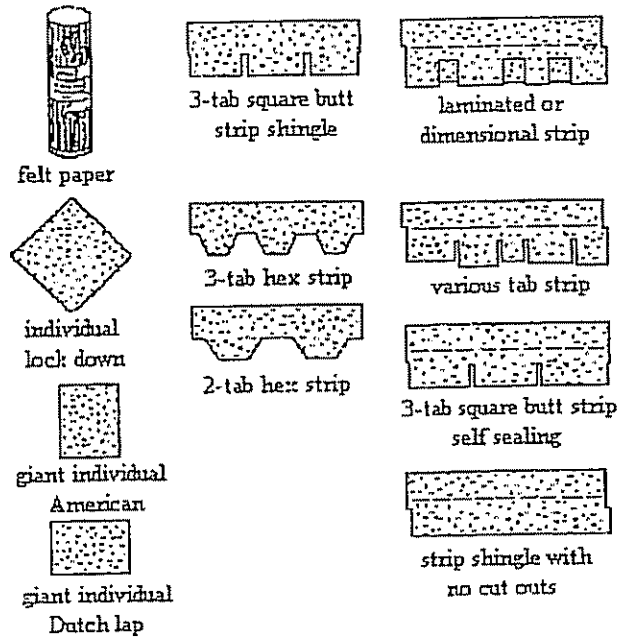


Figure 35. Composition Shingle Designs

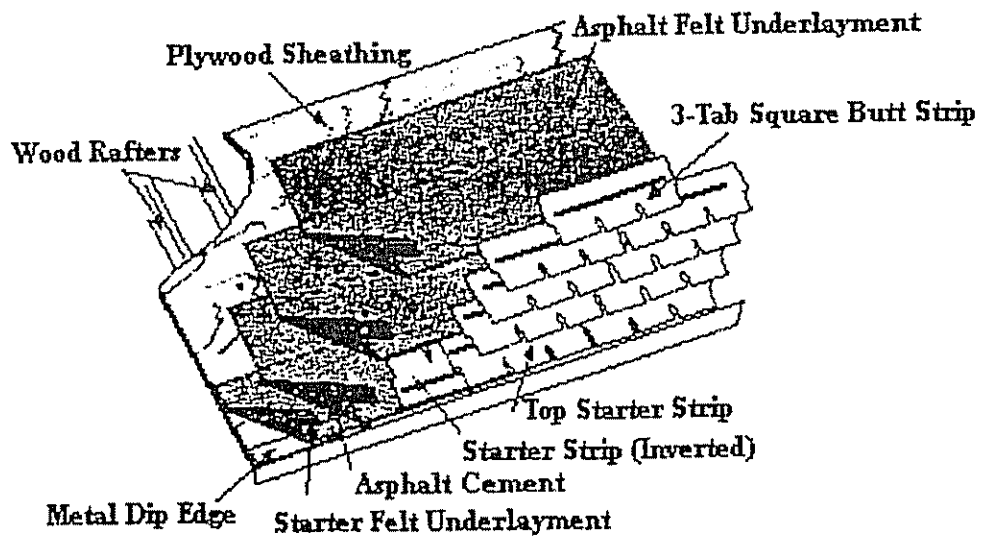


Figure 36. Composition Shingle Installation



Notes and Illustrations

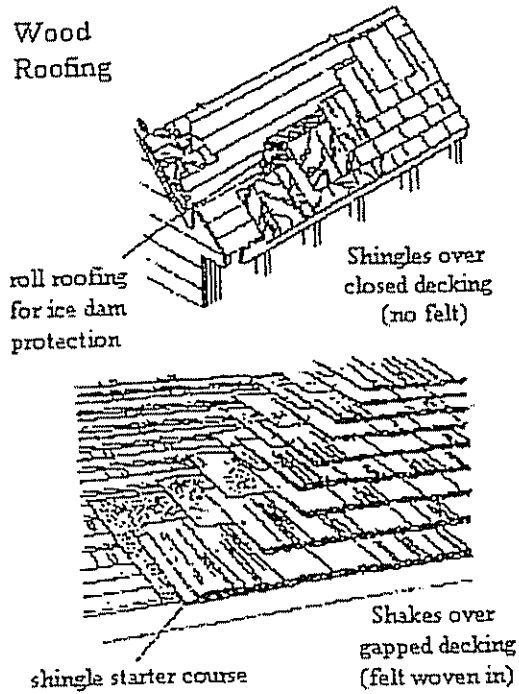


Figure 37. Wood Roofing Installation

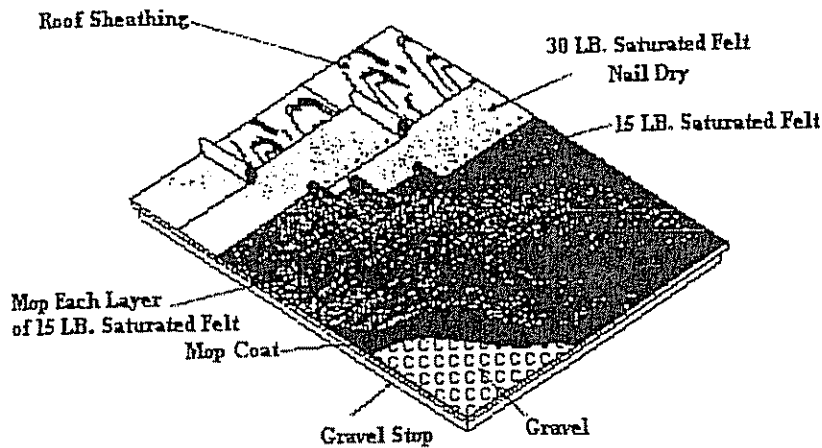


Figure 38. Built-up Roofing



Claims Requiring Notification of Regional Claims Management

The following types of claims should be reported back through Catastrophe to the attention of the local Section Manager:

1. Matching disputes.
2. Claims involving contamination or pollution.
3. Land stabilization claims.

As a reminder, claim representatives should seek the advice of their Catastrophe Team Manager anytime they encounter a loss problem with which they are unsure how to proceed.

Reporting - All Files

Most claim files will be handled and concluded with the claim file jacket and there will not be a need for extensive reports.

We anticipate most Severity Code 3 files will be concluded quickly and will not involve detailed reporting. *Severity Code 3 Files do not require management review unless they are open past 60 days.*

- 50% of Severity Code 1 files should be reviewed by mgt. within 15 days of receipt.*
- 50% of Severity Code 2 files should be reviewed by mgt. within 30 days of receipt.*
- 100% of Severity Code 1 files should be reviewed by mgt. within 45 days of receipt.*
- 100% of Severity Code 2 files should be reviewed by mgt. within 60 days of receipt.*

Open file review sessions will be conducted as necessary and the claim representative will meet individually with the Team Manager to review the pending files. At that time the next file review date should be established.

Combined Fire Reports will be required on all Severity Code 1 losses unless waived by the Team Manager.

Before the file is reassigned to another claim representative, or before the file is transitioned from the catastrophe team to the local claims office, complete a Narrative Transition Report, recapping the activity of the file. All Combined Fire Reports and subsequent status reports should be a part of the file.

CATASTROPHE INDUCTION

- Assure proper procedures are followed on subrogation and salvage.
- Ensure that issues are monitored and responded to uniformly.
- Advise the Section Manager/Coordinator of any specific issues from policyholders that seem to be of a significant concern.
- Be responsible for addressing any estimatic deficiencies or service concerns that are identified by reinspections.

Coverage B-H05

Coverage C-H05

Additional Coverage -H05

Depreciation Guidelines

Coverage A-H05

I. PURPOSE

To establish general guidelines and procedures for claim representatives and estimators to use on roof claims.

II. GENERAL INFORMATION

This operation guide provides direction for handling roof claims that involve damage from wind or hail. It is necessary to consider the individual circumstances each claim presents and make a decision based on the merits of each case as determined in the investigation. It is important to use reasonableness and good judgment in the application of these guides. Make a decision based on all information obtained, considering the appropriate policy language, operation guides, company policies and procedures, and any applicable laws.

III. BASIC PROCEDURES

- A. Review assigned losses and identify priority claims. Inspect the most severe losses first. Organize the balance of your claims to maximize efficiency in routing and scheduling inspections.
- B. Personally inspect each risk and take enough photographs to clearly show the damage or lack of damage. Photographs should include overviews of entire slopes and close-ups to document and depict the condition of the roof. The photographs must show the basis of the adjustment and support the decision made.
- C. Inspect all property and note all damage during the inspection. Ask the policyholder what damage he or she may have noted. Walk completely around the risk, noting damage to any and all portions of the building, as well as any outbuildings, fences, other structures, etc. Thoroughly evaluate damage to all covered property during the inspection. Discuss and reach agreement on the scope of damage with the insured.
- D. If possible, complete the estimate on-site and settle the claim with the policyholder in person. Thoroughly explain the settlement and all procedures. If the estimate cannot be completed on site, call the policyholder to discuss the damage found during your inspection, your estimate, and any applicable replacement cost benefits available. Document all such activities in the activity log.
- E. Prepare any estimates in duplicate, even if the policyholder has already secured a contractor's estimate. Give one copy of the estimate to the insured, place a copy in the claim file, and send the third copy to the policyholder's State Farm agent.

- F. Roofing is a depreciable building item. As such, roof claims may often involve replacement cost benefits due to the betterment involved in the replacement of some or all of the roof. Handle replacement cost benefits according to the guidelines set forth in OG 75-50, "Betterment and Actual Cash Value," and OG 75-51, "Replacement Cost - Building."
- G. A roof or slope still retains some value if it is watertight, regardless of its age. Generally, 80% depreciation is the maximum amount taken on any slope damaged by a covered peril, provided the roof was serving its intended purpose prior to the loss. Obtain life expectancy figures for roofing in the area from local claim management.
- H. Do not ride with a contractor or have a contractor ride with you. If it is necessary to meet with a contractor, arrange to meet at the insured risk.
- I. Reflect clearly the basis for repair or replacement of the damaged areas in the file. The file should reflect the number of roof layers, the age and condition of the roof, life expectancy used, and the amount and location of damage found. On hail claims, show on the diagram the amount and location of the damage found by indicating the location of the test squares and how many shingles in each test square. On wind damage claims, indicate in the file and diagram where the damage was found and the extent of the damage noted.
- J. When you encounter a situation of which you are unsure of how to proceed, seek the assistance of your claim management.

IV. CAT AND NON-CAT INSPECTION AND ADJUSTMENT GUIDELINES

- A. Inspect roofs when they are dry. Wet roofs can be slick and dangerous to walk on. Damage may not be apparent on a wet roof, particularly damage caused by hail.
- B. Initially, inspect the overall roof to establish its general condition. Consider the type of storm, direction of the wind/hail, and the size/shape of the hailstones in that area. Determine the number of roofing layers as well as the approximate age and condition of the existing roofing material. Inspecting other items such as gutters, vents, skylights, decks, outbuildings, air conditioning condensing units, and fences will assist in establishing if the roof is likely to have sustained damage.
- C. On hail claims, mark with chalk a 100 square foot sample area (or test square) that is representative of the damage found on that slope. Mark and count the number of damaged shingles within the test square. Damage is determined by the number of damaged shingles, not individual tabs.

Coverage B-RUO

Coverage C-RUO

HOS

Test squares are not necessary for claims involving wind damage only, since wind damage is generally apparent and not always evenly distributed over the roof.

Hail damage on a roof can vary from slope to slope, depending on the pitch and condition of each slope and the direction of the hail. Complete test squares on an appropriate number of slopes to evaluate the damage to the entire roof. In cases where the slopes have similar damage, complete a test square for each direction. In cases where the damage varies or directional test squares are not indicative of the overall roof, complete additional test squares where needed. Completing a test square will vary; however, accurate and complete damage assessment is important.

In some situations it may be appropriate to replace an undamaged slope based on the total area of roof being replaced or other factors used to evaluate the claim. Use good judgment in these situations and document in the file the reason for the action taken on that claim.

Test squares are not needed in situations where the inspection indicates no hail damage exists or a total loss from heavy hail damage. In these situations, the damage, or lack thereof, is apparent from the initial inspection, and well documented by photographs and claim activity log notes.

- D. When determining whether a roof or slope should be repaired or replaced, compare the cost to repair actual damage caused by a covered peril to the cost to replace the damaged area. For composition roofs, the cost to repair is compared to the cost to overlay a one-story, walk-on pitch roof. For wood roofs, the cost to repair is compared to the cost to remove and replace the wood shingles/shakes of a one-story, walk-on pitch roof.

When the cost to repair actual damage to a composition roof or slope approaches or exceeds 50% of the cost to overlay the damaged area, determine whether the slope should be replaced (or overlaid, if that is appropriate) or repaired. The same applies on a wood roof, when the cost to repair the wood roof approaches or exceeds 80% of the cost to replace the slope.

In deciding to repair or replace, consider such factors as the age and condition of the existing roofing, the type of roofing, the extent of damage, and the feasibility of repairs. Handle each claim on a case-by-case basis, using good judgment and documenting the basis of the decision in the claim file.

