

**Derek Wyatt**

---

**From:** Vicki Burns [vburns@hickmanlaw.com]  
**Sent:** Monday, October 30, 2006 9:03 AM  
**To:** McAlister@davidnutt.com  
**Cc:** Derek Wyatt; Goodloe Lewis; Lawrence Tucker; H. Scot Spragins; mbrown@davidnutt.com  
**Subject:** Pontius v. SF

O: Mary E. McAlister

FROM: Scot Spragins

The depositions will be in the conference room of the Doubletree Hotel beginning Tuesday, October 31, 2006, at 1:00 p.m. and with the time limitations set forth by the local rules. If this is unacceptable, please respond immediately and I will turn around and come home.

DICTATED BUT NOT READ

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Vickie Burns  
Assistant to H. Scot Spragins  
Hickman, Goza & Spragins, PLLC, Attorneys at Law  
P. O. Box 668  
1305 Madison Avenue  
Oxford, MS 38655  
Phone 662-234-4000  
Facsimile 662-234-2000  
[vburns@HICKMANLAW.com](mailto:vburns@HICKMANLAW.com)

10/31/2006

**EXHIBIT**

Handle #1  
10-31-06 Sm

## Beth Clatworthy

**From:** Beth Clatworthy  
**Sent:** Monday, October 30, 2006 1:28 PM  
**To:** 'sspragins@hickmanlaw.com'  
**Cc:** 'Derek Wyatt (dwyatt@barrettlawoffice.com)'; Meg McAlister  
**Subject:** Pontius  
**Attachments:** Spragins, Scot re 30(b)(6) details - 10-30-06.pdf

Tracking:	Recipient	Delivery
	'sspragins@hickmanlaw.com'	
	'Derek Wyatt (dwyatt@barrettlawoffice.com)'	
	Meg McAlister	Delivered: 10/30/2006 1:28 PM

Mr. Spragins,

Please see the attached letter from Derek Wyatt.

Thank you,  
Beth Clatworthy

*Beth Clatworthy*

Paralegal

**David Nutt & Associates**  
605 Crescent Blvd.  
Ridgeland, MS 39157  
Phone: 601-898-7302  
Facsimile: 601-898-7304

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10/30/2006

**EXHIBIT**

*Hinkle #2*  
*10-31-06 sm*

# SCRUGGS KATRINA GROUP

A Venture Group Comprised of Legal Professionals

Scruggs Law Firm, P.A.  
Nutt & McAlister, P.L.L.C

Jones, Funderburg, Sessums & Peterson  
Barrett Law Office, P.A.  
Lovelace Law Firm, P.A.

October 30, 2006

***By Email attachment***

H. Scot Spragins  
HICKMAN, GOZA & SPRAGINS, PLLC  
Post Office Drawer 668  
Oxford, MS 38655-0668

**Re: *Pontius v. State Farm Fire and Casualty Company, et al***  
**United States District Court, Southern District of Mississippi, Southern Division**  
**Civil Action No. 1:06cv749LGRHW**

Dear Scot:

This letter is our good faith letter, and is intended as further evidence of our efforts as Plaintiffs' counsel to meet and confer concerning the remaining disputed issues regarding State Farm's 30(b)(6) deposition.

First, we note that our initial notice was sent to you over thirty (30) days ago, on or about September 27, 2006. We asked you then for dates and times, and sent a draft notice. We received no reply. As our letter indicated, if we did not hear from you, we would go ahead and forward a notice with a fixed date and time. We did this on October 11, 2006, reasonably setting the deposition for seven (7) days away, October 18, 2006. All of this was done in an effort to meet the Court-imposed briefing deadlines then applicable by CMO.

The notice of October 11, 2006 set the time as 9:00 AM and the place as State Farm's office, all of which is both consistent with the Federal Rules of Procedure and the custom and practice in taking a corporate, party deponent, Rule 30(b)(6) deposition. As we have repeatedly said in written and verbal communication to you or others in your office, the right to set the time and place of the deposition, subject of course to reasonable terms, is accorded under Rule 30(b)(1) to the noticing party. We invited you to provide for any authority you had to the contrary. We have received none.

An entire month elapsed before anyone from your office ever even advised us of the fact that you insisted the deposition begin on Tuesday, October 31, 2006. The first mention of that date was made in a telephone conversation with Goodloe Lewis of your office last Friday, October 27, 2006. Later still, Plaintiffs were advised that you insisted the deposition was not to start until 1:00 PM. (See email from Goodloe Lewis sent to us on Friday, October 27, 2006, at 3:12 PM). From our understanding of the Rules, this is hardly consistent with the requirements for good faith communication between counsel, regarding discovery matters.

page 2

Monday, October 30, 2006

You are aware that Plaintiffs have been previously prejudiced by the fact that travel plans, court reporter arrangements, etc. had to be cancelled once before, when you objected to the 30(b)(6) deposition and waited until the day before it was scheduled to commence to file any objection. (See deposition noticed for October 18, 2006, and separate transcript made at the Hugh Crisp deposition, on October 16, 2006).

Plaintiffs were more than reasonable on that occasion in delaying the deposition set for October 18, 2006, especially in light of the fact that your objections were raised too late for the Court to take-up the issue and considering the fact that Plaintiffs were within their rights to proceed pursuant to Local Rule 37. 2 and the Case Management Order fixing the briefing deadlines.

In an effort to accommodate some of your objections this time we have offered to start the 30(b)(6) deposition on your unilaterally selected date of Tuesday, and at the time you demanded, i.e., 1:00 PM, provided you agree that Wednesday November 1, 2006 remain open for completion of the deposition. We received no reply as to whether this was agreeable with you.

This letter is our final request that you and your client follow the Rules, nothing more and nothing less, or produce authority we can review that permits you to deviate therefrom.

To be sure, and so there is no further confusion, I will reiterate the main points of this correspondence:

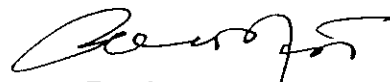
1. Plaintiffs will appear and take the deposition of State Farm, pursuant to the previous notice, (or re-notice, as the case may be), on October 31, 2006, at 9:00 AM;
2. As accorded by the Rules, the deposition will be taken at the place stated in the notice (or re-notice as the case may be);
3. Plaintiffs have incurred substantial actual costs, including travel costs, court reporter costs, and costs of personnel in repeatedly changing the deposition scheduling;
4. A second failure of State Farm to act in good faith and appear for the deposition will regrettably result in a motion for costs, and the extraordinary relief to strike the defendants' answer on grounds that the defendant is willfully preventing Plaintiffs from complying with the Court's order to brief the declaratory count for dispositive motion, by the date and time fixed in the new scheduling order.

page 3  
Monday, October 30, 2006

3. I urge you to comply with the Rules, and to kindly cease and desist from creating further confusion and obstruction, thus preventing Plaintiffs from exercising legitimate, court ordered- discovery.

Please also consider this letter as Plaintiffs' repeated good faith request that the defendant immediately produce all documents we have requested in advance of this deposition.

Sincerely,



Derek A. Wyatt

DAW/rm  
cc: Meg McAlister

\*\*\*\*\*  
\*\*\* TX REPORT \*\*\*  
\*\*\*\*\*

TRANSMISSION OK

TX/RX NO 1174  
RECIPIENT ADDRESS 916622342000pppp228  
DESTINATION ID  
ST. TIME 10/30 13:39  
TIME USE 00'31  
PAGES SENT 3  
RESULT OK

## SCRUGGS KATRINA GROUP

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Jones, Funderburg, Sessums & Peterson  
Barrett Law Office, P.A.  
Lovelace Law Firm, P.A.

October 30, 2006

***By Email attachment***

H. Scot Spragins  
HICKMAN, GOZA & SPRAGINS, PLLC  
Post Office Drawer 668  
Oxford, MS 38655-0668

**Re: *Pontius v. State Farm Fire and Casualty Company, et al***  
**United States District Court, Southern District of Mississippi, Southern Division**  
**Civil Action No. 1:06cv749LGRHW**

Dear Scot:

This letter is our good faith letter, and is intended as further evidence of our efforts as Plaintiffs' counsel to meet and confer concerning the remaining disputed issues regarding State Farm's 30(b)(6) deposition.

First, we note that our initial notice was sent to you over thirty (30) days ago, on or about September 27, 2006. We asked you then for dates and times, and sent a draft notice. We received no reply. As our letter indicated, if we did not hear from you, we would go ahead and forward a notice with a fixed date and time. We did this on October 11, 2006, reasonably setting the deposition for seven (7) days away, October 18, 2006. All of this was done in an effort to meet the Court-imposed briefing deadlines then applicable by CMO.

The notice of October 11, 2006 set the time as 9:00 AM and the place as State Farm's office, all of which is both consistent with the Federal Rules of Procedure and the custom and practice in taking a corporate, party deponent, Rule 30(b)(6) deposition. As we have repeatedly said in written and verbal communication to you or others in your office, the right to set the time and place of the deposition, subject of course to reasonable terms, is accorded under Rule

**Meg McAlister**

---

**From:** Goodloe Lewis [glewis@hickmanlaw.com]  
**Sent:** Monday, October 30, 2006 3:49 PM  
**To:** Meg McAlister; Derek Wyatt  
**Cc:** H. Scot Spragins  
**Subject:** Pontius v. SFFCC  
**Attachments:** Production set #6 (00011098).PDF

Documents responsive to areas 8, 9 & 15 attached.

Goodloe T. Lewis  
Hickman, Goza & Spragins, PLLC  
Attorneys at Law  
P.O. Drawer 668  
1305 Madison Avenue  
Oxford, MS 38655-0668  
662-234-4000 telephone  
662-234-2000 facsimile

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10/31/2006

**EXHIBIT**  
*Hinkle #3*  
*10-31-06 Sm*

**Meg McAlister**

---

**From:** Goodloe Lewis [glewis@hickmanlaw.com]  
**Sent:** Monday, October 30, 2006 3:56 PM  
**To:** Meg McAlister; Derek Wyatt  
**Cc:** H. Scot Spragins  
**Subject:** Pontius v. SF

Hi Meg and Derek,

I talked to Scot about your agreement on the confidentiality order. I think we are on the right track. Scot would like to formalize the agreement as an order to be signed by the judge. Let me know when you would like to discuss that or you may discuss it with Scot tomorrow.

Thanks!!

Goodloe T. Lewis  
Hickman, Goza & Spragins, PLLC  
Attorneys at Law  
P.O. Drawer 668  
1305 Madison Avenue  
Oxford, MS 38655-0668  
662-234-4000 telephone  
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10/31/2006

**EXHIBIT**

Hinkle #4  
10-31-06 sm



**Maria Brown**

**From:** Michelle Harwell [mharwell@hickmanlaw.com]  
**Sent:** Monday, October 30, 2006 3:58 PM  
**To:** dwyatt@barrettlawoffice.com; Meg McAlister; Maria Brown  
**Cc:** walker\_chambers@mssd.uscourts.gov; Lawrence Tucker; Goodloe Lewis  
**Subject:** Pontius v. SF  
**Attachments:** Judge walker - status (00010976).WPD; Protective order (00007123).WPD

I apologize for not providing you this email forwarded to the Judge earlier today. The letter is a status of the case with one attachment.

*Michelle*

\*\*\*\*\*  
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 \*\*\*\*\*

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 1305 Madison Avenue  
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 662-234-4000 telephone  
 662-234-2000 facsimile  
[mharwell@HICKMANLAW.com](mailto:mharwell@HICKMANLAW.com)

**EXHIBIT**  
*Hinkle #5*  
*10-31-06 sm*

10/31/2006

STUART DUKE GOZAC  
H. SCOTT SPRAGINS\*  
LAWRENCE L. LITTLE\*  
GOODLOF T. LEWIS\*  
DION J. SHANLEY  
J. BRIAN HYNEMAN\*  
S. KIRK MILAM  
LAWRENCE J. TUCKER, JR.\*\*  
KATHERINE D. BISHOP  
AMERY W. EWING

\* Mississippi State Bar Approved Mediator  
\* Also admitted in Tennessee  
\*\* Also admitted in Colorado

## HICKMAN, GOZA & SPRAGINS, PLLC

ATTORNEYS AT LAW  
1305 MADISON AVENUE  
POST OFFICE DRAWER 668  
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662-234-4000  
TELECOPIER 662-234-2000  
WEB SITE [www.HICKMANLAW.com](http://www.HICKMANLAW.com)  
E-Mail [sspragins@HICKMANLAW.com](mailto:sspragins@HICKMANLAW.com)

THOMAS R. IBERIDGE  
WILL A. HICKMAN  
OF COUNSEL

ROBERT L. SMALLWOOD, JR.  
(1909-1954)  
CHESTER I. SUMMERS  
(1896-1959)  
LOWELL E. GRISHAM  
(1925-1982)

October 31, 2006

Hon. Robert H. Walker  
USDC Magistrate Judge  
672 Dan M. Russell, Jr. U.S. Courthouse  
2012 15<sup>th</sup> Street  
Gulfport, MS 39501  
via e-mail: [walker\\_chambers@mssd.uscourts.gov](mailto:walker_chambers@mssd.uscourts.gov)

RE: William C. Pontius, et al v. State Farm Fire & Casualty Company  
USDC, Cause No.: 1:06cv749 LTS/RJIW  
Our File No. 06-1801

Dear Judge Walker:

We wanted to report on our efforts to comply with your Order regarding document production in the above case.

We have produced certain documents as requested by the plaintiff. We are prepared to produce certain additional documents requested by the plaintiff, but believe these documents constitute trade secrets and would like to produce these documents pursuant to a protective order. State Farm operational guides and training materials have been consistently found to be protected trade secrets by other courts. *Hamilton vs. State Farm Mutual Auto. Ins. Co.*, 204 F.R.D. 420, 423-25 (S.D. Ind. 2001).

We have provided the plaintiffs' counsel a proposed protective order in the form attached hereto. We have not been given the final word as to whether they intend to sign this protective order. We would point out that this protective order has been entered by the Court in the following cases:

*Thomas and Peggy Loehn vs. State Farm Fire and Casualty Company*, USDC 1:06cv168 LTS/RHW  
*Brian and Lynne Cooney vs. State Farm Fire and Casualty Company*,  
USDC 1:06cv399 LTS/RIW

We have advised plaintiffs' counsel to propose another version of a protective order if the attached was not acceptable, but they have not done so. We hope that we can reach an agreement on a

MADISON OFFICE  
7716 OLD CANTON ROAD  
SUITE C  
MADISON, MS 39110  
601-427-0042  
TELECOPIER 601-427-0045

GRENADE SUBROGATION OFFICE  
2026 SOUTH COMMERCE, SUITE 1  
POST OFFICE BOX 840  
GRENADE, MS 38901-0940  
662-226-8003  
TELECOPIER 662-226-0255

HICKMAN, GOZA & SPRAGINS, PLLC

October 31, 2006

Page 2

protective order soon, but we may need Court assistance on this matter in the near future.

Sincerely,

HICKMAN, GOZA & SPRAGINS, PLLC

*/s/ Goodloe T. Lewis*

GOODLOE T. LEWIS

GTL/mh

attachment

IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI  
SOUTHERN DIVISION

WILLIAM C. PONTIUS, M.D. and  
MOLLIE J. PONTIUS

PLAINTIFFS

VS.

CAUSE NUMBER: 1:06CV749-LTS-RHW

STATE FARM FIRE AND CASUALTY COMPANY;  
an Illinois Corporation; and JOHN AND JANE DOES 1-10

DEFENDANTS

---

CONSENT PROTECTIVE ORDER

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The Court, being duly advised in the premises, finds that good causes exists for the issuance of a Protective Order; therefore, it is ORDERED and ADJUDGED that:

1. "Confidential Information" shall mean and refer to all documents, testimony, business records, information on magnetic media, computer tapes, computer disks, hard copies or printouts derived from computer tapes or computer disks, or individual portions thereof, of other information which is produced, disclosed, or otherwise given by State Farm Fire & Casualty Company, a party to this action, or by any of its employees, agents, or servants, and responses to any subpoena, documentary request, deposition question, witness examination, or other request made by any other party or attorney in this action.

2. "Confidential Information" may be inspected by or revealed to only the following "qualified persons":

1. The parties and counsel of record for the parties in this litigation, including all associates, paralegals, and stenographic and clerical employees of the respective parties to this case;

2. Any outside witness, consultant, adviser or expert retained, deposed or consulted by a party for the purpose of obtaining such individual's advice or opinion regarding issues in this litigation, but only to the extent necessary for the individual to provide such advice or opinion and provided the individual has executed an agreement to maintain confidentiality in the form attached hereto as Exhibit "A;"

3. The Court, including any Judge, Magistrate, or Judicial Law Clerk who is assigned to the case.

3. "Confidential Information" shall be used solely for purposes of this action and shall not be used, directly or indirectly, for any business purpose, commercial purpose, competitive purpose, or any other purpose.

4. The designating entity or its counsel may place a stamp or other designation of confidentiality on the documents produced. Said stamp or designation shall not be so pervasive as to obscure or render illegible the contents of said document.

5. Persons may be deposed regarding "Confidential Information" of which they have knowledge. Only "qualified persons," including the court reporter and the witness, shall be present at such depositions. The transcripts of said deposition shall be treated in accordance with this Order.

6. Any "Confidential Information" which is revealed by or included in any discovery proceeding (whether formal or informal and whether in the form of depositions, transcripts, interrogatory answers, or document production) or in any motions, pleadings, affidavits, briefs or other documents submitted to this Court, shall be subject to this Order.

7. "Confidential Information" included as part of any pleading or memorandum shall be filed in sealed envelopes or other containers and shall be endorsed the title of this action, an

indication of the nature of the contents, the word "confidential" and the following statement:

This envelope containing documents that are filed in this case by State Farm Mutual Automobile Insurance Company is not to be opened nor the contents thereof to be revealed except by court order; provided, however, that counsel of record in this case may open this envelope in the office of the Clerk of this Court and there inspect the contents hercof, without order of court, and upon completion of each inspection by counsel, the envelope containing such documents shall be resealed.

8. No person receiving a "confidential" document or transcript shall disclose it or its contents to any person other than (a) to those "qualified persons" described in paragraph 2 and for the purposes specified; (b) in any motions, pleadings, affidavits, briefs, or other documents submitted to the Court in this action, subject to the restrictions imposed by paragraph 7 of this Order; or (c) in any hearing, trial, or other judicial proceeding before the Court in this action. Counsel shall be responsible for obtaining an executed agreement to maintain confidentiality in the form attached hereto as Exhibit "A" for all persons, other than counsel and staff members under counsel's control, to whom any confidential document, information or transcript is disclosed. Counsel shall be responsible for maintaining all executed agreements to maintain confidentiality and the agreement shall be available for inspection by counsel at the request of the producing party, unless said request would infringe upon counsel's trial strategy, and if so, shall be available for inspection at the conclusion of said case.