For example, the cost to overlay a square of composition shingles is \$70 per square. The cost to replace a single shingle is \$5 per shingle. $\$70 \times 50\% = \35 . $\$35$ divided by $\$5/\text{shingle} = 7$ shingles. If the damage found in the test square approaches or exceeds 7 damaged shingles, consider all roofing guidelines to determine whether repair or replacement (including overlays) is appropriate. In this example, seven damaged shingles are equivalent to approximately 10% of the

total area of the square.

The examples above illustrate the approach to use in adjusting hail losses where the damage is found randomly across the slope(s). This is not usually the case with wind damage, which is often confined to a certain area of the slope(s). In such cases, the use of test squares and the above calculations are not appropriate. Instead, consider the extent and location of the damage, along with all roofing guidelines, in determining whether repair or replacement of the slope is warranted.

In all cases, consider factors such as the age and condition of the existing roofing, type of roofing, and feasibility of repairs when determining whether to repair a slope. Use reason and good judgment in determining the appropriate course in the adjustment of roof claims. Document the basis of the decision in the claim file with good photographs, diagrams, and activity logs.

- E. Badly deteriorated wood roofs can present problems when repairing since replacing the damaged shingles/shakes may involve replacing some adjacent shingles/shakes. Because of the poor condition of the existing roofing, the roofer may damage two or three shingles/shakes for every one to be replaced.

To determine if such roofing is repairable, the following steps are recommended:

1. Measure and diagram the slope.
2. Select a test square for the slope, and mark and count the damaged shingles/shakes.
3. Apply the following damage repair factors based on the general roof condition.

0% to 50% worn = factor of 1.0

50% to 75% worn = factor of 1.5

75% + worn = factor of 2.0

A slope that is 75% worn with 20 destroyed wood shingles/shakes found in the test square is figured as follows: 20 shingles/shakes multiplied by 2.0 = 40 shingles/shakes. Multiply 40 shingles/shakes by the cost to replace a single wood shingle/shake. If it approaches or exceeds 80% of the cost to remove and replace a square of wood shingles/shakes, consider all factors and determine whether repair or replacement is appropriate. Use reason and good judgment in such cases.

- F. When a slope or roof has previous damage that is not covered, as well as new damage that is covered, adjustment is made on the basis of the new damage. Questionable losses may require management involvement.

G. Wood shingles/shakes that show only surface marks or scratches are not considered damaged. This does not affect the wood shingles/shakes intended purpose and disappears with weathering. A wood shingle/shake is damaged only when the hailstone causes it to split and compromises its watertight integrity.

H. Footfall: Damage caused by footfall during a claim representative's inspection is included in our adjustment. Add the number of shingles/shakes damaged by footfall to the number of shingles/shakes damaged by an insured peril and subject to the policy deductible. Where there is no damage except for the footfall damage by the claim representative, the insured is reimbursed without taking a deductible.

Limit the number of inspections by sources other than yourself to reduce the amount of footfall damage. There is no specific exclusion for footfall damage, and this is covered absent deliberate damage done by or at the direction of the insured.

If there is a dispute over the amount of damage, meet with the insured and roofer at the risk and reinspect. Advise the insured that the more people that walk on the roof, the more damage that will occur, and advise of their responsibility to mitigate further damage.

If the roofing is deteriorated, but no damage due to a covered peril is noted, determine if the roof can be walked on without causing substantial damage. In rare situations, the most appropriate course of action is to examine and photograph the roof from several points around the perimeter without actually walking on the roof.

In cases where substantial repair or replacement is necessary due solely to footfall, consult with claim management.

I. In some roof claims, the investigation may reveal a rotted or deteriorated underlying surface that prevents the installation or repair of the existing roofing. To consider any payment, determine if the underlying surface can sustain or hold the roofing materials required to make the covered repairs.

In these situations, we will pay the lesser of the following:

1. The cost involved in spot repairing the underlying surface in the area of the covered damage to the roofing surface, or
2. The reasonable and necessary expense to remove and replace the underlying surface in the area of the covered damage with decking materials that meet local ordinances.

Make an inspection of the decking or underlying surface before payment is extended to repair or replace it. The repairs or replacement outlined above will only apply to the area where the roofing was damaged by a covered peril. We only owe to make the repairs to the roofing damaged by a covered peril. If a roof sustained covered damage to one slope and there is deterioration to the decking throughout the roof system, make payment only for the covered damage to the roofing material and the replacement of the decking directly under this area.

This position does not negate any applicable Losses Not Insured found in the policy pertaining to mold, deterioration, or wet or dry rot. This is a repairability issue relating to placing the policyholder in the same position as they were before the loss. Rotted decking, by itself, is not a covered item.

- J. When substituting roofing types; i.e., replacing a wood roof with a composition roof, consider the type of decking when allowing the substitution. Most wood roofs are installed over spaced decking, which will not accommodate composition shingles. Determine whether to install sheet decking in such cases based on the costs involved. If it costs more to install sheet decking with composition shingles than it would cost to simply replace the existing wood roof, then we will pay to replace with wood shingles/shakes subject to the replacement cost provisions of the loss settlement conditions of the policy. If the alternate cost of composition shingles and sheet decking are less than or equal to the replacement of the wood roof, we would agree to the alternate method. In all cases, the insured must agree to the alternate method.

If substituting a composition roof for an existing wood roof, prepare an estimate for the damage to the existing wood roof and issue an ACV payment. Issue replacement cost benefits for the substitute materials up to the cost of repairing/replacing the existing roof. Release the replacement cost benefits when the final cost is confirmed by an acceptable signed contract or a final bill. Pay the ACV of the damage to the existing roof.

If a substitution is required because of building ordinances or laws, follow the procedure outlined in the above paragraphs. If the policy has a Building Ordinance or Law Endorsement, coverage is provided for the improvements made necessary by the ordinance and/or law. Payment required as a result of the Building Ordinance and Law coverage is subject to the terms, conditions, and limits of the policy/endorsement contract.



Coverage B-H05

Coverage C-H05

Additional Coverage
-H05

Depreciation Guidelines

Coverage A-H05

- K. Bruising: On composition roofing, a bruise appears as a circular scar usually the size of the hailstones, or larger. It appears as a shaded or slightly darkened area on the shingle with some granular loss frequently present. A bruise is created when a hailstone strikes the surface of a shingle, crushing the paper or fiberglass mat, leaving a dent or "bruise." A bruise, although difficult to detect at times, does not appear as severe damage but affects the longevity of the shingle. As a result, bruises causes premature deterioration and weathering, eventually resulting in a hole in the shingle. One bruise on a shingle surface is sufficient to consider that shingle damaged. In many cases, careful inspection is required to detect such "bruises."

Bruises or minor nicks to wood fences are not usually considered damage unless the fence was painted. If painted, the loss is adjusted on the basis of the damage to the paint only, since the bruises or nicks do not affect the integrity or intended purpose of the fence and will generally fade with weathering.

- L. Cracked, Checked, Split, Chipped, or Broken Shingles: Normal weathering of composition shingles is often evidenced by cracked, split, or checked surfaces between three and five inches from the shingle's bottom edge. This area of the shingle is vulnerable to horizontal cracking and checking as a result of moisture runoff from the overlapping shingle above. Usually, the seal tab of this shingle is intact. Damage in this area of the shingle lacking the discernible, circular or semi-circular impact mark or bruise is unlikely to have been damaged resulting from hail. Wind seldom causes such damage if there is no other evidence of wind damage. Similarly, the three exposed edges of the shingle are often "scuffed" or damaged during the shingle's original application or due to deterioration. This damage, when lacking the presence of a discernible circular or semi-circular impact mark, is typically the result of deterioration and not caused by hail damage.

- M. Granular Loss: Granular loss occurs naturally and is inherent to composition roofing products as a result of weathering. The general rule is we will not pay for granular loss, since it does not affect the watertight integrity of the roof.

Hail can cause actual damage to composition roofing in conjunction with heavy granular loss. Where there is excessive granular loss accompanying actual roof damage caused by hail, and it affects the integrity and utility of the roof, consider payment for granular loss. Review these types of losses with claim management.



- N. Heat Blisters: Heat blisters are small bubbles or crater-like holes that are generally less than 1/2" in diameter. Heat blisters result from a manufacturing defect during the production of the shingle and are not damage caused by hail. Mere exposure to normal elements can open blisters. In the absence of any other evidence of direct damage from a covered peril to the roof, broken heat blisters alone are not considered evidence of covered damage. Consider payment for this damage if the heat blister(s) were broken by hailstone impact.

A Property Claim Agreement is generally not required on repairable items. However, complete a Property Claim Agreement when total replacement of a slope or the roof is made on an ACV basis. Include replacement of other depreciable items (siding, painting, etc.) on the Property Claim Agreement.

V. OVERLAYS AND TEAR-OFF CHARGES

Overlay of new composition roofing over an existing composition roof is an appropriate method of repair in many situations, and is used in most areas of the country.

There are occasions when overlaying a damaged roof system is not practical or permitted. Examples are:

- The roofing material cannot be repaired because it is so badly damaged or deteriorated.
- There are two or more layers of roofing material already in place. The application of an additional layer violates local building codes, or presents a weight problem so significant it could cause serious damage to the building structure.

When it is reasonable and necessary to remove the existing roof surface to repair the existing roof, pay the cost of tear-off in full along with the ACV payment of the repairs or replacement.

In addition, when multiple layers of roofing are present, determine the number of layers to tear off and include in your payment. Consider the following items in making your decision:

- What is the condition of the layers underneath the top layer of roofing? If the inspection indicates the layers underneath would come up when the top layer is removed, or the layers underneath would not provide a reasonable nailing surface, consider paying for their removal.
- What is the normal local repair or replacement process?

- Has the covered peril stripped a number of layers off in a significant quantity either in a large area or several areas? Would a reasonable and prudent repair involve removing the remaining shingles down that far to perform the proper repair?

Handle each risk on its own merits, taking into account the individual situation and proper repair/replacement techniques. When tearing off multiple layers, the cost of removing each additional layer is less than the cost for the initial layer.

When we determine the acceptability of overlaying an existing roof with a new composition roof system, estimate to overlay the roofing. If the policyholder chooses to have the old roofing removed, even though an overlay is reasonable under the circumstances, advise the policyholder that we will pay for the cost of tearing off the existing roofing once it is incurred or contracted to be done. Show the tear-off amount allowed on the estimate and Property Claim Agreement as a separate item from Replacement Cost Benefits.

VI. HAIL PRONE AREAS

Our experience and research suggest roof overlays may not be appropriate in hail prone areas. Factors to consider in determining whether an area is considered hail prone include:

- Frequency - hail storms occur on the average at least every three to five years.
- Severity - high winds and hail of 1 to 1 ½ inches in diameter is common.

Discourage overlaying of composition material over a damaged wood system as it results in a greater susceptibility to future damage.

Consider payment of the tear-off cost incurred when:

- The insured presents a signed, acceptable contract for repairs; or
- The repairs are underway and documented in the file; or
- There is a receipt of the final repair bill(s); or
- The region decides to pay tear-off costs with the ACV payment.

VII. ROOFING ESTIMATICS

Waste and Rounding

CATASTROPHE INDUCTION

When estimating the replacement of a single slope or an entire roof, use the following guidelines in the waste calculation:

- Flat roof – use 5%
- Gable roof – use 10%
- Hip roof – use 15%

Flat style roofing materials include, but are not limited to 90 lb. rolled roofing, modified bitumen, built-up 3, 4, and 5 ply, and rubber roofing.

The waste factors above apply only to the roofing codes with the “SQ” unit of measure. Any rounding that may occur will come at the end of the process. In the case of roofing, use accurate calculations and then round up to the appropriate fraction of a square. Round up to the nearest full square when estimating flat roofing materials. The “-” activity code, or removal function, should not have waste included in the calculation.

Split Coding

When replacing a roof, always split code the activity. This means using the “-” and “+” activity codes for remove and replace instead of “&”. This is so you can properly estimate the removal amount without waste included, and the replacement or overlay amount including waste.

Steep Charge

Use steep charges when the pitch of the roof is 7/12 or greater. Include this charge only on those slopes or areas that require the additional amount. Steep charge is applied to the total number of squares with waste. Pay this charge up front in your ACV payment.

Two-Story Charge

Use this charge when the roofing materials are hand-carried to the second story. Do not use when materials are hoisted to the second level. Include this charge only on those slopes or areas that require this additional charge. Two-story charge is applied to the total number of squares with waste. Pay this charge up front in your ACV payment.

Buildings Taller than Two-Story

If a building is taller than a normal two-story, use the two-story charges. Apply additional charges only when materials are handled more than usual (e.g., hand-carried up additional levels, machinery needed to get the materials to the area where they will be applied, etc.).

Inspection

Inspect all slopes to complete a thorough inspection.

Accessibility

When limited accessibility is a factor, add an additional labor charge to hand carry materials to the job site. The same holds true for removal charges where accessibility is limited and causes a problem in the removal of debris from the yard or job site.

Measuring

Measure as accurately as possible.

Roof Openings

Address large openings in roof structures, such as skylights (approximately 24 square feet), in the estimate. Consider the damage caused to these items when removing the roof shingles/shakes.

Solar Panels

Handle the repair or replacement of shingles around or beneath solar panels mounted on a roof on a case-by-case basis. Many factors come into play when determining when to detach and reset the solar panels. If the legs are tall enough, work under the panels and only detach each leg when you come to it. Other situations may dictate the removal of the panels to complete the roof repair/replacement. If the panels need to be detached and reset, recommend the policyholder use qualified tradespeople to properly handle the solar panels.

VIII. ADDITIONAL INSPECTION GUIDELINES

In some cases, the policyholder or roofer may disagree with our evaluation of damage. Approach these situations as an opportunity to verify the accuracy of our initial evaluation. Our goal is to pay what we owe, promptly, courteously, and efficiently. Requests to review our initial adjustment are seen as a chance to make sure we have achieved that goal.

In most cases a second inspection is sufficient to make a final decision on the roof claim. This does not mean there will never be a case where we inspect a roof more than twice. However, if the second inspection is done in a thorough manner, the need for any additional inspections is rare.

Following are guidelines for additional inspections of roof claims:

- A. Contact management to determine who is responsible for the additional inspection. When necessary another claim representative, management, or a reinspector may be used to complete the inspection. It is management's discretion to choose among these options depending on the individual case, the question involved, the availability of personnel, or appropriateness. Management's review of or involvement in the second inspection is required.
- B. Arrange the additional inspection, if possible, at a time when both the policyholder and roofer can be present.
- C. During the additional inspection, photograph the condition of all slopes of the roof, whether damaged or not, including close-up shots and views of all slopes. Consider using 35 mm photographs to clearly show the damage or lack of damage involved.
- D. Check roof measurements and calculations for accuracy as necessary, given the specific reason(s) for the additional inspection.
- E. Determine and advise management whether an expert is needed. If use of an expert is warranted, management authorizes the use of an independent roofer, contractor, or engineer based on the availability of such resources. In some cases, the need for an expert may be apparent even before the additional inspection. If so, the expert is chosen beforehand and is present at the time of the additional inspection.
- F. If the question or dispute cannot be resolved through the additional inspection, consider the appropriateness of appraisal or first-party ADR.

IX. MATCHING ISSUES

Most of our insurance policies insure for "accidental direct physical loss" to the insured's property. Situations may arise where the product/material damaged does not match the undamaged material due to age, fading, obsolescence, deterioration, size, or any number of reasons.

It is State Farm's practice to avoid arbitrary rules regarding matching of various materials. Our settlement practices take into consideration major differences in color, size, and texture, of both damaged and undamaged materials. Evaluate each claim individually and make every effort to satisfy our policyholders. In those instances where an agreement is not reached, the policyholder maintains the right to dispute resolution under the contract. Have claim management review questionable or difficult matching issues.

If a decision is made to pay for undamaged material, show the cost to replace the undamaged material on the Property Claim Agreement and make payment when incurred or contracted to be done. This applies to all matching issues, including but not limited to roofing, siding, flooring, and cabinets.

X. ROOF WORKMANSHIP, LABOR AND MATERIAL GUARANTEE PROGRAM

In many roof claims, roof repair is the proper adjustment. When the repair firm will not warrant the repair work, the region may elect to use the Roof Workmanship, Labor and Material Guarantee program. If the region elects to use this program, it must be used on all Cat and non-Cat partial roof losses in that region.

The guarantee provided in this program is an agreement between the policyholder and State Farm, and does not inure to the benefit of the repair firm. It is non-transferable.

Identify all claim files using the Roof Workmanship, Labor and Material Guarantee by marking the appropriate section on the file jacket with a "Do Not Destroy" date reflecting an appropriate period of time beyond the expiration of the guarantee.

A copy of the Roof Workmanship, Labor and Material Guarantee (form 560-385.4 - Rev. 4-97) is found in Appendix A of this OG. Order this form through regular supply channels.

Direct any questions concerning the implementation or application of this program to your region's Fire General Claims Property Consultant.

XI. ROOF REPAIR BROCHURES

A Roof Repair Brochure is available for ordering and is an effective tool to illustrate and explain roof damage to policyholders.

Order a supply of these brochures through regular supply channels. The order numbers for these brochures are:

- A. Wood Roof Brochure, stock number 560.2257.1
- B. Composition Roof Brochure, stock number 560.2258.2

The catastrophe kits contain an initial supply of these brochures for use in catastrophe situations.

-HUB

XII. MINIMUM FILE REQUIREMENTS

The following items constitute the minimum file requirements for roof claims:

- A. Fire Loss Report or copy of the CCF.
- B. A diagram of the roof that clearly shows the measurements of the damaged slopes, and the computations used to establish the square footage of the damaged areas. Note the location of damage and/or test squares. It is not necessary to measure undamaged slopes or areas.
- C. Photographs of the damaged area. If the roof is undamaged, take photographs to document this fact. The photographs should give a clear indication of the extent of damage involved, or lack thereof.
- D. Copy of the computer-generated or hand-written estimate. Include a copy of the contractor's estimate(s) if submitted.
- E. If settlement is based on a contractor's estimate, reconcile any differences between the claim representative's estimate and the contractor's.
- F. Legible field and scope notes.
- G. Thorough and accurate activity log notes. Document the date received, the date the insured was contacted, the date inspected, the date paid, and other file handling activities.
- H. Copy of the Property Claim Agreement, if used.
- I. Payment record.
- J. Completed loss jacket.
- K. Date stamp file documentation.

*** Appendix A. ***

*** Roof Workmanship Labor and Material Guarantee ***
To See Appendix A Refer to Paper Copy of Operation Guide

(END OF OPERATION GUIDE)

APPENDIX "A"

ROOF WORKMANSHIP LABOR AND MATERIAL GUARANTEE

Insured: _____

Claim Number: _____

Policy Number: _____

- STATE FARM FIRE AND CASUALTY COMPANY
 STATE FARM GENERAL INSURANCE COMPANY
 STATE FARM COUNTY MUTUAL INSURANCE COMPANY OF TEXAS
 STATE FARM LLOYDS

The company referenced above guarantees that the roofing repairs (labor or materials) listed on the attached estimate, or as may be subsequently authorized by us, will be of a quality generally accepted in the roofing repair business. This guarantee applies to any repair firm that you select who is licensed and bonded in your state with a current liability policy.

This guarantee to correct any roofing repair work that does not meet the quality generally accepted in the roofing business extends for three years from the date the repairs are completed. This guarantee does not apply to any personal injury or property damage which may arise during the installation or repair process.

If there are any concerns or problems about the quality of workmanship or materials covered by the guarantee or, if you intend to make a claim against it, please notify _____ promptly. (Agent)

This guarantee applies only to the "insured" and "policy" stated above. This guarantee is between State Farm and the insured and does not inure to the benefit of the contractor who performed the repairs.

This guarantee does not apply to a total roof replacement system.

<p><i>Applicable in the following states only: ALASKA, CALIFORNIA, DELAWARE, IDAHO, INDIANA, NEW HAMPSHIRE, OKLAHOMA and FLORIDA.</i></p> <p>NOTE: For your protection, the law of your state requires the following to appear on this form: Any person who knowingly, and with intent to injure, defraud, or deceive any insurance company, files a statement of claim containing any false, incomplete, or misleading information, may be guilty of a felony and subject to criminal and civil penalties. Oklahoma only: Any person who knowingly, and with intent to injure, defraud or deceive any insurer, makes any claim for the proceeds of an insurance policy containing any false, incomplete or misleading information is guilty of a felony. Florida only: Violation of this provision is a felony of the third degree. For your protection California Law requires the following to appear on this form: Any person who knowingly presents a false or fraudulent claim for the payment of a loss is guilty of a crime and may be subject to fines and confinement in state prison.</p>
<p><i>Applicable in the state of Arkansas only:</i></p> <p>Any person who knowingly presents a false or fraudulent claim for the payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in state prison.</p>
<p><i>Applicable in the state of COLORADO only:</i></p> <p>It is unlawful to knowingly provide false, incomplete, or misleading facts or information to an insurance company for the purpose of defrauding or attempting to defraud the company. Penalties may include imprisonment, fines, denial of insurance, and civil damages. Any insurance company or agent of an insurance company who knowingly provides false, incomplete, or misleading facts or information to a policyholder or claimant for the purpose of defrauding or attempting to defraud the policyholder or claimant with regard to a settlement or award payable from insurance proceeds shall be reported to the Colorado Division of Insurance within the department of regulatory agencies.</p>
<p><i>Applicable in the state of NEW JERSEY only:</i></p> <p>Any person who knowingly files a statement of claim containing any false or misleading information is subject to criminal and civil penalties.</p>
<p><i>Applicable in the state of NEW YORK only:</i></p> <p>Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.</p>
<p><i>Applicable in the state of OHIO only:</i></p> <p>Any person who, with intent to defraud or knowing that he/she is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.</p>
<p><i>Applicable in the state of PENNSYLVANIA only:</i></p> <p>Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or a statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.</p>

ACV Determination

Local law and statutes will govern the application and methods of determination; local management will assist in advising local practices. Depreciation should be taken on a line-by-line basis from items subject to weathering and/or wear and tear. When considering depreciation to building structures, we need to distinguish among these groups of items:

A. Items Subject to Depreciation or Betterment

These are areas exposed to surface wear such as interior or exterior paint, wallpaper, roofing surfaces, siding, awnings, doors, windows, etc. These items should be evaluated for depreciation or betterment.

B. Mechanical Devices

These components include mechanical devices which can be affected by wear and tear, usage, or obsolescence. This would include such items as water heaters, furnaces, air conditioners, built-in appliances, etc. These items should be evaluated for depreciation or betterment.

C. Items Not Exposed to Surface Wear

This would include those items which would not normally experience surface wear, such as drywall, plaster, wall studs, framing, subflooring, underlayment, sheeting, electrical, and rough plumbing. Generally, we would not apply depreciation or betterment to such items.

Depreciation Guide

Building Items

General Information

This is only a guide. On any questionable area, contact your claim Team Manager for assistance.

A. Directions for Use

1. The most important factor in determining depreciation is good judgment. Depreciation will vary with maintenance or the lack thereof and usage will also vary with each household. Differences in anticipated lifetimes will be encountered.
2. Compute depreciation to the nearest dollar.

CATASTROPHE INDUCTION

3. All items have remaining value despite their age.
4. Deviations may be made from the Depreciation Guide, but all such deviations must be adequately explained. Judgment should be used.

B. Comments

1. Items that last almost indefinitely are framing, roof supports, rafters, trusses, sheathing, etc. Life can be reduced substantially by wet and dry rot, poor assembly, lack of paint, etc.
2. Blown insulation has the tendency to pack and lose its insulating ability.
3. Epoxy and other hard surface paints will last longer than flat paint as they are washable and do not deteriorate as fast.
4. Metal components of a fireplace, used frequently, last about 10 years.



STATE FARM INSURANCE COMPANIES DEPRECIATION GUIDE



DIRECTIONS FOR USE & GENERAL INFORMATION

This is only a GUIDE - on any questionable area, contact the claim department for assistance.

- The most important factor in determining depreciation is good judgment. Depreciation will vary with usage which, in turn, varies with each family. Determination of the value of an article when it is lost, damaged or destroyed requires consideration and reporting of all pertinent factors, including the quality of the article, model, brand, extent of wear and tear, and the extent to which the article had been used prior to the incident which generated the claim. A depreciation guide or schedule is to be used in conjunction with other indications of value including visual inspection, wherever possible.
- Figure depreciation to the nearest dollar.
- Despite age, all items have some value remaining. Do not depreciable more than 80% of the item is still usable for its intended purpose. Property that is worn out has no value, except scrap and salvage.

- Better materials or workmanship may depreciate at a slower rate.
- Some items, such as major appliances or clothing, actually have a greater rate of depreciation the first year than in the following years.
- It is important to try and reach an harmonious agreement. Therefore, establish the reasonable useful life first, the actual age second, and negotiate the settlement accordingly.
- Do not hesitate to call local dealers for confirmation of depreciated values.
- Deviations may be made, provided they are properly explained.
- Record major repairs may add to otherwise depreciated value.

FOR FURTHER REFERENCE:

- Agents Service Text
- Volume 2 - F&C - Section 12 Claims
- Auto Claim Manual - Collision Section
- Fire and Casualty O.G. 75-50
- CHECK WITH CLAIM DEPARTMENT

ARTICLES WHICH DO NOT DETERIORATE APPRECIABLY.

Normally no depreciation will be charged against articles composed of highly durable materials such as gold, silver, platinum, or other precious metals, or slate, stone, or concrete when a part of household goods unless evidence indicates otherwise.

SLOWLY DEPRECIATING ARTICLES. The value of articles composed of moderately durable materials such as the common metal, wood, or high-grade plastics, will normally be depreciated at 4% per year.

MODERATE DEPRECIATING ARTICLES. Articles composed of non-durable materials such as wicker, leather, most plastics and fur, will be depreciated 10% to 25% per year.