9. Each person signing the attached confidentiality agreement submits to the personal jurisdiction of this Court for the purposes of enforcement of this Order, either prior to or following the completion of this action. Jurisdiction of this action is to be retained by this Court after final determination for purposes of enabling any party or persons affected by this Order to apply to the Court at any time for such direction or further decree as may be appropriate for the construction or

enforcement of this Order or for such additional relief as may become appropriate.

10. Within sixty (60) days after conclusion of all aspects of this litigation, all documents containing confidential information and all copies of same (other than exhibits of record) shall be returned to the designating entity along with executed copies of Exhibit "A."

ACKNOWLEDGMENT AND AFFIDAVIT OF COMPLIANCE

Counsel of record shall make written certification of compliance herewith and shall deliver the same to counsel or the designating entity not more than ninety (90) days after final termination of this litigation.

11. Inadvertent disclosure of any document or information shall be without prejudice to any claims that such material is Confidential Information, privileged, work product or otherwise protected from discovery, and no party shall be held to have waived any rights by such disclosure. Any document or information so disclosed and subject to a subsequent claim of privilege, work product or other protection, shall be returned immediately to the appropriate party and such document of information shall not be introduced into evidence in this or any other proceeding by any person without either (i) the consent of said party, or (ii) by order of the Court, nor will such document or information be subject to production (other than *in camera*) in any proceeding by virtue of the fact that it was inadvertently produced in this proceeding.

12. Disclosure of Confidential Information to third parties by any party or person, except the designating entity, shall not waive the confidentiality of such information or the obligations hereunder.

13. This Order shall inure to the benefit and be binding upon any future party or counsel to this litigation, as well as upon any non-party who produces documents in this litigation.

14. The attorneys of record are responsible for employing reasonable measures to control, consistent with this Order, duplication of, access to, and distribution of confidential information.

On THIS, the \_\_\_\_\_ day of \_\_\_\_\_, 2006.

UNITED STATES MAGISTRATE JUDGE

**AGREED:**

\_\_\_\_\_  
DEREK A. WYATT, MSB # \_\_\_\_\_  
Attorney for Plaintiff

\_\_\_\_\_  
H. SCOT SPRAGINS, MSB #7748  
GOODLOE T. LEWIS, MSB #9889  
LAWRENCE J. TUCKER, JR., MSB #100869  
Attorney for Defendant



**EXHIBIT "A"**  
**ACKNOWLEDGMENT AND AFFIDAVIT OF COMPLIANCE**

I hereby acknowledge that I have been given a copy of the Protective Order dated \_\_\_\_\_, 2006, in the case captioned (William C. Pontius, MD and Mollie J. Pontius vs. State Farm Fire & Casualty Company), in the United States District Court for the Southern District of Mississippi, Cause Number 1:06cv749-LTS-RHW; that I have read the Protective Order; and that I agree to be bound by it. I further understand and agree that I shall not disclose Confidential Information to others, except in accordance with the Protective Order. I further understand and agree that my obligation to honor the confidentiality of such Confidential Information will continue even after the termination of this litigation. I further understand and agree that, in the event that I violate the terms of the Protective Order, I will be subject to sanctions, including but not limited to sanctions by way of contempt of court. I further understand and agree to submit myself to the personal jurisdiction of this Court.

Dated: \_\_\_\_\_, 2006.

\_\_\_\_\_  
DEREK A. WYATT  
Attorney for Plaintiff

STATE OF MISSISSIPPI

COUNTY OF \_\_\_\_\_

On this \_\_\_\_ day of \_\_\_\_\_, 2006, before me, a Notary Public in and for said state, personally appeared DEREK A. WYATT, to me personally known, who being by me first duly sworn, acknowledged that he executed the foregoing instrument for the purposes therein mentioned and set forth.

\_\_\_\_\_  
NOTARY PUBLIC

My commission expires:

\_\_\_\_\_

IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI  
SOUTHERN DIVISION

WILLIAM PONTIUS, M.D. and  
MOLLIE J. PONTIUS

PLAINTIFFS

vs.

CIVIL ACTION NO.: 1:06cv749LGRHW

STATE FARM FIRE AND CASUALTY COMPANY;  
an Illinois corporation; and JOHN AND JANE DOES 1-10

DEFENDANTS

---

---

PLAINTIFFS' NOTICE OF 30(b)(6) DEPOSITION

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TO: H. Scott Spragins  
Hickman, Goza & Spragins, PLLC  
Post Office Drawer 668  
Oxford, MS 38655-0668  
Fax 662 234-2000

Please take notice that pursuant to Rule 30(b)(6) of the Federal Rules of Civil Procedure, the Plaintiffs will take the videotape deposition of the Defendant, State Farm Fire and Casualty Company, before an officer authorized to administer oaths on the 18<sup>th</sup> day of October, 2006, beginning at 9:00 a.m. and **continuing from day to day until completed** at the offices of the Defendant State Farm Fire and Casualty, One State Farm Plaza, Bloomington, IL 61710-0001

Examination is requested on the following matters:

1. All matters asserted or alleged in the First Amended Complaint relating and/or pertaining to dwelling and/or dwelling extension damage or loss caused in whole or in part by water borne objects, material or debris;
2. The drafting, inclusion, underwriting, interpretation and implementation of anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
3. The Defendant's grounds, reasons or bases for paying or not paying dwelling and/or dwelling extension claims for damage or loss caused in whole or in part from water borne objects, materials or debris, and arising under policy form FP-7955;

**EXHIBIT**

*Hinkle #6*  
*10-31-06 Sm*

4. The complete Operation Guides in effect on or about August 29, 2005 as they relate and/or pertain in any way to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
5. The complete Operation Guides utilized, or if not utilized, applicable to the handling and/or adjusting of the hurricane Katrina claim(s) of Plaintiffs as they relate and/or pertain in any way to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
6. The complete historical and/or archival Operation Guides pertaining and/or relating in any way to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
7. Any and all claims committee recommendations, general claims bulletins and/or claims consultants' recommendations, pertaining and/or relating in any way to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955, regardless of title, name or descriptive heading of such "documents and things";
8. The complete Catastrophe Induction Manual for the zone/region in which Plaintiffs' property is located, along with any corporate versions of the Catastrophe Induction Manual in effect on or about August 29, 2005 as they relate and/or pertain in any way to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
9. The complete Catastrophe Induction Manual for the zone/region in which Plaintiffs' property is located, along with any corporate versions of the Catastrophe Induction Manual, utilized, or if not utilized, applicable to the handling and/or adjusting the Plaintiffs' hurricane Katrina claim(s), as they relate and/or pertain in any way to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
10. Any and all revisions and/or changes since August 29, 2005 of the Catastrophe Induction Manual(s) described in items 8 and 9 above, as they relate and/or pertain in any way to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
11. Any and all work papers and/or planning documents and/or policy form committee memos or writings, regardless of title, name or descriptive heading of such "documents and things", pertaining and/or relating to implementation of policy form FP-7955, as they relate and/or pertain in any way to anti-concurrent

causation and/or "Water Damage" provisions in policy form FP-7955;

12. Any and all writings, minutes, memoranda, notes and/or recommendations of any State Farm Fire and Casualty Company employee group or committee, including but not limited to general claims department(s) and/or general claims consultant(s) and/or senior consultant(s) and/or corporate vice president(s) of general claims that considered, implemented or proposed any change, modification, or alteration of the "Water Damage" provision in policy form FP-7955, as they relate and/or pertain in any way to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
13. Any and all instructions to field or other claims personnel concerning, pertaining or in any way relating to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
14. Any and all legal opinions or advice of counsel pertaining and/or relating to the anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
15. Any and all "documents and things" pertaining and/or relating to hurricane damage claims settled and/or paid for losses to dwellings or dwelling extensions caused in whole or in part by water borne objects, material or debris, and arising under policy form FP-7955;
16. All files, "documents and things" pertaining and/or relating to the Plaintiffs' hurricane Katrina claim(s), as depicted on Page 5.8 of the Catastrophe Induction Manual; (an exemplar of such Page 5.8 is attached as Exhibit A to this request);
17. All emails or other electronic communications to or from any field or other claims personnel who participated in any way in the handling, adjusting or decision-making of the Plaintiffs' hurricane Katrina claim(s), as they relate and/or pertain in any way to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
18. Any and all underwriting "documents and things" pertaining and/or relating to the "Water Damage" provision contained in State Farm Fire and Casualty Company's form policy FP-7955, from January 1, 1990 to the present, including but not limited to work papers, planning notes, planning documents, steering committee(s) minutes and/or steering committee(s) notes;

19. Any and all "documents and things" considered by State Farm Fire and Casualty Company to be relevant and/or necessary to a policyholder's understanding of the "Water Damage" provisions in policy form FP-7955;
20. The list of all "documents and things" derived from State Farm's intranet in response to a search query using the words "water borne object(s)", and/or "water borne debris", and/or "water borne material(s)";
21. Any and all "documents and things" containing a list of State Farm Fire and Casualty Company loss codes, payment codes, and comment codes, including, without limitation, codes for wind damage(s); wind driven damage(s); water borne object(s); water borne debris; and water borne material(s);
22. The company policy, criteria, and/or underwriting guidelines that State Farm Fire and Casualty Company used during the period from and after August 1996 to the present in determining whether to pay or not pay dwelling and/or dwelling extension claims for damage or loss caused in whole or in part from water borne objects, materials or debris, and arising under policy form FP-7955;
23. Any agreements, contracts or understandings (whether written or oral) or other documents (including but not limited to underwriting guidelines) which governed, controlled, regulated or otherwise related to the decision to pay or not pay dwelling and/or dwelling extension claims for damage or loss caused in whole or in part from water borne objects, materials or debris, and arising under policy form FP-7955;
24. Every "document and thing" which State Farm Fire and Casualty Company provided at any time since August 1996 to any policyholder or policyholder's representative explaining, interpreting, construing or otherwise seeking to apply the "Water Damage" provision in policy form FP-7955;
25. Every lawsuit initiated against State Farm Fire and Casualty Company at any time from and after August 1996 to the present seeking recovery in whole or in part for failure to pay damage or loss from water borne objects, materials or debris to dwellings and/or dwelling extensions covered under policy form FP-7955;
26. Every "document and thing" which State Farm Fire and Casualty Company provided at any time since August 1996 to the Mississippi Insurance Department relating and/or pertaining to the "Water Damage" provision in policy form FP-7955;

As provided by F.R.C.P. 30(b)(6), the corporate deponents shall designate one or more officers, directors or managing agents to testify on their respective behalf as to all of the above matters known or reasonably available to them.