RAPIDLY DEPRECIATING ARTICLES. Articles composed of rapidly deteriorating material and articles affected by changes in style or fashion will be depreciated at a much higher rate. Certain style changes in clothing have the effect of lowering the value of the items drastically despite the fact that the material itself may not be worn excessively.

HOUSEHOLD GOODS AND PERSONAL PROPERTY

Item	Average Useful Years	Average % Value Reduces Each Year	Item	Average Useful Years	Average % Value Reduces Each Year	Item	Average Useful Years	Average % Value Reduces Each Year
All Cleaners Electronic	12	8	\$ 0.06 - \$12.95 per yard	12	8	Sport coats	3	33
Air Conditioners (Window)	10	10	\$12.00 - \$20.05 per yard	15	7	Cotton & synthetic blends	3	33
Athletic Equipment (Gloves, etc.)	5	20	\$20.06 per yard and above	17	6	Imitation suede*	3	33
Audio			Genuine Orientals	25	4	Wool and wool blends	4	25
Auto components - Receivers	5	13	C.R. Radio	8	12	Suits		
Compact disk players	10	10	China (See Furniture)			Cotton and synthetic	3	33
Compact Discs (CDs)	10	10	China and Glassware (Also See Kitchen Utensils)			Summer weight wool	3	33
Dealers advise that CDs reduce 50% in value immediately after it is purchased and the seal is broken. Unlike stereo tapes they do not deteriorate.			Crockery, Crystal, Plastic, Pottery			Imitation suede	3	33
Compact Audio/Hi-Fi Systems	5	12	Cigarette Lighter	10	10	Silk	2	50
Portable Personal Stereo	5	20	Clocks			Washable	2	50
Radio (console, portable, table)	10	10	Electric	15	7	Woolen weight wool	4	33
Record Player	10	10	Grandfather	20	3	Underwear	1	100
Recorder (Tape or Wire)	10	10	Other - Over \$25 (Cost New)	20	5	Foundation garments	1	100
Records (33 & 45 stereo)	10	10	Other - Under \$25 (Cost New)	10	10	Lingerie	1	100
(75 rpm)			Cloth Yard Goods			Parasols	2	50
Stereo Tapes			Clothes Brushes (See Brushes)	5	20	Silk	1	100
Two factors are involved in depreciation of stereo tapes. Discontinuance is the greatest factor in value reduction as music passes its popularity peak. Dealers advise that a stereo tape reduces 50% in value immediately after it is purchased and the seal is broken. The other factor is deterioration resulting from temperature changes and scratching of the tape after a reasonable playing period.			Clothing			Uniforms	2	50
(If loss occurs within first three months after purchase date, use 75% of replacement cost. Fourth month and each month thereafter up to 14 months, subtract an additional 5% per month, e.g., use 75% for fourth month...65% for 14th month and thereafter.)			Bathing Suits	2	50	Vests	2	50
Barbecue Sets (Grills)	8	12	Bathrobes	2	50	Coffemaker	10	10
Barometer	25	4	Lightweights	2	50	Percolator	5	20
Bedding			Heavy or quilted	3	33	Drip	5	20
Blankets (Cotton)	7	14	Wool	3	33	Coin Collection		(Face value or actual numismatic value is substituted)
Blankets (Electric)	10	10	Wool	3	33	Compactor	10	10
Blankets (Wool)	20	5	Imitation suede	3	33	Computers		
Box Springs	5	20	Wool	3	33	Large & Special Purpose	4	25
Comforters	5	20	Wool	3	33	Personal	8	17
Mattresses	5	20	Wool	3	33	Correction Oven (countertop)	12	8
Mattresses Covers or Pads	5	20	Wool	3	33	Corn Popper	11	8
Quilts	5	20	Wool	3	33	Cosmetics		(Use 90% of replacement cost)
Spreads	3	33	Wool	3	33	Cutting Iron/Styling Comb	5	20
Bicycles	5	20	Wool	3	33	Curtains	3	33
Billfold	5	20	Wool	3	33	Dehumidifier	14	7
Binoculars	13	8	Wool	3	33	Desk (See Furniture)		
Blenders or Mixer (Electric)	10	10	Wool	3	33	Dictation Machines (See Office Equipment)		
Boats	10	10	Wool	3	33	Dishwasher	10	10
Bookcases	20	5	Wool	3	33	Disposals	11	9
Books			Wool	3	33	Drapes		
Fiction and Non-Fiction			Wool	3	33	Uned	15	20
Paperback			Wool	3	33	Unlined and Fiberglass	4	25
Professional or Reference			Wool	3	33	Sheet	3	25
Box springs (See Bedding)			Wool	3	33	Dryer (Laundry)	12	8
Boxes (Cigars, Cigar, Jewel)	20	5	Wool	3	33	Eye Glasses	E	10
Bracelet	3	33	Wool	3	33	Fans	F	10
Brick-a-Brac			Wool	3	33	Anc (See Building Items)		
Briefcases (See Luggage)			Wool	3	33	Electric	10	10
Brollers (Electric)	11	9	Wool	3	33	Figurines		(Use actual cash value or replacement cost whichever is less)
Brushes (Clothes & Hair)	20	5	Wool	3	33	Flarearms		
Dug Killers	4	25	Wool	3	33	Fishing Equipment		(Use actual cash value or 90% of replacement cost whichever is less)
Calculator	10	10	Wool	3	33	Flashlights		
Camping Equipment	8	17	Wool	3	33	Floor Polisher (electric)	15	7
Curt Opener (Electric)	6	17	Wool	3	33	Food Processor	12	8
Carpets and Rugs (Cost New)			Wool	3	33	Food Supplies		
\$ 5.95 per yard or less	7	14	Wool	3	33	Beverages and Staples		(Use Replacement cost or equivalent Commercial value, whichever is less)
\$ 5.96 - \$ 9.95 per yard	10	10	Wool	3	33	Canned (Commercial or Home)		
			Wool	3	33	Freezer (Chest or Upright)	15	7
			Wool	3	33	Frying Pan (Electric)	14	7
			Wool	3	33	Furniture (Also See Lawn Furniture)		
			Wool	3	33	Benwood Chairs	5	20
			Wool	3	33	(Rattan or Wicker)		
			Wool	3	33	Card tables, Chairs (Heavy)	10	10
			Wool	3	33	Chrome, Plastic	5	20
			Wool	3	33	Children's	5	20
			Wool	3	33	Desks and Tables	20	5
			Wool	3	33	Office Fixtures, Furniture		
			Wool	3	33	Cabinets, Filing Cabinet and		
			Wool	3	33	Flet	20	5
			Wool	3	33	Gloves	3	33

Welling Extension

The Homeowners Policy provides 10% of the Coverage A limit to dwelling extensions.

Boat docks located on premises qualify as a dwelling extension. (See definition in Dwelling Extension.) If a boat dock is damaged by a covered peril, there is coverage. If the damage is caused by weight of water, wave wash, etc., coverage does not apply. A determination of the cause of the damage is necessary.

Coverage B-HO5

Y

Coverage C-HO5

Y

Additional Coverage
-HO5

Y

Losses Not Insured
-HO5

Y

Section I-Conditions
HO5 / Other

Theft and Looting

Any theft or looting that occurs during the natural catastrophe or while our insured is prevented from returning to their homes by authorities can be considered the same occurrence as the disaster. Other thefts or looting need to be considered on a case-by-case basis as to whether it would be a separate occurrence. Catastrophe Management should be consulted on questionable cases.

State Farm Replacement Service

1-800-435-7385

State Farm consolidated its purchasing power to replace policyholder losses instead of using outside sources. SFRS buys products from suppliers who ship them directly to the policyholders. Replacement Service members are part of the Corporate Purchasing Department and are trained in the commodities they handle.

Audio

Rack systems, individual components, portable systems, and speakers can be replaced through SFRS. From the high-end brands to the more common brands, SFRS has access to nearly every manufacturer in the consumer market at significant discounts. SFRS also replaces CDs, cassettes and albums.

China/Crystal/Silver/Figurines

A diversity of products that have one common trait: they are all very high mark-up items. It is suggested you use SFRS as your first option before using participating jewelers to replace these items.

- **China/Crystal** - All major manufacturers as well as Tiffany, Baccarat, and Lalique.
- **Figurines** - All major collectibles, including Lladros, Royal Doulton, Hummel, and Swarovski.
- **Sterling/Silverplate/Stainless** - All major patterns are available. Includes brands such as Christofle, Buccellati, Cartier, Tiffany, Reed and Barton, Wallace, and Onieda.

Jewelry

All jewelry items are available through the national network of participating jewelers. You can find the store locations on Price Quote Facility (PQF) or by calling SFRS. See the Jewelry Replacement Folder, form #560-375.

Microwaves

SFRS replaces most major brands of microwaves at very competitive prices and offers compact to full sizes complete with accessories.

Personal Computers

The newest addition to the service is the Personal Computer replacement program. Most major manufacturers are available including: Apple/Macintosh, Hewlett-Packard, Toshiba, Compac, IBM, Epson, and Cannon. Software is included.

Photo

SFRS replaces all types of cameras made for the consumer and professional market including: compact, single lens reflex (SLR), medium and large format cameras. SFRS replaces slide projectors, binoculars, and tripods in most of the major brands.

Recorded Media

Recorded Media includes movies, CDs, cassettes, albums, and laser discs. Hard to find titles, as well as current releases are available.

Sporting Goods

Golf equipment - we offer ALL pro lines such as Ping, Callaway, Cobra, Yonex, Tommy Armour, and Titleist, as well as retail lines. We also offer SCUBA equipment and sports memorabilia, (for example, baseball cards).

Tools

SFRS currently handles replacement for Sears Craftsman tools, Black and Decker, Bosch, Dewalt, Mac, Makita, Matco, McCulloch, Milwaukee, Porter Cable, Vise-Grip, Vermont, Skill, Stanley, S-K, Snap-On, Shop-Vac, and many more brands. Call for details or refer to PQF for other name brands.

Video

SFRS handles the following items: televisions, VCRs, camcorders, VHS/Beta movies, Nintendo and Super Nintendo hardware and software, Gameboy and Challenger sets, Sega-Genesis, Sega Game gear, and movie laser discs.

Watches

SFRS can supply and quote almost any watch manufactured, including Rolex, Cartier, Piaget, and other expensive brands. Price negotiations with participating jewelers concern jewelry **ONLY**, not watches. **Please order watches through SFRS for the best discount.**

Fine Art

We provide replacement, valuation, and restoration for all fine art claims.

How to use State Farm Replacement Service

The claim representative can call 1-800-HELPFUL (1-800-435-7385) to obtain a quote or place an order. Our friendly staff is available Monday-Friday, 7 a.m. to 10 p.m. C.S.T., and Saturday, 8 a.m. to 6 p.m. C.S.T. PQF, an automated application that is accessible from the Fire Application Menu, is available 24 hours a day and can be used to obtain quotes and place orders on most product lines. You may also fax quotes to SFRS at 309-766-1987.

Claim Files can be Closed at the Time of Quote

Once an order is placed, the claim representative is automatically sent a payment authorization letter to fill out and complete the payment process. The policyholder is also sent a letter detailing their order. Orders are faxed to SFRS suppliers within 24 hours and *most* products are shipped from the supplier within 48 hours. Expedited shipping arrangements can be made at the claim representative's request.

Regional Buying

In specified areas of the U.S., policyholders can pick up replacement items directly from retail stores. SFRS handles the order process to obtain negotiated discounts and also coordinates the item pick-up with the policyholder. We are currently in partnership with Best Buy, Circuit City, Soundtrack (The Ultimate), Mike's Camera, Good Guys, CompUSA, Tweeter Etc., and Magnolia HI FI. Appliances are also available through this program. At quote time, the claim representative just needs to ask the SFRS's customer service representatives about the details of this program.

Warranties

SFRS provides a one-year extended warranty **FREE** on audio, video, microwaves, and camera bodies purchased through our suppliers.

Jewelry Salvage

SFRS is the designated source to handle your gemstones and precious metal salvage and turn your chipped stones and broken chains into valuable dollars. Additional recovery of an average of 180% over local bids can be realized.

Need Additional Information?

Refer to the sources listed below. All forms may be requisitioned through normal supply channels. The SFRS Packet (198-3064) includes most items listed below.

GENERAL INFORMATION

Giving You The Best For Less Brochure	560-352
Extended Warranty Card.....	198-3005
SFRS Packet.....	198-3064

SYSTEM HELPS	OG REFERENCE	FORM #
PQF	778-200	
PQF Quick Reference Card		561.321

Payment Procedure

-Jewelry Salvage	778-400
-Settlement/payment	778-100
-Close Claim File	
-letters	778-310
-RS Authorization	778-320

PRODUCTS

Watch Description Checklist	560-312
Camera Description Checklist	198-3054
Special Features Quick Reference	560-333
Jewelry Replacement Quotation Form.....	560-363
Jewelry Salvage Box.....	560-387
Jewelry Salvage Procedures/Instructions Sheet.....	198-3194
Golf Equipment Checklist.....	560-386
Personal Computer Replacement Checklist.....	198-3238
Tool Binders, Vol. 1-4	call SFRS

STATE FARM REPLACEMENT SERVICE
1-800-435-7385

Homeowners
FP-7955

Coverage C-HO5

Additional Coverage
-HO5

Losses Not Insured
-HO5

Section I-Conditions
HO5 / Other

Additional Living Expense (ALE)

Additional living expenses incurred by the insured will be covered if their home is rendered uninhabitable because of a Loss Insured. Coverage/payment is for the shortest time required:

- A. To repair or replace the premises; or
- B. For the insured's household to settle elsewhere,

But not to exceed 12 months. This period of time is not limited by the expiration of the policy.