In addition to videotape, this deposition will be taken in the usual manner by a qualified shorthand or machine reporter and a written transcript will be prepared for use in subsequent court proceedings.

Respectfully submitted,  
ATTORNEY FOR PLAINTIFFS

/s/ Mary E. McAlister  
Derek A. Wyatt, MSB No. 7413  
Mary E. McAlister, MSB No. 2170

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Sidney A. Backstrom, MSB# 99890  
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[mhsmith@barrettlawoffice.com](mailto:mhsmith@barrettlawoffice.com)  
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[slee@ifsplawfirm.com](mailto:slee@ifsplawfirm.com)

Mary E. McAlister, MSB No. 2170  
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Fax: (601) 898-7304  
[mcalister@davidnutt.com](mailto:mcalister@davidnutt.com)

**ATTORNEYS FOR PLAINTIFFS**



*Certificate of Service*

I hereby certify that on October 11, 2006, I electronically filed the foregoing with the Clerk of the Court using the ECF system which sent notification of such filing to the following:

H. Scot Spragins @ [sspragins@hickmanlaw.com](mailto:sspragins@hickmanlaw.com)

And I here by certify that I have mailed by United States Postal Service the document to the following non-ECF participants:

No manual recipients

/s/ Mary E. McAlister  
Mary E. McAlister, MSB No. 2170

IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI  
SOUTHERN DIVISION

WILLIAM PONTIUS, M.D. and  
MOLLIE J. PONTIUS

PLAINTIFFS

vs.

CIVIL ACTION NO.: 1:06cv749LGRHW

STATE FARM FIRE AND CASUALTY COMPANY;  
an Illinois corporation; and JOHN AND JANE DOES 1-10

DEFENDANTS

---

---

PLAINTIFFS' RENOTICE OF 30(b)(6) DEPOSITION

---

---

TO: H. Scott Spragins  
Hickman, Goza & Spragins, PLLC  
Post Office Drawer 668  
Oxford, MS 38655-0668  
Fax 662 234-2000

Please take notice that pursuant to Rule 30(b)(6) of the Federal Rules of Civil Procedure, the Plaintiffs will take the videotape deposition of the Defendant, State Farm Fire and Casualty Company, before an officer authorized to administer oaths on the 31st day of October, 2006, beginning at 9:00 a.m. and **continuing from day to day until completed** at the offices of the Defendant State Farm Fire and Casualty, One State Farm Plaza, Bloomington, IL 61710-0001

Examination is requested on the following matters:

1. All matters asserted or alleged in the First Amended Complaint relating and/or pertaining to dwelling and/or dwelling extension damage or loss caused in whole or in part by water borne objects, material or debris;
2. The drafting, inclusion, underwriting, interpretation and implementation of anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
3. The Defendant's grounds, reasons or bases for paying or not paying dwelling and/or dwelling extension claims for damage or loss caused in whole or in part from water borne objects, materials or debris, and arising under policy form FP-7955;
4. The complete Operation Guides in effect on or about August 29, 2005 as they relate and/or pertain in any way to anti-concurrent causation and/or "Water

**EXHIBIT**

Hinkle #7  
10-31-06 sm

Damage" provisions in policy form FP-7955;

5. The complete Operation Guides utilized, or if not utilized, applicable to the handling and/or adjusting of the hurricane Katrina claim(s) of Plaintiffs as they relate and/or pertain in any way to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
6. The complete historical and/or archival Operation Guides pertaining and/or relating in any way to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
7. Any and all claims committee recommendations, general claims bulletins and/or claims consultants' recommendations, pertaining and/or relating in any way to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955, regardless of title, name or descriptive heading of such "documents and things";
8. The complete Catastrophe Induction Manual for the zone/region in which Plaintiffs' property is located, along with any corporate versions of the Catastrophe Induction Manual in effect on or about August 29, 2005 as they relate and/or pertain in any way to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
9. The complete Catastrophe Induction Manual for the zone/region in which Plaintiffs' property is located, along with any corporate versions of the Catastrophe Induction Manual, utilized, or if not utilized, applicable to the handling and/or adjusting the Plaintiffs' hurricane Katrina claim(s), as they relate and/or pertain in any way to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
10. Any and all revisions and/or changes since August 29, 2005 of the Catastrophe Induction Manual(s) described in items 8 and 9 above, as they relate and/or pertain in any way to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
11. Any and all work papers and/or planning documents and/or policy form committee memos or writings, regardless of title, name or descriptive heading of such "documents and things", pertaining and/or relating to implementation of policy form FP-7955, as they relate and/or pertain in any way to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
12. Any and all writings, minutes, memoranda, notes and/or recommendations of any

- State Farm Fire and Casualty Company employee group or committee, including but not limited to general claims department(s) and/or general claims consultant(s) and/or senior consultant(s) and/or corporate vice president(s) of general claims that considered, implemented or proposed any change, modification, or alteration of the "Water Damage" provision in policy form FP-7955, as they relate and/or pertain in any way to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
13. Any and all instructions to field or other claims personnel concerning, pertaining or in any way relating to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
  14. Any and all legal opinions or advice of counsel pertaining and/or relating to the anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
  15. Any and all "documents and things" pertaining and/or relating to hurricane damage claims settled and/or paid for losses to dwellings or dwelling extensions caused in whole or in part by water borne objects, material or debris, and arising under policy form FP-7955;
  16. All files, "documents and things" pertaining and/or relating to the Plaintiffs' hurricane Katrina claim(s), as depicted on Page 5.8 of the Catastrophe Induction Manual; (an exemplar of such Page 5.8 is attached as Exhibit A to this request);
  17. All emails or other electronic communications to or from any field or other claims personnel who participated in any way in the handling, adjusting or decision-making of the Plaintiffs' hurricane Katrina claim(s), as they relate and/or pertain in any way to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
  18. Any and all underwriting "documents and things" pertaining and/or relating to the "Water Damage" provision contained in State Farm Fire and Casualty Company's form policy FP-7955, from January 1, 1990 to the present, including but not limited to work papers, planning notes, planning documents, steering committee(s) minutes and/or steering committee(s) notes;
  19. Any and all "documents and things" considered by State Farm Fire and Casualty Company to be relevant and/or necessary to a policyholder's understanding of the "Water Damage" provisions in policy form FP-7955;

20. The list of all "documents and things" derived from State Farm's intranet in response to a search query using the words "water borne object(s)", and/or "water borne debris", and/or "water borne material(s)";
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22. The company policy, criteria, and/or underwriting guidelines that State Farm Fire and Casualty Company used during the period from and after August 1996 to the present in determining whether to pay or not pay dwelling and/or dwelling extension claims for damage or loss caused in whole or in part from water borne objects, materials or debris, and arising under policy form FP-7955;
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24. Every "document and thing" which State Farm Fire and Casualty Company provided at any time since August 1996 to any policyholder or policyholder's representative explaining, interpreting, construing or otherwise seeking to apply the "Water Damage" provision in policy form FP-7955;
25. Every lawsuit initiated against State Farm Fire and Casualty Company at any time from and after August 1996 to the present seeking recovery in whole or in part for failure to pay damage or loss from water borne objects, materials or debris to dwellings and/or dwelling extensions covered under policy form FP-7955;
26. Every "document and thing" which State Farm Fire and Casualty Company provided at any time since August 1996 to the Mississippi Insurance Department relating and/or pertaining to the "Water Damage" provision in policy form FP-7955;

As provided by F.R.C.P. 30(b)(6), the corporate deponents shall designate one or more officers, directors or managing agents to testify on their respective behalf as to all of the above matters known or reasonably available to them.

In addition to videotape, this deposition will be taken in the usual manner by a qualified shorthand or machine reporter and a written transcript will be prepared for use in subsequent court proceedings.

Respectfully submitted,

ATTORNEY FOR PLAINTIFFS

/s/ Mary E. McAlister  
Derek A. Wyatt, MSB No. 7413  
Mary E. McAlister, MSB No. 2170

SCRUGGS KATRINA GROUP:

Richard F. Scruggs, MSB #6582  
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T. Stewart Lee, Jr., MSB No. 100396  
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Fax: (601) 898-7304  
[mcalister@davidnutt.com](mailto:mcalister@davidnutt.com)

**ATTORNEYS FOR PLAINTIFFS**

*Certificate of Service*

I hereby certify that on October 30, 2006, I electronically filed the foregoing with the Clerk of the Court using the ECF system which sent notification of such filing to the following:

H. Scot Spragins @ [sspragins@hickmanlaw.com](mailto:sspragins@hickmanlaw.com)

And I hereby certify that I have mailed by United States Postal Service the document to the following non-ECF participants:

No manual recipients

/s/ Mary E. McAlister  
Mary E. McAlister, MSB No. 2170



# SCRUGGS KATRINA GROUP

A Venture Group Comprised of Legal Professionals

Scruggs Law Firm, P.A.  
Nutt & McAlister, P.L.L.C.