If a direct covered loss to the premises causes an extended loss of power or other utilities, whether or not the residence is uninhabitable due to the loss of utility service becomes a question that should be handled on a case-by-case basis. ALE would not apply in cases involving a general power outage to the entire area where the residence is located.

If a power outage has occurred due to a covered loss on the residence premises, we would cover the cost of renting a generator if it saves property or allows the insured to live in the house rather than a hotel or apartment until the home can be repaired. If rental units are not available and our insured buys a generator, we will pay for it and take the generator for salvage. If the insured wishes to keep the generator, we will allow the going rental rate for the number of days the power was out, not to exceed the cost of the generator.

Homeowners may request we pay for the rental of or purchase travel trailers, mobile homes, or motor homes so they can remain on premises until their home can be repaired. We can pay for rental of these items, and may consider purchasing as a more economic alternative if a lengthy repair course is expected. The insured should understand that State Farm is entitled to the salvage if a purchase of one of these items is arranged. The agreement that State Farm will take the salvage, or the insured will buy it back, should be in writing and signed prior to purchase. Such purchases should have management approval noted in the file prior to completing the purchase arrangement.

Prohibited Use

If a civil authority prohibits the insured from use of the residence premises as a result of direct damage to the neighboring premises by a Loss Insured, we will cover any resulting ALE for a period of no more than two weeks. We do not cover loss or expenses due to the cancellation of a lease or agreement. Also, in cases where evacuation has been ordered due to possible threat of a hurricane, but no direct damage has occurred to neighboring areas, then this coverage will not apply.

Homeowners
FP-7955

Manuf. Home Policy

Boatowners Policy

Losses Not Insured
-H05

Section I-Conditions
H05 / Other

Debris Removal

Debris Removal

We will pay the reasonable expenses incurred in the removal of debris of covered property damaged by a Loss Insured. This expense is included in the limit applying to the damaged property. When the amount payable for the property damage plus the debris removal expense exceeds the limit of coverage for the damaged property, an additional 5% of that limit is available for debris removal expense.

Under an HO-5 policy with Guaranteed Extra Coverage (GEC) on the building, there would not be a specified limit on the building. Therefore, the debris removal costs for covered property in such situations would be included as part of the rebuilding cost.

Tree Debris Removal

We will also pay reasonable expenses for removal of fallen trees which have damaged covered property. This would apply to fallen trees that have damaged structures or personal property. We would owe the cost to move the tree off of the damaged property and out of the way so that repair or replacement of the damaged property can be made.

We will also pay up to \$500 in the aggregate for each loss to cover the reasonable expenses the insured incurs in the removal of tree debris from the residence premises when the tree has damaged property covered under Coverage A.

This coverage is an additional amount of insurance, separate from the regular debris removal coverage above.

Judgment should be used in estimating the costs to remove trees from Coverage A property and the application of the \$500 aggregate limit for removal of tree debris.

Debris removal of loose tree limbs, leaves, etc., from swimming pools is not covered. However, if a tree should fall into the pool and cause damage to the pool, we would pay to remove the tree and its debris from the pool.

Temporary Repairs

If damage is caused by a Loss Insured, we will pay the reasonable and necessary cost incurred for temporary repairs to covered property to protect the property from further immediate damage or loss. This coverage does not increase the limit applying to the property being repaired.

We would consider repairs made to secure the house from further damage to be reasonable. This would include such things as covering the roof with plastic, boarding up damaged windows or doors, etc.

Trees, Shrubs and Plants

We cover outdoor trees, shrubs, plants or lawns, on the residence premises, for loss caused only by the following named perils:

Fire and lightning, Explosion, Riot or Civil Commotion, Aircraft, Vehicles not owned or operated by a resident of the residence premises, Vandalism, or Malicious Mischief or Theft.

If you encounter a loss involving one of the above named perils, the limit for this coverage, including the removal of debris, shall not exceed 5% of the limit applying to the dwelling. Also, we will not pay more than \$500 for any one outdoor tree, shrub or plant, including debris removal expense.

This coverage may increase the limit otherwise applicable. We do not cover property grown for business purposes.

Tree Example:

1. A single tree is split into thirds. One third falls onto the insured's house, one third falls onto power lines, and one third falls onto a neighbor's fence. To what extent do we apply the \$500 debris removal limit? Would it be applied only to the one third that has fallen on the insured's house, or to all damages that resulted from the original tree?

Answer: The \$500 applies to the removal of all the limbs in the yard.

2. You have five trees that have blown over in the yard, and only one hits the house and caused damage. The tree which caused the damage is now on the ground. How do you apply the \$500 aggregate?

Answer: The \$500 aggregate applies to the removal of all five trees.

3. Same scenario, but the tree causing the damage is in the front yard. There are also several trees that are down in the back yard, which did not cause Coverage A damage. How do you apply the \$500 removal limit?

Answer: The \$500 aggregate limit applies to the removal of all trees.

4. If the tree which caused the damage must be cut down, will the \$500 apply to the removal of the stump and filling the hole?

Answer: Yes.

5. Are concrete driveways, which have been damaged by fallen trees, considered Coverage A?

Answer: Yes.

6. Are retaining walls, which are damaged by fallen trees, considered Coverage A?

Answer: Yes.

7. With trees, which are suspended, with the threat of falling and causing Coverage A damage, will we extend debris removal coverage to prevent damage of insured property.

Answer: No. Wind damage is not a covered peril for trees.

Boats

Boats must be inside a fully enclosed building for windstorm related damage to be covered under the Homeowners Policy. If a tree falls on a boat not in a fully enclosed building, coverage does not apply.

Property Removed

Covered property, while being removed from a premises endangered by a Loss Insured, is covered for any accidental direct physical loss. This coverage also applies to the property for up to 30 days while removed. We will also pay for reasonable expenses incurred for the removal and return of the covered property. This coverage does not increase the limit applying to the property being removed.

Power Interruption

We cover accidental direct physical loss caused directly or indirectly by a change in temperature which results from power interruption that takes place on the residence premises. The power interruption must be caused by a Loss Insured occurring on the residence premises. The power lines off the residence premises must remain energized. This coverage would not apply in the case of a general power outage. This coverage does not increase the limit applying to the damaged property.

Refrigerated Products

Coverage B - Personal Property is extended to cover the contents of deep freeze or refrigerated units for loss due to power failure or mechanical failure. If mechanical failure or power failure is known to you, all reasonable means must be used to protect the property insured from further damage or this coverage is void. Power failure or mechanical failure shall not include:

- A. Removal of a plug from an electrical outlet; or
- B. Turning off an electrical switch unless caused by a Loss Insured.

This coverage does not increase the limit applying to the damaged property.

CATASTROPHE INDUCTION

Within reason, we will also pay for costs expended to prevent refrigerated products loss. Good judgment should be applied in such cases.

This coverage applies only to the contents of a deep freeze or refrigerated unit. It does not apply to the deep freeze or refrigerated unit itself.

Losses Not Insured

We do not insure for any loss to the property described in Coverage A which consists of, or is directly and immediately caused by, one or more of the perils listed in items a. through m. below, regardless of whether the loss occurs suddenly or gradually, involves isolated or widespread damage, arises from natural or external forces, or occurs as a result of any combination of these:

Mold, or wet or dry rot

Mold

Damage caused by mold is specifically excluded. However, if the mold is the direct result of a covered loss and is due to the insured's inability to quickly have repairs done, we will cover any damage caused by the mold resulting from the covered loss. The Neglect exclusion will not apply where the insured has used reasonable means to save and protect the property.

Rot

Rot is specifically excluded. If the claim involves roof damage and the decking materials are rotted and/or deteriorated, coverage may be available. In order for coverage to apply to rotten decking, the condition of the decking must prohibit the installation of the new roof, or the repair of the existing roof. Coverage may be available for the lesser of the following amounts:

- A. The cost involved in spot repairing the decking material sufficient to re-establish the integrity of the surface; or
- B. The reasonable and necessary expense involved in removing the rotten decking material and replacing it with decking material that meets local ordinances.

Each claim should be handled on its individual merits. As such, an inspection of the decking should be made before a decision is made to extend coverage as outlined above. The repairs or replacement outlined above will only apply to the area of the roof that actually sustained the covered damage.

This position does not eliminate any exclusion relating to mold, wet or dry rot, etc. This is a repairability issue relating only to placing the policyholder in relatively the same position they were in prior to the loss. Rotted decking, etc., in and of itself is not a compensable item absent a repairability issue.

However, we do insure for any resulting loss from items a. through m. unless the resulting loss is itself a Loss Not Insured by this section.

CATASTROPHE INDUCTION

We do not insure under any coverage for any loss which would not have occurred in the absence of one or more of the following excluded events. We do not insure for such loss regardless of: (a) the cause of the excluded event; or (b) other causes of the loss; or (c) whether other causes acted concurrently or in any sequence with the excluded event to produce the loss; or (d) whether the event occurs suddenly or gradually, involves isolated or widespread damage, arises from natural or external forces, or occurs as a result of any combination of these:

- A. Ordinance or Law, meaning enforcement of any ordinance or law regulating the construction, repair, or demolition of a building or other structure, unless specifically provided under this policy.

If repair costs are increased by enforcement of an ordinance or law, these additional costs would not be covered, unless the policy in question has a Building Ordinance or Law Endorsement attached. Should this issue arise, be sure to check the policy involved for such endorsements. There are several options available under such endorsements for varying amounts of coverage based upon a stated percentage of the building coverage.

- B. Earth Movement, meaning the sinking, rising, shifting, expanding, or contracting of earth, all whether combined with water or not. Earth movement includes but is not limited to earthquake, landslide, mudflow, sinkhole, subsidence, and erosion. Earth movement also includes volcanic explosion or lava flow, except as specifically provided in Section I - Additional Coverage, Volcanic Action.

We do insure for any direct loss by fire, explosion other than explosion of a volcano, theft or breakage of glass or safety glazing materials which are part of the dwelling resulting from earth movement, provided the resulting loss is itself a Loss Insured.

- C. Water Damage, meaning:

1. Flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these, all whether driven by wind or not;
2. Water from outside the plumbing system that enters through sewers or drains, or water which enters into and overflows from within a sump pump, sump pump well, or any other system designed to remove subsurface water which is drained from the foundation area; or
3. Natural water below the surface of the ground including water which exerts pressure on, or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool, or other structure.

However, we do insure for any direct loss by fire, explosion or theft resulting from water damage, provided the resulting loss is itself a Loss Insured.

Form(s) _____
gives coverage for backup of sewers or drains and overflows of sump pumps and sump pump systems. Check for the existence of this endorsement for coverage should you



Homeowners
FP-7955

Manuf. Home Policy

Homeowners Policy

Policy

Section HO5 / Other

encounter a loss of this type.

There is no contents coverage to property contained in a building unless an exterior opening to the building is caused by the direct force of wind or hail.

We do not insure under any coverage for any loss consisting of one or more of the items below. Further, we do not insure for loss described in paragraphs 1 and 2 immediately above regardless of whether one or more of the following: (a) directly or indirectly caused, contribute to or aggravate the loss; or (b) occur before, at the same time, or after the loss or any other cause of loss:

- A. Conduct, act, failure to act, or decision of any person, group, organization or governmental body whether intentional, wrongful, negligent, or without fault; or
- B. Defect, weakness, inadequacy, fault or unsoundness in:
 - 1. Planning, zoning, development, surveying, siting;
 - 2. Design, specifications, workmanship, construction, grading, compaction;
 - 3. Materials used in construction or repair; or
 - 4. Maintenance;

Of any property (including land, structures, or improvements of any kind) whether on or off the residence premises.

However, we do insure for any resulting loss from items A. and B. unless the resulting loss is itself a Loss Not Insured.



Section I Conditions

Loss Settlement

Covered property losses are settled as follows:

We will pay actual cash value at the time of loss for:

Antiques, fine arts, paintings, statuary, and similar articles which by their inherent nature cannot be replaced with new articles;

Articles whose age or history contribute substantially to their value including, but not limited to, memorabilia, souvenirs, and collector's items;

Property not useful for its intended purpose.

For all of the above classes of property, we will not pay an amount exceeding the applicable limit of liability or an amount exceeding that necessary to repair or replace the property.

We will pay the cost to repair or replace other personal property, carpeting, domestic appliances, awnings, and outdoor antennas whether or not attached to buildings, subject to the following:

Loss to property not repaired or replaced within one year after the loss will be settled on an actual cash value basis.

We will not pay an amount exceeding the smallest of the following:

- A. Replacement cost at the time of loss;
- B. The full cost of repair;
- C. Any special limit of liability described in the policy; or
- D. Any applicable Coverage A or Coverage B limit of liability.

We will pay the cost to repair or replace buildings under Coverage A and other structures under Dwelling Extension, subject to the following:

Until actual repair or replacement is completed, we will pay the actual cash value of the damage to the buildings or other structures, up to the policy limits, not to exceed the replacement cost of the damaged part of the building or other structures, for equivalent construction and use on the same premises;

The insured must make claim within 180 days after the loss for any additional payment on a replacement cost basis;

Any additional payment is limited to that amount the insured has actually and necessarily spent to repair or replace the damaged buildings or other structures with equivalent construction and for equivalent use on the same premises;

We will not pay more than the \$10,000 limit on land as provided in SECTION I - ADDITIONAL COVERAGES; and

We will not pay for increased costs resulting from enforcement of any ordinance or law regulating the construction, repair or demolition of a building or other structure, unless specifically provided under this policy.

Property Claim Agreements

A Property Claim Agreement for Replacement Cost Benefits should be taken on all claims where RC benefits are being withheld pending completion of the repairs, with the insured receiving a copy, and a copy being retained in the claim file. On the file copy, indicate the date provided to the insured and whether sent by mail or given to the insured in person.

Loss to Pair or Set

In the event of a covered loss to part of a pair or set of items, 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 actual cash value of the property before and after the loss to a portion of the pair or set.

Glass Replacement

Loss for damage to glass caused by a Loss Insured shall be settled on the basis of replacement with safety glazing materials when required by ordinance or law.

Mortgagee Clause

The word "mortgagee" includes trustees. If a mortgagee is named in the policy, any loss payable under Coverage A shall be paid to the insured and the mortgagee, as interests appear. If more than one mortgagee is named on the policy, the order of payment shall be the same as the order of precedence of the mortgagees.

Mortgagees should be included on any draft for damage to Coverage A property once the damages exceed \$2,000. The following mortgagees must be included on the draft for the building damages regardless of the amount of damages.

Intentional Acts

If the named insured or any person insured under the policy causes or procures a loss to property covered under the policy for the purpose of obtaining insurance benefits, then the policy is void and we will not pay the named insured or any other insured for the loss.

During the course of investigating a claim, if you determine that an insured may have intentionally caused or procured the loss for the benefit of obtaining insurance benefits, then immediately report this to your supervisor for guidance regarding further handling. Such claims may be referred to a Special Investigative Unit for further investigation and handling.

Our Option

We may repair or replace any part of the property damaged or stolen with equivalent property. Any property we pay for or replace becomes our property.

Your supervisor will provide you with directions for the handling of salvage property in this Cat operation.

Abandonment of Property

We need not accept any property abandoned by an insured. Should this issue arise, consult with your supervisor.

Overhead and Profit Considerations

Contractor's Overhead and Profit

Individual tradespersons are entitled to overhead and profit. In general the unit prices used in our Xactimate software include overhead and profit so an additional calculation is not necessary.

When evaluating contractor's estimates, however, it is important to compare prices and to note whether the contractor's prices include overhead and profit to avoid duplication of payment.

General Contractor's Overhead and Profit

In some instances, as repairs become more complex and as more trades become involved, a policyholder may choose to engage a general contractor. A general contractor coordinates and schedules the efforts of various subcontractors and is entitled to overhead and profit above the cost of individual subcontractors.

Actual Cash Value (ACV) Settlements

Calculation of Actual Cash Value

Actual cash value should be determined consistent with local case law or statute. When not in variance with case law, ACV is defined as replacement cost less depreciation. OG 75-50 provides specific guidelines.

ACV and General Contractor Overhead and Profit

When it is reasonably likely that a covered repair will require the services of a general contractor to coordinate and supervise the repair, the general contractor's overhead and profit payment shall be paid with the ACV payment. The appropriate percentage charge should be added to the bottom line ACV calculation. The need for a general contractor must be evaluated using judgment on each loss according to the complexity of the repair, the degree to which trades require coordination, and the number of trades involved. If judgment dictates that the use of a general contractor is unnecessary, the costs associated with such use will not be paid with the ACV payment.

When the need for a general contractor is questionable, the cost associated with a general contractor's overhead and profit is payable only if the property is repaired or restored by means of a general contractor. Overhead and profit should not be paid with the ACV payment in this case.

Replacement Cost (RC) Claims and General Contractor's Overhead and Profit

Under Replacement Cost policies, the difference between ACV and RC is payable upon completion of repairs when costs for such benefits have been necessarily incurred. The difference between the general contractor's overhead and profit amounts paid with the ACV are payable at this time.

The claim representative has the latitude to issue RC benefits prior to completion of the repairs when the insured presents an acceptable signed contract to repair the damage or when the repairs are underway. The acceptability of the contract is a matter of judgment for the claim representative on a case-by-case basis.

RC Claim Payment When the Policyholder Does the Work

Claim estimates should be written or evaluated on the basis of Xactimate pricing. The deductible and appropriate depreciation should be applied to the replacement cost estimate, and an ACV payment should be made.

When the insured establishes the work is completed, the supplemental payment for replacement cost benefits should then be made based on the replacement cost estimate that was used to make the ACV payment.

If a decision had been made that it was reasonably likely that a general contractor would be necessary to supervise and coordinate the repairs, the remainder of the general contractor overhead and profit allowance should be paid at the time the RC benefits are paid.

Matching Issues

Most of our insurance policies insure for "accidental direct physical loss" to the insured's property. There may be situations that arise where the product/material that is damaged does not match the undamaged material due to age, fading, obsolescence, deterioration, size, or any number of reasons.

It is State Farm's practice to avoid arbitrary rules regarding matching of various materials. Our settlement practices take into consideration difference in color, size, and texture, of both damaged and undamaged materials, to arrive at a reasonable approach to settle the insured's claim. Each claim must be individually evaluated, and while we make every effort to satisfy our policyholders, there are occasions where this may not be accomplished. In those rare occasions where agreement cannot be reached, the policyholder maintains a right to dispute resolution under the contract. Questionable or difficult matching issues should be reviewed by claim management.

If a decision has been made to pay for undamaged material, we will show the cost to replace the undamaged material on the Property Claim Agreement and make payment when incurred or contracted to be done. This applies to all matching issues, including but not limited to roofing, siding, flooring, and cabinets.

Coverage A

The Coverage A - Dwelling loss settlement provisions are A1 - Replacement Cost Loss Settlement - Similar Construction and A2 - Replacement Cost Loss Settlement - Common Construction.

- **A1 - Replacement Cost Loss Settlement - Similar Construction** provides for repair or replacement of the damaged part of the covered dwelling property with similar construction for the same use on premises.

This includes building materials and repairs that are similar (but not necessarily identical) to the materials used for the original construction of the home.

- **A2 - Replacement Cost Loss Settlement - Common Construction** provides for repair or replacement of the damaged part of the covered dwelling property with common construction techniques and materials commonly used by the building trades in new construction.

There is no payment for the cost to repair or replace obsolete, antique, or custom construction with like kind and quality.

Repairs or replacement are completed with quality materials that are commonly used for new construction. It does not provide for exact like kind and quality repairs or replacement of items no longer available in common new construction.

Under both A1 and A2, policyholders have up to two years from the date of loss to complete the actual repair or replacement.

Insurance to value determines which Loss Settlement provision applies:

- Dwelling insured 80% to 100% will have A1 - Replacement Cost Loss Settlement - Similar Construction.
- Dwelling insured less than 80% will have A2 - Replacement Cost Loss Settlement - Common Construction.

Coverage A - Dwelling Extension

Loss Settlement for wood fences is the same under both A1 and A2. **Payment is limited to the actual cash value of the damage to the fence at the time of the loss.**

Coverage A - Property Not Covered

Land is not covered, including the land necessary to support any Coverage A property, stabilization costs, or repair technique costs designed to compensate for or prevent land instability.

Coverage B - Personal Property

The Coverage B - Personal Property loss settlement provisions are B1 - Limited Replacement Cost Loss Settlement and B2 - Depreciated Loss Settlement.

- **B1 - Limited Replacement Cost Loss Settlement** provides for the cost to repair or replace property covered under Coverage B - Personal Property.

However, the cost for repair or replacement is limited to market value for:

- ❖ Antiques, fine arts, paintings, statuary, and similar articles which by their inherent nature cannot be replaced with new articles.
 - ❖ Articles whose age or history contribute substantially to their value such as memorabilia, souvenirs, and collectors items.
 - ❖ Property not useful for its intended purpose.
- **B2 - Depreciated Loss Settlement** provides for the cost to repair or replace less depreciation at the time of loss for property covered under Coverage B - Personal Property.

Market value is paid for losses to the items described above in B1.

Insurance to value determines which coverage applies:

- B1 - Limited Replacement Cost Loss Settlement is provided when the dwelling is insured to at least 80% of replacement cost. Coverage B - Personal Property is insured to 75% of the Coverage A limit.
- B2 - Depreciated Loss Settlement is provided when the dwelling is insured at less than 80% of replacement cost. Coverage B - Personal Property is insured to 55% of the Coverage A limit. For additional premium, B1 may be purchased as an optional coverage when the dwelling is insured at less than 80% of replacement cost.

Claims personnel are not responsible for determining the settlement option for the dwelling or personal property coverage. The Underwriting Department makes this determination. The information is reflected on the Coverage Confirmation Form (CCF).

Apartment Policy

Coverage C - Loss of Use

Additional Living Expense language emphasizes that expenses must be incurred by the insured for coverage to apply, and that these benefits are available for up to 24 months.

Losses Not Insured

Hot tubs and spas, including their filtration and circulation systems, are not covered for loss consisting of or caused by freezing, thawing, pressure, or weight of water or ice.

Losses consisting of or caused by continuous or repeated seepage or leakage of water or steam over a time are excluded, without regard to whether there is any resulting deterioration, corrosion, rust, mold, or wet or dry rot.

Losses consisting of or caused by fungus are not covered.

Losses consisting of or caused by pressure from or presence of tree, shrub, or plant roots are not covered.

The following losses resulting from earth movement are not covered:

- explosion other than explosion of a volcano;
- theft;
- breakage of dwelling glass or safety glazing material.

Water damage is not covered if caused by:

- any water below the surface of the ground;
- tsunami and seiche;
- water or sewage from outside the residence premises plumbing system that enters through sewers or drains.

We do not insure for losses consisting of weather conditions.

Optional Policy Provisions

Optional Policy Provisions are subject to all policy terms, provisions, exclusions, and conditions.

Y

Manuf. Home Policy

Y

Boatowners Policy

Y

Rental Dwelling Policy

Y

Business Policy

Option ID - Increased Dwelling Limit provides increased limits for damaged building structures. The limit is the amount shown in the Declarations for the Dwelling, or 10% of the Option ID limit for Dwelling Extension.

Under **Option IO - Incidental Business**, there is no coverage for electronic data processing equipment. Also, coverage is provided for those detached structures which contain the business for which we are providing coverage.

Option OL - Building Ordinance or Law provides coverage up to 10% of the Coverage A limit. For additional premium, limits up to 25% and 50% of the Coverage A limit are available. There is no coverage for any structure not attached to the dwelling.

Section I - Conditions

Under 2. **Your Duties After Loss**, for personal property losses, the insured must show in detail the quantity, description, age, replacement cost, and amount of loss.

Under 7. **Our Option**, we may, at our option, repair or replace the damaged or stolen property with similar property.

Manufactured Home Policy

Coverage A - Dwelling

We cover:

- C. The dwelling used principally as a private residence on the residence premises show in the Declarations. This includes structures attached to the dwelling;
- D. Materials and supplies located on or adjacent to the residence premises for use in the construction, alteration, or repair of the dwelling or other structures on the residence premises;
- E. Wall-to-wall carpeting attached to the dwelling on the residence premises;
- F. Outdoor antennas;
- G. Parts, equipment, furniture, and accessories which are originally built into and form a permanent part of the dwelling;
- H. Permanently attached carports or garages, awnings, skirting, porches, tie-down equipment; and
- I. Dwelling structure equipment.

We do not cover the dwelling while it is rented. However, it is permissible to rent a portion of the dwelling which is occupied by an insured to not more than two roomers or boarders.

Also, there is not additional coverage for land like the Homeowners Policy. We do not cover land under the Manufactured Home Policy, including the land necessary to support any Coverage A property. We do not cover any costs required to replace, rebuild, stabilize, or otherwise restore the land, nor do we cover the costs of repair techniques designed to compensate for or prevent land instability.

Coverage B - Personal Property

Under Property Not Covered applying to Coverage B - Personal Property, there are a couple of additional items not found on the regular Homeowners Policy.

Under the Manufactured Home Policy, we do not cover the following property under Coverage B:

- 1) appliances, equipment and accessories which are originally built into and form a permanent part of the dwelling; (These items are covered as part of the dwelling under Coverage A, item 1e.)