Jones, Funderburg, Sessums & Peterson  
Barrett Law Office, P.A.  
Lovelace Law Firm, P.A.

October 30, 2006

**VIA EMAIL, U.S. MAIL AND FACSIMILE: 662-234-2000**

H. Scott Spragins, Esq.  
Lawrence Tucker, Esq.  
Goodloe T. Lewis, Esq.  
Hickman, Goza & Spragins, PLLC  
Post Office Drawer 668  
Oxford, MS 38655-0668

Re: *Pontius v. State Farm Fire and Casualty Company, et al.*  
U.S.D.C. for So. Dist. of Miss., Southern Div. CA #1:06CV

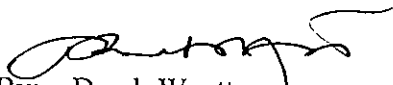
Gentlemen:

This letter is in response to Goodloe's email on Sunday, October 29, 2006 at 5:16 PM. You are advised that Derek Wyatt and I, as officers of the Court and counsel of record, affirmatively state that none of the documents listed in the Privilege Log attached to your email of October 26, a copy of which is attached, will be disseminated, shared or shown to anyone except the court reporter at State Farm's 30(b)(6) deposition.

As we have repeatedly advised you, we decline to sign your proposed protective order because we do not believe the documents constitute "trade secrets" and the order is grossly overbroad and unduly burdensome. Your remedy is to file an appropriate motion, to which we will respond, to place this issue before the Court. We will hold the documents in confidence until the Court resolves the issue of whether or not the subject documents constitute "trade secrets."

Sincerely,

SCRUGGS KATRINA GROUP

  
By: Derek Wyatt  
Barrett Law Office

  
By: Mary E. McAlister  
Nutt & McAlister, PLLC

Attachment

**EXHIBIT**

Handle #8  
10-31-06 sm

**Meg McAlister**

---

**From:** Goodloe Lewis [glewis@hickmanlaw.com]  
**Sent:** Thursday, October 26, 2006 11:17 AM  
**To:** dwyatt@barrettlawoffice.com; Meg McAlister; Maria Brown  
**Cc:** Lawrence Tucker; H. Scot Spragins  
**Subject:** Pontius v. SF  
**Attachments:** Privilege Log (00010528).WPD; Protective order (00007123).WPD

Mr. Wyatt,

Attached is a privilege log describing documents which we would like to produce pursuant to a Protective Order. I believe Scot sent you a draft of one some time ago. This order has been signed by other plaintiffs' counsel in other Katrina cases and hope that it is acceptable to you. I attach another copy for your reference.

If the form of this order is not acceptable, then we would be glad to consider any other form which you may provide.

Thanks and let me know if you have any questions.

Goodloe T. Lewis  
Hickman, Goza & Spragins, PLLC  
Attorneys at Law  
P.O. Drawer 668  
1305 Madison Avenue  
Oxford, MS 38655-0668  
662-234-4000 telephone  
662-234-2000 facsimile

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10/30/2006

IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI  
SOUTHERN DIVISION

WILLIAM C. PONTIUS, M.D. and  
MOLLIE J. PONTIUS

PLAINTIFFS

VS.

CAUSE NUMBER: 1:06CV749-LTS-RHW

STATE FARM FIRE AND CASUALTY COMPANY;  
an Illinois Corporation; and JOHN AND JANE DOES 1-10

DEFENDANTS

**PRIVILEGE LOG**

The defendant seeks to produce the following documents requested by the plaintiff pursuant to protective order:

<u>No.</u>	<u>Date</u>	<u>Description</u>	<u>Privilege</u>
PONTW00000010-17	9/19/05	Claims Issues #1 discussing Katrina Claim handling	Trade Secret
PONTW00000018-25	9/21/05	Claims Issues #2 discussing Katrina Claim handling	Trade Secret
PONTW00000026-35	9/21/05	Claims Issues #3 discussing Katrina Claim handling	Trade Secret
PONTW00000036-50	9/29/05	Claims Issues #4 discussing Katrina Claim handling	Trade Secret
PONTW00000157-174	8/31/05	Cat PL Estimating Guidelines	Trade Secret
PONTW00000175-213	9/27/05	Quick Reference Guide for Adjusters provided to State Farm Cat team	Trade Secret

RESPECTFULLY SUBMITTED,

STATE FARM FIRE AND CASUALTY  
COMPANY

HICKMAN, GOZA & SPRAGINS, PLLC  
Attorneys at Law  
Post Office Drawer 668

Oxford, MS 38655-0668  
(662) 234-4000

BY: /s/ H. Scot Spragins  
H. SCOT SPRAGINS, MSB # 7748

*CERTIFICATE OF SERVICE*

I hereby certify that on October 29, 2006, I electronically filed the foregoing with the Clerk of the Court using the ECF system which sent notification of such filing to the following:

Derek A. Wyatt @ [dwyatt@barrettlawoffice.com](mailto:dwyatt@barrettlawoffice.com); [rmalone@barrettlawoffice.com](mailto:rmalone@barrettlawoffice.com)

and I hereby certified that I have mailed by United States Postal Service the document to the following non-ECF participants:

**No manual recipients**

*/s/ H. Scot Spragins*

\*\*\*\*\*  
\*\*\* TX REPORT \*\*\*  
\*\*\*\*\*

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## SCRUGGS KATRINA GROUP

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Nutt & McAlister, P.L.L.C

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October 30, 2006

**VIA EMAIL, U.S. MAIL AND FACSIMILE: 662-234-2000**

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Lawrence Tucker, Esq.  
Goodloe T. Lewis, Esq.  
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Post Office Drawer 668  
Oxford, MS 38655-0668

Re: *Pontius v. State Farm Fire and Casualty Company, et al.*  
U.S.D.C. for So. Dist. of Miss., Southern Div. CA #1:06CV

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As we have repeatedly advised you, we decline to sign your proposed protective order because we do not believe the documents constitute "trade secrets" and the order is grossly overbroad and unduly burdensome. Your remedy is to file an appropriate motion, to which we will respond, to place this issue before the Court. We will hold the documents in confidence until the Court resolves the issue of whether or not the subject documents constitute "trade secrets."

Sincerely,

SCRUGGS KATRINA GROUP

**SCRUGGS KATRINA GROUP**

605 Crescent Boulevard, Suite 200

Ridgeland, MS 39157

Telephone: (866) 404-6888

Fax: (601) 898-7304

**FACSIMILE TRANSMITTAL SHEET**

**TO:** \_\_\_\_\_ **FAX NUMBER:** \_\_\_\_\_

H. Scott Spragins, Esq. (662) 234-2000

**CC:**

**FROM:** Derek A. Wyatt, Esq.

**RE:** Pontius v. State Farm, et al. **DATE:** September 26, 2006

THIS TRANSMITTAL CONTAINS 5 PAGES, INCLUDING THIS COVER SHEET.

URGENT  FOR REVIEW  PLEASE COMMENT  PLEASE REPLY

**NOTES/COMMENTS:** \_\_\_\_\_

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**EXHIBIT**

*Hinkle #9  
10-31-06 sm*

# SCRUGGS KATRINA GROUP

A Venture Group Comprised of Legal Professionals

Scruggs Law Firm, P.A.  
Nutt & McAlister, P.L.L.C.

Jones, Funderburg, Sessums & Peterson, P.L.L.C.  
Barrett Law Office, P.A.  
Lovelace Law Firm, P.A.

September 26, 2006

**VIA U. S. MAIL AND FACSIMILE:** (662) 234-2000

H. Scott Spragins, Esq.  
Hickman, Goza & Spragins, PLLC  
Post Office Drawer 668  
Oxford, MS 38655-0668

Re: *Pontius v. State Farm Fire and Casualty Company, et al.*  
United States District Court, So. District of MS, So. Division  
Civil Action No. 1:06cv749 LGRHW

Dear Scott:

You requested a letter identifying the list of documents Plaintiffs need in order to proceed with depositions of State Farm, all in advance of submitting our dispositive motion on the declaratory count by briefs on or before October 25, 2006. You have advised you will respond to this request and advise us when we can obtain copies of the requested documents "within a couple of days" of receiving this letter. For purposes of this request, "documents and/or things" shall include any writing or textual material, regardless of whether created, maintained or stored in electronic, hard copy or other format.

As you know, under the current CMO, discovery is to be completed by October 16, 2006 so the sooner we get a response to this letter, the sooner we can notice the depositions we need in advance of briefing.

The list of "documents and/or things" is as follows:

1. The complete Operation Guides in effect on or about August 29, 2005;
2. The complete Operation Guides utilized, or if not utilized, applicable to the handling and/or adjusting of the hurricane Katrina claim(s) of Plaintiffs;
3. The complete historical and/or archival Operation Guides pertaining and/or relating in any way to concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
4. Any and all claims committee recommendations, general claims bulletins and/or claims consultants' recommendations, pertaining and/or relating in any way to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-



7955, regardless of title, name or descriptive heading of such "documents and things";

5. The complete Catastrophe Induction Manual for the zone/region in which Plaintiffs' property is located, along with any corporate versions of the Catastrophe Induction Manual in effect on or about August 29, 2005;
6. The complete Catastrophe Induction Manual for the zone/region in which Plaintiffs' property is located, along with any corporate versions of the Catastrophe Induction Manual, utilized, or if not utilized, applicable to the handling and/or adjusting the Plaintiffs' hurricane Katrina claim(s),
7. Any and all revisions and/or changes since August 29, 2005 of the Catastrophe Induction Manual(s) described in items 6 and 7 above;
8. Any and all work papers and/or planning documents and/or policy form committee memos or writings, regardless of title, name or descriptive heading of such "documents and things", pertaining and/or relating to implementation of policy form FP-7955;
9. Any and all writings, minutes, memoranda, notes and/or recommendations of any State Farm Fire and Casualty Company employee group or committee, including but not limited to general claims department(s) and/or general claims consultant(s) and/or senior consultant(s) and/or corporate vice president(s) of general claims that considered, implemented or proposed any change, modification, or alteration of the "Water Damage" provision in policy form FP-7955;
10. Any and all instructions to field or other claims personnel concerning, pertaining or in any way relating to anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;
11. Any and all legal opinion or advice of counsel "documents and things" pertaining and/or relating to the anti-concurrent causation and/or "Water Damage" provisions in policy form FP-7955;

**If you object to request number 11, please provide a Rule-conforming privilege log listing and describing all such "documents and things";**

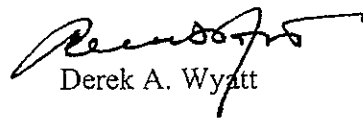
12. Any and all "documents and things" pertaining and/or relating to hurricane damage claims settled and/or paid for losses to dwellings or dwelling extensions caused in whole or in part by water borne objects, material or debris;

13. All files, "documents and things" pertaining and/or relating to the Plaintiffs' hurricane Katrina claim(s), as depicted on Page 5.8 of the Catastrophe Induction Manual; (an exemplar of such Page 5.8 is attached as Exhibit A to this request);
14. All emails or other electronic communications to or from any field or other claims personnel who participated in any way in the handling, adjusting or decision-making of the Plaintiffs' hurricane Katrina claim(s);
15. Any and all underwriting "documents and things" pertaining and/or relating to the "Water Damage" provision contained in State Farm Fire and Casualty Company's form policy FP-7955, from January 1, 1990 to the present, including but not limited to work papers, planning notes, planning documents, steering committee(s) minutes and/or steering committee(s) notes;
16. Any and all "documents and things" considered by State Farm Fire and Casualty Company to be relevant and/or necessary to a policyholder's understanding of the "Water Damage" provision in policy form FP-7955;
17. A list of all "documents and things" derived from State Farm's intranet in response to a search query using the words "water borne object(s)", and/or "water borne debris", and/or "water borne material(s)"; and,
18. Any and "documents and things" containing a list of State Farm Fire and Casualty Company loss codes, payment codes, and/or comment codes, including, without limitation, codes for wind damage(s); wind driven damage(s); water borne object(s); water borne debris; and/or water borne material(s).

Thank you for your assistance in this matter. Please feel free to call me at (662) 834-2376 or (601) 954-1140 if you need to reach me.

With kindest regards,

SCRUGGS KATRINA GROUP

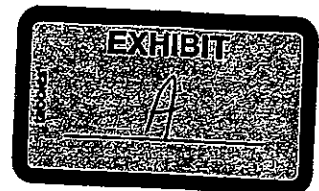
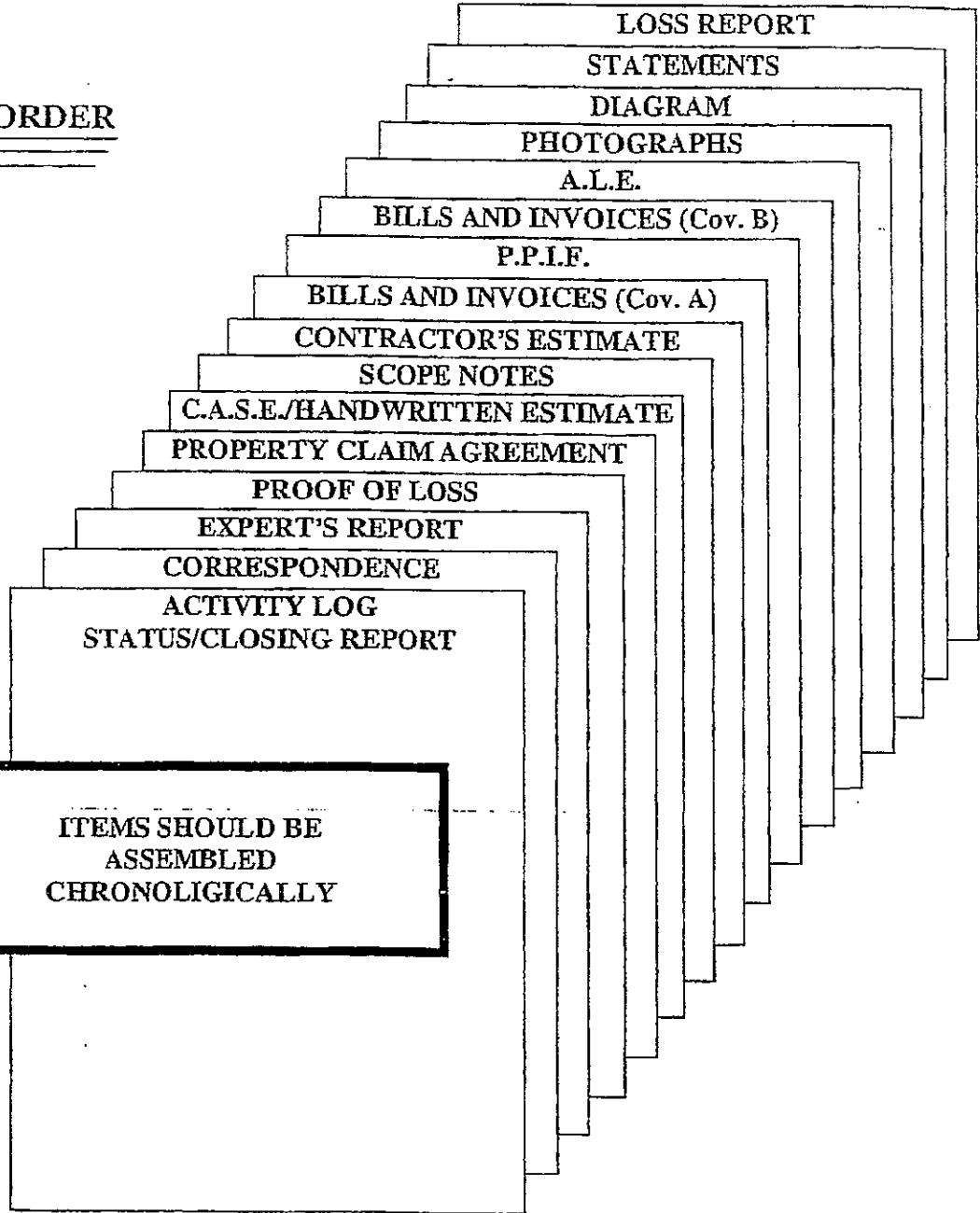


Derek A. Wyatt

DAW/rm  
Enclosure

Cc: Co-counsel (w/out enclosure) – via email

FILE ORDER



\*\*\*\*\*  
\*\*\* TX REPORT \*\*\*  
\*\*\*\*\*

TRANSMISSION OK

TX/RX:NO 1026  
RECIPIENT ADDRESS 918622342000pppp228  
DESTINATION ID  
ST. TIME 09/26 17:17  
TIME USE 00'41  
PAGES SENT 5  
RESULT OK

**SCRUGGS KATRINA GROUP**

605 Crescent Boulevard, Suite 200

Ridgeland, MS 39157

Telephone: (866) 404-6888

Fax: (601) 898-7304

**FACSIMILE TRANSMITTAL SHEET**

**TO:** \_\_\_\_\_ **FAX NUMBER:** \_\_\_\_\_

H. Scott Spragins, Esq. (662) 234-2000

**CC:**

**FROM:** Derek A. Wvatt, Esq.

**RE:** Pontius v. State Farm, et al. **DATE:** September 26, 2006

THIS TRANSMITTAL CONTAINS 5 PAGES, INCLUDING THIS COVER SHEET.

URGENT  FOR REVIEW  PLEASE COMMENT  PLEASE REPLY

NOTES/COMMENTS: \_\_\_\_\_

**THE ORIGINAL WILL NOT BE SENT BY UNITED POSTAL SERVICE**

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**Maria Brown**

---

**From:** Goodloe Lewis [glewis@hickmanlaw.com]  
**Sent:** Thursday, October 26, 2006 4:10 PM  
**To:** dwyatt@barrettlawoffice.com; Meg McAlister; Maria Brown  
**Cc:** Lawrence Tucker; H. Scot Spragins  
**Subject:** Pontius v. SF

Mr. Wyatt,

Here is our Document Production according to your correspondence of Sept. 26, 2006. I have talked to State Farm, and barring anything unforeseen, these are the complete responsive documents for those indicated (i.e the ones that we have already or will pursuant to protective order produce documents in response to). Note that documents are still being gathered for nos. 8, 9, 11, 15, 16 & 17.