- m) tires and wheels detached from the dwelling and while away from the residence premises.

Flood Coverage

The standard Manufactured Home Policy includes coverage for flood.

Under Section I - Losses Insured, under the perils insured against listed for Coverage B - Personal Property, you will find the following:

Item #17 - Flood, surface water, waves, tidal water, or overflow of a body of water, or spray from any of these, whether or not driven by wind.

Coverage A - Dwelling is all-risk coverage. Under Section I - Losses Not Insured, exclusion 2c, Water Damage, you will note that the language pertaining to flood and surface water found in the Homeowners Policy is not present in the Manufactured Home Policy.

Note: In some states, flood coverage may be excluded by endorsement. Check the policy for such endorsements before making commitment to flood coverage.

Loss Settlement

Under the Manufactured Home Policy, covered property losses are settled at actual cash value at the time of loss. This means there may be deduction for depreciation.

We will not pay an amount exceeding:

- A. That necessary to repair or replace;
- B. Any special limit of liability described in the policy; or
- C. Any applicable Coverage A or Coverage B limit of liability.

Note: The basic Manufactured Home Policy does not contain replacement cost coverage. However, many of these policies are issued with replacement cost added on by endorsement. One endorsement adds replacement cost coverage for the dwelling only. The other adds replacement cost coverage for both the dwelling and personal property. Check for the presence of these endorsements on each Manufactured Home Policy, and handle accordingly.

Section I - Losses Not Insured

Item 2h excludes any Loss Insured other than fire while the dwelling is in transit. However, referring back to the policy definition of "in transit," you will note that the dwelling will not be considered "in transit" if it is being moved as an emergency measure to protect it from an impending loss from a Loss Insured.

Item 2i excludes any Loss Insured while the dwelling is at any location not described in this policy. This exclusion does not apply if you or someone on your behalf has notified us or our agent of the move within 60 days from the start of the move. If you encounter a risk insured under the Manufactured Home Policy in a location other than the one listed in the policy, you will need to investigate to determine when and why it was moved, and whether or not any notice was given to State Farm or our agent of the move. You will need to follow up with the agent to ascertain notice was given. Notify catastrophe management should you have a claim involving this issue, as it may become necessary to involve the regional Underwriting Department.

Apartment Policy

Y

Church Policy

Y

Boatowners Policy

Y

Rental Dwelling Policy

Y

Business Policy

Boatowner's Policy

Coverage A

We cover the boats, motors, boat trailers, and boat equipment described in the Declarations.

"boat" includes permanently attached equipment.

"boat equipment" means:

- A. Anchors, oars, electric trolling motors
- B. Extra fuel tanks, extra batteries
- C. Tarpaulins, detachable canopies
- D. Tools
- E. Seat cushions, life preservers
- F. Cook stoves, deck chairs
- G. Skis and their tow ropes
- H. Items similar to items A. through G. listed above
- I. Dinghies (tenders) and their outboard motors owned by you and used to service your watercraft
- J. Citizen band radios while in or on your watercraft

"boat equipment" does not include sports equipment such as fishing gear.

"motor" includes remote controls, electric harness, battery and pressure gas tanks.

Newly Acquired Watercraft

We cover newly acquired watercraft for damage caused by a Loss Insured. The coverage limit is the cost of the newly acquired watercraft.

"Newly acquired watercraft" means:

- A. A boat, motor, or boat trailer under Section I;
- B. A boat or motor under Section II.

CATASTROPHE INDUCTION

Under Section I and Section II the watercraft must be newly acquired by the insured and:

- A. Replace property insured by this policy; or
- B. Be additional property. On the date of its delivery, we must insure all other boats and motors the insured owns.

The insured must tell us about the newly acquired watercraft within 30 days after it is delivered to the insured, tell us which Boatowner's Policy applies, and pay any premium due.

Reasonable Repairs

If damage is caused by a Loss Insured, we will pay the reasonable cost incurred to repair damage to covered property to protect the property from further damage or loss. This is an additional amount of insurance.

Wreck Removal

We will pay the reasonable expenses incurred by the insured for any attempted or actual raising, removal, or destruction of the wreck of their watercraft if:

- A. The damage is caused by a Loss Insured; and
- B. Removal or destruction of the wreck is required by law or governmental authority.

The expense for wreck removal is included within the Coverage A limit. When the amount payable for damage to the watercraft plus the cost of removal or destruction of the wreck exceeds the Coverage A limit, an additional 5% of the Coverage A limit is available for wreck removal expense.

Loss Settlement

Covered property losses under the Boatowner's Policy are settled as follows:

- I. We will pay the cost of repair or replacement at the time of loss, without deduction for depreciation, subject to the following:
 - A. We will pay the cost of repair or replacement but not exceeding the following amounts:
 - 1. Replacement cost at the time of loss;
 - 2. The full cost of repair;
 - 3. Any applicable special limit of liability; or
 - 4. Any applicable limit of liability.

- B. Loss to property not repaired or replaced within one year after the loss will be settled on an actual cash value basis. This means there may be deduction for depreciation.
- II. We will pay the Coverage A limit shown in the Declarations for the described boats and motors if all described items are a total loss as the result of a single insured loss. We will also pay the Coverage A limit shown in the Declarations for a boat trailer if it is also a total loss as the result of the same single insured loss. The policy deductible does not apply to these total losses.

Salvage

Under Section I - Conditions, #7 - Our Option, it states that any property we pay for or replace under this policy becomes our property. See your catastrophe management for specific directions concerning the handling of salvage watercraft.

Optional Coverages

There are several optional coverages available with the Boatowner's Policy that might affect coverage in certain circumstances. Check to see if there are any optional coverages listed on the policy.

Option E - Client Entertainment

This option provides an exception to the Section I exclusion for business use, and allows occasional entertainment of business clients aboard the insured's watercraft.

Option F - Personal Property

This option provides additional coverage for the insured's personal property that is used with the watercraft, provided the damage is caused by a Loss Insured. The coverage limit for this option will be shown in the Declarations, and may vary.

Several categories of personal property are not covered under Option F. There are other items which are covered for only a few named perils listed under Option F, and there are special limits of liability for certain types of personal property. Refer to Option F in the back of the Boatowner's policy for these limitations.

Rental Dwelling Policy

Personal Effects

Under Additional Coverages, item #6 - Personal Effects, provides the following coverage:

We will pay up to \$500 for loss at the residence premises caused by a Loss Insured to personal effects of others while such property is in your care, custody, or control. This coverage is subject to the limitations and exclusions applicable to Coverage B - Personal Property. This coverage is limited to \$100 per person and does not increase the limit of liability applying to Coverage B - Personal Property.

Losses Not Insured

Item 1e excludes theft of any property which is not actually part of any building or structure. Under Additional Coverages, item #7 - Burglary, there could be theft coverage for personal property used or owned by the insured which is rented or held for rental with the residence premises, when the loss is from a known location within a building on the residence premises when it is probable that the property has been stolen and there is visible evidence of forcible entry to or forcible exit from that building. The Additional Coverage for Burglary does not increase the limit of liability applying to Coverage B - Personal Property.

Business Policy

Coverage A - Accidental Direct Physical Loss Coverage

- Buildings, garages, completed additions
- Permanently installed fixtures
- Personal property used to service the premises
- Additions under construction
- Material within 100 feet of premises for additions

Coverage B - Accidental Direct Physical Loss Coverage

- Property you own that is used in your business
- Property in the insured's care and owned by others
- Tenants improvements made a part of the building, you acquired or made at your expense

Seasonal Automatic Increase

- 25% Additional Personal Property coverage if 100% of average monthly value is carried during last 12 months

Property Not Covered

This policy does not cover:

1. aircraft;
2. automobiles, motor trucks and other vehicles subject to motor vehicle registration;
3. watercraft (including motors, equipment and accessories) while afloat;
4. money or securities, except as provided in the Optional Coverages;
5. contraband, or property in the course of illegal transportation or trade;
6. land (including land on which the property is located) or any costs required to replace, rebuild, excavate, grade, backfill, fill, stabilize or otherwise restore the land, except as provided in the Extensions of Coverage;

CATASTROPHE INDUCTION

7. natural water or growing crops;
8. exterior signs, except as provided in the Extensions of Coverage;
9. animals, except as provided in the Property Subject to Limitations;
10. the cost to research, replace or restore the information on valuable papers and records, including those which exist on electronic or magnetic media, except as provided in the Extensions of Coverage;
11. trees, plants, lawns and shrubs, except as provided in the Extensions of Coverage;
12. property that is covered under another coverage form of this or any other policy in which it is more specifically described, except for the excess of the amount due (whether you can collect on it or not) from that other insurance.

Property Subject to Limitation

We will not pay for loss:

1. to valuable papers and records, such as books of account, manuscripts, abstracts, drawings, card index systems, film, tape, disc, drum, cell or other electronic data processing, recording or storage media, and other records, caused by any error in programming. But if loss to papers or records, including those which exist on electronic or magnetic media, is caused by any other insured loss, we will pay either:
 - a. the cost of replacing the papers or records with duplicates of like kind and quality, such as prepackaged software programs, if duplicate material is available on the current retail market; or
 - b. the cost of unexposed or blank material for reproducing the papers or records, if they cannot be replaced with duplicate material of like kind and quality;
2. to fragile articles, such as glassware, statuary, marbles, chinaware, porcelains, bric-a-brac and other articles of a brittle nature, if broken, unless caused by any of the "Specified Causes of Loss" or by building glass breakage. This limitation does not apply to:
 - a. glass that is part of a building or structure;
 - b. bottles or similar containers of property held for sale or sold but not delivered; or
 - c. lenses of photographic or scientific instruments;
3. by theft of the following types of property for more than the limits shown in any one occurrence:

- a. \$2,500 for furs, fur garments and garments trimmed with fur;
 - b. \$2,500 for jewelry, watches, watch movements, jewels, pearls, precious and semi-precious stones, bullion, gold, silver, platinum and other precious alloys or metals. This limit does not apply to jewelry and watches worth \$100 or less per item;
 - c. \$2,500 for patterns, dies, molds and forms; and
 - d. \$250 for stamps, tickets and letters of credit;
4. to animals which are:
- a. owned by you as merchandise held in storage or for sale while inside of buildings; or
 - b. owned by others and boarded by you;
- unless caused by any of the "Specified Causes of Loss" or building glass breakage and then only if they are killed or their destruction is made necessary, or by theft;
5. to bridges, roadways, driveways, walks, patios or other paved surfaces, fences, outdoor swimming pools and related equipment, retaining walls, bulkheads, pilings, piers, wharves, docks and underground pipes, flues or drains caused by:
- a. freezing or thawing;
 - b. impact of watercraft; or
 - c. The pressure or weight of ice or water whether driven by wind or not;
6. to the interior of any building or structure, or the property inside any building or structure, caused by rain, snow, sleet, ice, sand or dust, whether driven by wind or not, unless:
- a. the building or structure first sustains damage by an insured loss to its roof or walls through which the rain, snow, sleet, ice, sand or dust enters; or
 - b. the loss is caused by thawing of snow, sleet or ice on the building or structure;
7. to steam boilers, steam pipes, steam engines or steam turbines caused by any condition or event inside such equipment. But we will pay for loss to such equipment caused by an explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass;

CATASTROPHE INDUCTION

8. to hot water boilers or other water heating equipment, air conditioning units or refrigerating units caused by any condition or event inside such boilers or equipment, other than an explosion
9. to personal property in the open caused by rain, snow, sleet or ice;
10. to gutters and downspouts caused by weight of snow, sleet or ice.

Loss of Income

- For actual loss of "business income" to continue operations during period of restoration.
- Extra expense to minimize the suspension.

Optional Coverages

- AR - Accounts Receivable
- ED - Employee Dishonesty
- ES - Exterior Signs
- MB - Mechanical Breakdown
- MO - Money and Securities
- PO - Property of Others
- TP - Trees, plants, lawns and shrubs
- VP - Valuable papers

Deductible

- Shown in the declarations, except:
 - ❖ Glass
 - ❖ Money and securities

Apartment Policy

Coverage A - Accidental Direct Physical Loss Coverage

- Buildings, garages, completed additions
- Permanently installed fixtures
- Personal property used to service the premises
- Additions under construction
- Material within 100 feet of premises for additions

Coverage B - Accidental Direct Physical Loss Coverage

- Property used in business
- Property in the insured's care and owned by others

Property Not Covered

This policy does not cover:

1. aircraft;
2. automobiles, motor trucks and other vehicles subject to motor vehicle registration;
3. watercraft (including motors, equipment and accessories) while afloat;
4. money or securities, except as provided in the Optional Coverages;
5. contraband, or property in the course of illegal transportation or trade;
6. land (including land on which the property is located) or any costs required to replace, rebuild, excavate, grade, backfill, fill, stabilize or otherwise restore the land, except as provided in the Extensions of Coverage;
7. natural water or growing crops;
8. exterior signs, except as provided in the Extensions of Coverage;
9. animals, except as provided in the Property Subject to Limitations;

10. the cost to research, replace or restore the information on valuable papers and records, including those which exist on electronic or magnetic media, except as provided in the Extensions of Coverage;
11. trees, plants, lawns and shrubs, except as provided in the Extensions of Coverage;
12. property that is covered under another coverage form of this or any other policy in which it is more specifically described, except for the excess of the amount due (whether you can collect on it or not) from that other insurance.