1. A list has been provided, Bates nos. PONTW00000001-9.
2. See #1 although some specific OG's have been produced in response to 4, 5, 6, 10 & 18 which may also be responsive here.
3. See #1 although some specific OG's have been produced in response to 4, 5, 6, 10 & 18 which may also be responsive here.
4. OG 71-06, Bates nos. PONTW00000051-103; OG 71-06 Exhibits, Bates nos. PONTW00000103-129; OG 75-105, Bates Nos. PONTW00000130-138; PONTW00000139-147; OG 75-20, Bates Nos. PONTW00000148-153; Wind/Water Protocol, Bates Nos. PONTW00000154-156. Also, the four Claims Issues, Bates Nos. PONTW0000010-50 (will produce pursuant to protective order).
5. Cat PL Estimating Guidelines, Bates Nos. PONTW00000157-174 (will produce pursuant to protective order); Quick Reference Guide, Bates Nos. PONTW00000175-213 (will produce pursuant to protective order).
6. Cat PL Estimating Guidelines, Bates Nos. PONTW00000157-174 (will produce pursuant to protective order); Quick Reference Guide, Bates Nos. PONTW00000175-213 (will produce pursuant to protective order).
7. None.
8. None at this time.
9. None at this time.
10. OG 71-06, Bates nos. PONTW00000051-103; OG 71-06 Exhibits, Bates nos. PONTW00000103-129; OG 75-105, Bates Nos. PONTW00000130-138; PONTW00000139-147; OG 75-20, Bates Nos. PONTW00000148-153; Wind/Water Protocol, Bates Nos. PONTW00000154-156.
11. None at this time.
12. State Farm has no way to differentiate claims on this basis.
13. See claim file produced with intitial disclosures.
14. See claim file produced with initial disclosures.
15. None at this time.

10/26/2006

**EXHIBIT**  
*Hinkle #10*  
*10-31-06 sm*

16. None at this time.

17. None at this time.

18. OG 745-120, Bates Nos. PONTW00000214-228.

Goodloe T. Lewis  
Hickman, Goza & Spragins, PLLC  
Attorneys at Law  
P.O. Drawer 668  
1305 Madison Avenue  
Oxford, MS 38655-0668  
662-234-4000 telephone  
662-234-2000 facsimile

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IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI  
SOUTHERN DIVISION

WILLIAM C. PONTIUS, M.D. and  
MOLLY J. PONTIUS

PLAINTIFFS

VS.

CAUSE NUMBER: 1:06CV749-LTS-RHW

STATE FARM FIRE AND CASUALTY COMPANY;  
an Illinois Corporation; and JOHN AND JANE DOES 1-10

DEFENDANTS

**PRIVILEGE LOG**

The defendant seeks to produce the following documents requested by the plaintiff pursuant to protective order:

<u>No.</u>	<u>Date</u>	<u>Description</u>	<u>Privilege</u>
PONTV00000010-17	9/19/05	Claims Issues #1 discussing Katrina Claim handling	Trade Secret
PONTV00000018-25	9/21/05	Claims Issues #2 discussing Katrina Claim handling	Trade Secret
PONTV00000026-35	9/21/05	Claims Issues #3 discussing Katrina Claim handling	Trade Secret
PONTV00000036-50	9/29/05	Claims Issues #4 discussing Katrina Claim handling	Trade Secret
PONTV000000157-174	8/31/05	Cat PL Estimating Guidelines	Trade Secret
PONTV000000175-213	9/27/05	Quick Reference Guide for Adjusters provided to State Farm Cat team	Trade Secret

RESPECTFULLY SUBMITTED,

STATE FARM FIRE AND CASUALTY  
COMPANY

HICKMAN, GOZA & SPRAGINS, PLLC  
Attorneys at Law  
Post Office Drawer 668

**EXHIBIT**

Hinkle #11  
10-31-06 sm

Oxford, MS 38655-0668  
(662) 234-4000

BY: /s/ H. Scot Spragins  
H. SCOT SPRAGINS, MSB # 7748



*CERTIFICATE OF SERVICE*

I hereby certify that on October 26, 2006, I electronically filed the foregoing with the Clerk of the Court using the ECF system which sent notification of such filing to the following:

Derek A. Wyatt @ [dwyatt@barrettlawoffice.com](mailto:dwyatt@barrettlawoffice.com); [rmalone@barrettlawoffice.com](mailto:rmalone@barrettlawoffice.com)

and I hereby certified that I have mailed by United States Postal Service the document to the following non-ECF participants:

**No manual recipients**

*/s/ H. Scot Spragins*



# HOMEOWNERS POLICY



FP-7955  
(8/96)

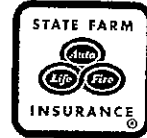
PRINTED  
IN  
U.S.A.

This policy is one of the broadest forms available today, and provides you with outstanding value for your insurance dollars. However, we want to point out that every policy contains limitations and exclusions. Please read your policy carefully, especially "Losses Not Insured" and all exclusions.

**EXHIBIT**

*Hinkle #12  
10-31-06 sm*

# State Farm Fire and Casualty Company®



Birmingham Operations Center  
100 State Farm Parkway  
P.O. Box 2661  
Birmingham, Alabama 35297-0001

## CERTIFICATE

I, the undersigned, do hereby certify that I am custodian of the records pertaining to the issuance of policies issued by the MS Personal Lines Division of State Farm Fire and Casualty Company of Birmingham, Alabama.

Based on our available records, I further certify that the attached Coverage Summary dated APR 25, 2005 represents a true copy of the policy provisions and coverages as of JUN 06, 2005 for policy 24-BD-8029-9 issued to PONTIUS, WILLIAM F & MOLLIE J  
PO BOX 250  
OCEAN SPRINGS, MS 39566-0250

LOCATION: 1320 HELLMERS LN  
OCEAN SPRINGS, MS 39564-4938

*Bill Lovell*

Bill Lovell  
Underwriting Section Manager  
State Farm Fire and Casualty Company

State of Alabama

County of Jefferson

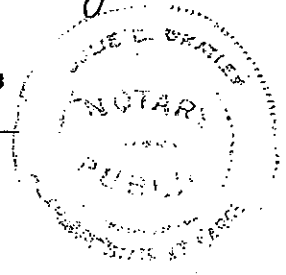
Subscribed and sworn to before me this 25 day of August 2006

*Julie M. Whitley*  
Notary Public

My commission expires:

NOTARY PUBLIC STATE OF ALABAMA AT LARGE  
MY COMMISSION EXPIRES: May 18, 2008  
BONDED THIS NOTARY PUBLIC UNDERWRITERS

Pontius v. SFF&CC  
HO CP 100001



**EXHIBIT**

*Hinkle #13  
10-31-06 Sm*

HOME OFFICES: BLOOMINGTON, ILLINOIS 61710-0001



State Farm Fire and Casualty Company

100 State Farm Parkway  
Birmingham, AL 35297-0001

E-09- 1246-F292 FH

PONTIUS, WILLIAM F & MOLLIE J  
PO BOX 250  
OCEAN SPRINGS MS 39566-0250



Location: 1320 HELLMERS LN  
OCEAN SPRINGS MS  
39564-4938

**Loss Settlement Provisions (See Policy)**  
A1 Replacement Cost - Similar Construction  
B1 Limited Replacement Cost - Coverage B

**Forms, Options, and Endorsements**

Homeowners Policy  
Jury and Furs \$2,500/\$5,000  
Increase Dwlg up to \$113,580  
Ordinance/Law 10%/ \$56,790  
Amendatory Endorsement  
Back-Up Sewer or Drain  
Policy Endorsement  
Fungus (Including Mold) Excl  
Motor Vehicle Endorsement

FP-7955  
OPT JF  
OPT ID  
OPT QL  
FE-7224  
FE-5706.1  
FE-5320  
FE-5398  
FE-5452

**RENEWAL CERTIFICATE**

POLICY NUMBER 24-BD-8029-9  
Homeowners Policy  
JUN 06 2005 to JUN 06 2006  
DATE DUE JUN 06 2005  
PLEASE PAY THIS AMOUNT \$7,278.00

**Coverages and Limits**

**Section I**  
A Dwelling Up To \$567,900  
Dwelling Extension 56,790  
B Personal Property 425,925  
C Loss of Use Actual Loss Sustained

**Deductibles - Section I**

All Losses 1,000

**Section II**

L Personal Liability \$500,000  
Damage to Property of Others 500  
M Medical Payments to Others (Each Person) 1,000

**Annual Premium**  
**Amount Due** \$7,278.01  
\$7,278.01

**Premium Reductions**

Your premium has already been reduced by the following:  
Home Alert Discount 148.01  
Home/Auto Discount 804.01  
Claim Free Discount 1,340.01

Inflation Coverage Index: 168.9

*Thanks for letting us serve you. We appreciate our long term customers.*  
Agent Telephone BOB EFFINGER  
(228) 875-1212 or (228) 875-1450 Prepared APR 25 2005

38 3292 7845  
See reverse side for important information.  
Please keep this part for your record.

STATE FARM INSURANCE  
PONTIUS, WILLIAM F & MOLLIE J  
24-BD-8029-9 HO - HOMEOWNERS  
JUN 06 2005 \$7,278.00  
PLEASE RETURN THIS PART WITH YOUR CHECK MADE PAYABLE TO STATE FARM.  
PLEASE PAY THIS AMOUNT  
Pontius v. SFF&CC  
HO CP 100002

OR OFFICE USE ONLY  
Prepared APR 25 2005  
E 1V,HU,3A,M6

REB FIRE REN \$7,278.00 0706

900518700727800 524212148029901509>

**our coverage amount...**

It is up to you to choose the coverages and limits that meet your needs. We recommend that you purchase a coverage limit equal to the estimated replacement cost of your home. Replacement cost estimates are available from building contractors and replacement cost appraisers, or, your agent can provide an estimate from Xactware, Inc.<sup>®</sup> using information you provide about your home. We can accept the type of estimate you choose as long as it provides a reasonable level of detail about your home. State Farm does not guarantee that any estimate will be the actual future cost to rebuild your home. Higher limits are available at higher premiums. Lower limits are also available, which if selected may make certain coverages unavailable to you. We encourage you to periodically review your coverages and limits with your agent and to notify us of any changes or additions to our home.