Property Subject to Limitation

We will not pay for loss:

1. to valuable papers and records, such as books of account, manuscripts, abstracts, drawings, card index systems, film, tape, disc, drum, cell or other electronic data processing, recording or storage media, and other records, caused by any error in programming. But if loss to papers or records, including those which exist on electronic or magnetic media, is caused by any other insured loss, we will pay either:
 - a. the cost of replacing the papers or records with duplicates of like kind and quality, such as prepackaged software programs, if duplicate material is available on the current retail market; or
 - b. the cost of unexposed or blank material for reproducing the papers or records, if they cannot be replaced with duplicate material of like kind and quality;
2. to fragile articles, such as glassware, statuary, marbles, chinaware, porcelains, bric-a-brac and other articles of a brittle nature, if broken, unless caused by any of the "Specified Causes of Loss" or by building glass breakage. This limitation does not apply to:
 - a. glass that is part of a building or structure;
 - b. bottles or similar containers of property held for sale or sold but not delivered; or
 - c. lenses of photographic or scientific instruments;
3. by theft of the following types of property for more than the limits shown in any one occurrence:
 - a. \$2,500 for furs, fur garments and garments trimmed with fur;
 - b. \$2,500 for jewelry, watches, watch movements, jewels, pearls, precious and semi-precious stones, bullion, gold, silver, platinum and other precious alloys or metals. This limit does not apply to jewelry and watches worth \$100 or less per item;

- c. \$2,500 for patterns, dies, molds and forms; and
 - d. \$250 for stamps, tickets and letters of credit;
4. to animals which are:
- a. owned by you as merchandise held in storage or for sale while inside of buildings; or
 - b. owned by other and boarded by you;
- unless caused by any of the "Specified Causes of Loss" or building glass breakage and then only if they are killed or their destruction is made necessary, or by theft;
5. to bridges, roadways, driveways, walks, patios or other paved surfaces, fences, outdoor swimming pools and related equipment, retaining walls, bulkheads, pilings, piers, wharves, docks and underground pipes, flues or drains caused by:
- a. freezing or thawing;
 - b. impact of watercraft; or
 - c. the pressure or weight of ice or water whether driven by wind or not;
6. to the interior of any building or structure, or the property inside any building or structure, caused by rain, snow, sleet, ice, sand or dust, whether driven by wind or not, unless:
- a. the building or structure first sustains damage by an insured loss to its roof or walls through which the rain, snow, sleet, ice, sand or dust enters; or
 - b. the loss is caused by thawing of snow, sleet or ice on the building or structure;
7. to steam boilers, steam pipers, steam engines or steam turbines caused by any condition or event inside such equipment. But we will pay for loss to such equipment caused by an explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass;
8. to hot water boilers or other water heating equipment, air conditioning units or refrigerating units caused by any condition or event inside such boilers or equipment, other than an explosion;
9. to personal property in the open caused by rain, snow, sleet or ice;
10. to gutters and downspouts caused by weight of snow, sleet or ice.

Loss of Income

- For actual loss of "business income" to continue operations during period of restoration
- Extra expense to minimize the suspension

Optional Coverages

- ED - Employee Dishonesty
- ES - Exterior Signs
- MB - Mechanical Breakdown
- MO - Money and Securities
- TP - Trees, plants, lawns and shrubs

Deductible

- Shown in the declarations, except:
 - ❖ Glass
 - ❖ Money and securities

Church Policy

Coverage A - Accidental Direct Physical Loss Coverage

- Buildings, garages, completed additions
- Permanently installed fixtures
- Personal property used to service the premises
- Additions under construction
- Material within 100 feet of premises for additions
- Electric sound and communications equipment, fixed seats, pews, tables, alters, clocks, bells, organs, and baptisteries

Coverage B - Accidental Direct Physical Loss Coverage

- Property used in business
- Property in the insured's care and owned by others
- Tenants improvements made part of the building

Property Not Covered

This policy does not cover:

1. aircraft;
2. automobiles, motor trucks and other vehicles subject to motor vehicle registration;
3. watercraft (including motors, equipment and accessories) while afloat;
4. money or securities, except as provided in the Extensions of Coverage;
5. contraband, or property in the course of illegal transportation or trade;
6. land (including land on which the property is located) or any costs required to replace, rebuild, excavate, grade, backfill, fill, stabilize or otherwise restore the land, except as provided in the Extensions of Coverage;
7. natural water or growing crops;

8. animals, except as provided in the Property Subject to Limitations;
9. the cost to research, replace or restore the information on valuable papers and records, including those which exist on electronic or magnetic media, except as provided in the Extensions of Coverage;
10. trees, plants, lawns and shrubs, except as provided in the Extensions of Coverage; or
11. property that is covered under another coverage form of this or any other policy in which it is more specifically described, except for the excess of the amount due (whether you can collect on it or not) from that other insurance.

Property Subject to Limitation

We will not pay for loss:

1. to valuable papers and records, such as books of account, manuscripts, abstracts, drawings, card index systems, film, tape, disc, drum, cell or other electronic data processing, recording or storage media, and other records, caused by any error in programming. But if loss to papers or records, including those which exist on electronic or magnetic media, is caused by any other insured loss, we will pay either:
 - a. the cost of replacing the papers or records with duplicates of like kind and quality, such as prepackaged software programs, if duplicate material is available on the current retail market; or
 - b. the cost of unexposed or blank material for reproducing the papers or records, if they cannot be replaced with duplicate material of like kind and quality;
2. to fragile articles, such as glassware, statuary, marbles, chinaware, porcelains, bric-a-brac and other articles of a brittle nature, if broken, unless caused by any of the "Specified Causes of Loss" or by building glass breakage. This limitation does not apply to:
 - a. glass that is part of a building or structure;
 - b. bottles or similar containers of property held for sale or sold but not delivered; or
 - c. lenses of photographic or scientific instruments;
3. by theft of the following types of property for more than the limits shown in any one occurrence:
 - a. \$2,500 for furs, fur garments and garments trimmed with fur;
 - b. \$2,500 for jewelry, watches, watch movements, jewels, pearls, precious and semi-precious stones, bullion, gold, silver, platinum and other precious alloys or metals. This limit does not apply to jewelry and watches worth \$100 or less per

item;

- c. \$2,500 for patterns, dies, molds and forms; and
 - d. \$250 for stamps, tickets and letters of credit;
4. to animals which are:
- a. owned by you as merchandise held in storage or for sale while inside of buildings; or
 - b. owned by other and boarded by you;
- unless caused by any of the "Specified Causes of Loss" or building glass breakage and then only if they are killed or their destruction is made necessary, or by theft;
5. to bridges, roadways, driveways, walks, patios or other paved surfaces, fences, outdoor swimming pools and related equipment, retaining walls, bulkheads, pilings, piers, wharves, docks and underground pipes, flues or drains caused by:
- a. freezing or thawing;
 - b. impact of watercraft; or
 - c. the pressure or weight of ice or water whether driven by wind or not;
6. to the interior of any building or structure, or the property inside any building or structure, caused by rain, snow, sleet, ice, sand or dust, whether driven by wind or not, unless:
- a. the building or structure first sustains damage by an insured loss to its roof or walls through which the rain, snow, sleet, ice, sand or dust enters; or
 - b. the loss is caused by thawing of snow, sleet or ice on the building or structure;
7. to steam boilers, steam piper, steam engines or steam turbines caused by any condition or event inside such equipment. But we will pay for loss to such equipment caused by an explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass;
8. to hot water boilers or other water heating equipment, air conditioning units or refrigerating units caused by any condition or event inside such boilers or equipment, other than an explosion;
9. to personal property in the open caused by rain, snow, sleet or ice;
10. to gutters and downspouts caused by weight of snow, sleet or ice.

Optional Coverages

- ED - Employee Dishonesty
- ES - Exterior Signs
- MB - Mechanical Breakdown
- MO - Money and Securities
- PO - Property of Others
- TP - Trees, plants, lawns and shrubs

Deductible

- Shown in the declarations, except:
 - ❖ Glass
 - ❖ Money and securities

Condominium Association Policy

Coverage A - Accidental Direct Physical Loss

- Buildings, garages, completed additions
- Permanently installed fixtures
- Personal property used to service the premises
- Additions under construction
- Any fixtures, improvements that are part of the building, and appliances in the unit regardless of ownership.
- Materials within 100 feet of premises for additions

Coverage B - Accidental Direct Physical Loss

- Property the insured owns
- Property in the insured's care and owned by others
- Property in which each unitowner has an undivided interest including interest in personal property owned by others

Property Not Covered

This policy does not cover:

1. aircraft;
2. automobiles, motor trucks and other vehicles subject to motor vehicle registration;
3. watercraft (including motors, equipment and accessories) while afloat;
4. money or securities, except as provided in the Optional Coverages;
5. contraband, or property in the course of illegal transportation or trade;
6. land (including land on which the property is located) or any costs required to replace, rebuild, excavate, grade, backfill; fill, stabilize or otherwise restore the land, except as provided in the Extensions of Coverage; or
7. natural water or growing crops;

8. exterior signs, except as provided in the Extensions of Coverage;
9. animals, except as provided in the Property Subject to Limitations;
10. the cost to research, replace or restore the information on valuable papers and records, including those which exist on electronic or magnetic media, except as provided in the Extensions of Coverage;
11. trees, plants, lawns and shrubs, except as provided in the Extensions of Coverage;
12. property that is covered under another coverage form of this or any other policy in which it is more specifically described, except for the excess of the amount due (whether you can collect on it or not) from that other insurance; or
13. personal property owned by a unit-owner except as provided in Coverage B - Business Personal Property.

Property Subject to Limitation

We will not pay for loss:

1. to valuable papers and records, such as books of account, manuscripts, abstracts, drawings, card index systems, film, tape, disc, drum, cell or other electronic data processing, recording or storage media, and other records, caused by any error in programming. But if loss to papers or records, including those which exist on electronic or magnetic media, is caused by any other insured loss, we will pay either:
 - a. the cost of replacing the papers or records with duplicates of like kind and quality, such as prepackaged software programs, if duplicate material is available on the current retail market; or
 - b. the cost of unexposed or blank material for reproducing the papers or records, if they cannot be replaced with duplicate material of like kind and quality;
2. to fragile articles, such as glassware, statuary, marbles, chinaware, porcelains, bric-a-brac and other articles of a brittle nature, if broken, unless caused by any of the "Specified Causes of Loss" or by building glass breakage. This limitation does not apply to:
 - a. glass that is part of a building or structure;
 - b. bottles or similar containers of property held for sale or sold but not delivered; or
 - c. lenses of photographic or scientific instruments;
3. by theft of the following types of property for more than the limits shown in any one occurrence:

- a. \$2,500 for furs, fur garments and garments trimmed with fur;
 - b. \$2,500 for jewelry, watches, watch movements, jewels, pearls, precious and semi-precious stones, bullion, gold, silver, platinum and other precious alloys or metals. This limit does not apply to jewelry and watches worth \$100 or less per item;
 - c. \$2,500 for patterns, dies, molds and forms; and
 - d. \$250 for stamps, tickets and letters of credit;
4. to animals which are:
- a. owned by you as merchandise held in storage or for sale while inside of buildings; or
 - b. owned by other and boarded by you;
- unless caused by any of the "Specified Causes of Loss" or building glass breakage and then only if they are killed or their destruction is made necessary, or by theft;
5. to bridges, roadways, driveways, walks, patios or other paved surfaces, fences, outdoor swimming pools and related equipment, retaining walls, bulkheads, pilings, piers, wharves, docks and underground pipes, flues or drains caused by:
- a. freezing or thawing;
 - b. impact of watercraft; or
 - c. The pressure or weight of ice or water whether driven by wind or not;
6. to the interior of any building or structure, or the property inside any building or structure, caused by rain, snow, sleet, ice, sand or dust, whether driven by wind or not, unless:
- a. the building or structure first sustains damage by an insured loss to its roof or walls through which the rain, snow, sleet, ice, sand or dust enters; or
 - b. the loss is caused by thawing of snow, sleet or ice on the building or structure;
7. to steam boilers, steam pipers, steam engines or steam turbines caused by any condition or event inside such equipment. But we will pay for loss to such equipment caused by an explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass;

8. to hot water boilers or other water heating equipment, air conditioning units or refrigerating units caused by any condition or event inside such boilers or equipment, other than an explosion;
9. to personal property in the open caused by rain, snow, sleet or ice;
10. to gutters and downspouts caused by weight of snow, sleet or ice.

Optional Coverages

- ED - Employee Dishonesty
- ES - Exterior Signs
- MB - Mechanical Breakdown
- MO - Money and Securities
- TP - Trees, plants, lawns and shrubs

Deductible

- Shown in the declarations, except:
 - ❖ Glass
 - ❖ Money and securities