**Discount and Rating** - The longer you are insured with State Farm, and the fewer claims you have, the lower your premium. Policyholders insured by State Farm for three or more years, the Claim Free Discount Plan provides a premium discount if you have not had any claims considered for rating in the most recent three-year period since becoming insured with State Farm. Premium adjustments under the Claim Record Rating Plans are based on the number of years you have been insured with State Farm and on the number of claims that we consider for rating. Depending on the Plan(s) that applies in your state/province, claims considered for rating generally include claims resulting in a paid loss and may include weather-related claims. Additionally, depending on your state/province's plan and your tenure with State Farm, any claims with your prior insurer resulting in property damage or injury may also influence your premium. For further information about whether a Claim Free Discount is in effect in your state/province, the Claim Record Rating Plan that applies in your state/province, and the claims we consider for rating, please contact your State Farm agent.

Rev. 01-13-2004 (0113070a)

**NOTICE TO POLICYHOLDER:**

For a comprehensive description of coverages and forms, please refer to your policy.

Policy changes requested before the "Date Prepared", which appear on this notice, are effective on the Renewal Date of this policy unless otherwise indicated by a separate endorsement, binder, or amended declarations. Any coverage forms attached to this notice are also effective on the Renewal Date of this policy.

Policy changes requested after the "Date Prepared" will be sent to you as an amended declarations or as an endorsement to your policy. Billing for any additional premium for such changes will be mailed at a later date.

If, during the past year, you've acquired any valuable property items, made any improvements to insured property, or have any questions about your insurance coverage, contact your State Farm agent.

Please keep this with your policy.

110089 Rev. 10-2003 (011313a)

**IF YOU HAVE MOVED, PLEASE CONTACT YOUR AGENT. IF THIS IS NOT CONVENIENT, PLEASE COMPLETE THE FOLLOWING.**

Street or R.R. \_\_\_\_\_ Residence Phone No. \_\_\_\_\_

State/Province \_\_\_\_\_ ZIP/Postal Code \_\_\_\_\_ Business Phone No. \_\_\_\_\_

City/Township \_\_\_\_\_ County \_\_\_\_\_  Inside City Limits  Outside City Limits

Change:  Permanent  Temporary If temporary, how many months? \_\_\_\_\_ Do you plan to return to your previous address?  Yes  No

Mailing address change only  Location change (Please see your State Farm agent)

Check box if change applies to ALL State Farm policies in household.

*For Policyholders Only*

Is the vehicle driven to and from work/school?  Yes  No

If "Yes", what is the average weekly mileage for such use? \_\_\_\_\_

(0110089)



State Farm Fire and Casualty Company  
 100 State Farm Parkway  
 Birmingham, AL 35297-0001

E-09-1246-F292 F H

PONTIUS, WILLIAM F & MOLLIE J  
 PO BOX 250  
 OCEAN SPRINGS MS 39566-0250

POLICY NUMBER	24 00 0029 9
<b>HOMEOWNERS AVAILABLE COVERAGE NOTICE</b>	
<b>SEE RENEWAL CERTIFICATE</b>	



IT IS IMPORTANT THAT YOU OCCASIONALLY REVIEW THE COVERAGES AND LIMITS IN YOUR HOMEOWNERS POLICY TO BE CERTAIN YOUR NEEDS ARE BEING MET. THE FOLLOWING INFORMATION WILL ASSIST YOU IN THE REVIEW PROCESS.

THE COVERAGE LIMITS FOR COVERAGE A - DWELLING, COVERAGE B - PERSONAL PROPERTY, COVERAGE L - PERSONAL LIABILITY, AND COVERAGE M - MEDICAL PAYMENTS TO OTHERS ARE LISTED ON THE ACCOMPANYING RENEWAL NOTICE. PLEASE REVIEW THESE LIMITS TO DETERMINE IF THEY ARE ADEQUATE IN THE EVENT OF A LOSS.

THE FOLLOWING IS A PARTIAL LIST OF THE OPTIONAL COVERAGES YOU HAVE NOT ADDED TO YOUR POLICY. THEY MAY BE AVAILABLE TO YOU FOR AN ADDITIONAL PREMIUM.

- Building Ordinance or Law (higher limits)
- Business Property (for higher limits)
- Business Pursuits Liability (for teachers, school administrators, sales persons, and clerical workers)
- Child Care Liability (for those providing child care in their home)
- Earthquake
- Firearms (for broadened coverage and higher limits)
- Home Computers (for higher limits)
- Incidental Business Liability (for those with an incidental office, studio, or school in the home)
- Loss Assessment (for neighborhoods with Homeowners Associations)
- Nurses Professional Liability (for those in the nursing profession)
- Personal Injury (for your liability to others caused by certain acts of libel, slander, invasion of privacy, false arrest)
- Silverware/Goldware (for broadened coverage and higher limits)

This notice contains only a general description of the coverages and is not a contract. All coverages are subject to the provisions in the policy itself. Should you have a need for any of these coverages or higher limits, contact your State Farm Agent to discuss details, cost and eligibility.

**\*Special Notice\***

If you have a need for Flood Insurance, contact your agent to determine if you are eligible for coverage through the National Flood Insurance Program. A separate application is required.

Agent **BOB EFFINGER**  
 Telephone (228) 875-1212 or (228) 875-1450

Please keep this part for your record.

Prepared APR 25 2005

	<p>SEE RENEWAL CERTIFICATE FOR PREMIUM NOTICE</p>
<p><b>Pontius v. SFF&amp;CC</b>  <b>HO CP 100004</b></p>	

OR OFFICE USE ONLY 7926

Prepared APR 25 2005  
 E 1V,HU,3A,M5

REB

FP-7955  
(8/96)

# HOMEOWNERS POLICY



Pontius v. SFF&CC  
HO CP 100005

This policy is one of the broadest forms available today and provides you with outstanding value for your investment.

# TABLE OF CONTENTS

## DECLARATIONS

Your Name  
Location of Your Residence  
Policy Period  
Coverages  
Limits of Liability  
Deductibles

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Copyright, State Farm Fire and Casualty Company, 1983, 1992.

Pontius v. SFF&CC  
HO CP 100006



# HOMEOWNERS POLICY

## DECLARATIONS CONTINUED

We agree to provide the insurance described in this policy:

1. based on your payment of premium for the coverages you chose;
2. based on your compliance with all applicable provisions of this policy; and
3. in reliance on your statements in these **Declarations**.

You agree, by acceptance of this policy, that:

1. you will pay premiums when due and comply with the provisions of the policy;
2. the statements in these **Declarations** are your statements and are true;

3. we insure you on the basis your statements are true; and

4. this policy contains all of the agreements between you and us and any of our agents.

Unless otherwise indicated in the application, you state that during the three years preceding the time of your application for this insurance your Loss History and Insurance History are as follows:

1. Loss History: you have not had any losses, insured or not; and
2. Insurance History: you have not had any insurer or agency cancel or refuse to issue or renew similar insurance to you or any household member.

## DEFINITIONS

"You" and "your" mean the "named insured" shown in the **Declarations**. Your spouse is included if a resident of your household. "We", "us" and "our" mean the Company shown in the **Declarations**.

Certain words and phrases are defined as follows:

1. "**bodily injury**" means physical injury, sickness, or disease to a person. This includes required care, loss of services and death resulting therefrom.

**Bodily injury** does not include:

- a. any of the following which are communicable: disease, bacteria, parasite, virus, or other organism, any of which are transmitted by any **insured** to any other person;
- b. the exposure to any such disease, bacteria, parasite, virus, or other organism by any **insured** to any other person; or
- c. emotional distress, mental anguish, humiliation, mental distress, mental injury, or any similar injury unless it arises out of actual physical injury to some person.

2. "**business**" means a trade, profession or occupation. This includes farming;

3. "**Declarations**" means the policy **Declarations**, any amended **Declarations**, the most recent renewal notice or certificate, an Evidence of Insurance form or any endorsement changing any of these;

4. "**insured**" means you and, if residents of your household:

- a. your relatives; and
- b. any other person under the age of 21 who is in the care of a person described above.

Under Section II, "**insured**" also means:

- c. with respect to animals or watercraft to which this policy applies, the person or organization legally responsible for them. However, the animal or watercraft must be owned by you or a person included in 4.a. or 4.b. A person or organization using or having custody of these animals or watercraft in the course of a **business**, or without permission of the owner, is not an **insured**; and

d. with respect to any vehicle to which this policy applies, any person while engaged in your employment or the employment of a person included in 4.a. or 4.b.

5. "insured location" means:

- a. the residence premises;
- b. the part of any other premises, other structures and grounds used by you as a residence. This includes premises, structures and grounds you acquire while this policy is in effect for your use as a residence;
- c. any premises used by you in connection with the premises included in 5.a. or 5.b.;
- d. any part of a premises not owned by an insured but where an insured is temporarily residing;
- e. land owned by or rented to an insured on which a one or two family dwelling is being constructed as a residence for an insured;
- f. individual or family cemetery plots or burial vaults owned by an insured;
- g. any part of a premises occasionally rented to an insured for other than business purposes;
- h. vacant land owned by or rented to an insured. This does not include farm land; and
- i. farm land (without buildings), rented or held for rental to others, but not to exceed a total of 500 acres, regardless of the number of locations.

"motor vehicle" when used in Section II of this policy, means:

- a. a motorized land vehicle designed for travel on public roads or subject to motor vehicle registration. A motorized land vehicle in dead storage on an insured location is not a motor vehicle;
- b. a trailer or semi-trailer designed for travel on public roads and subject to motor vehicle registration. A boat, camp, home or utility trailer not being towed by

or carried on a vehicle included in 6.a. is not a motor vehicle;

c. a motorized golf cart, snowmobile, motorized bicycle, motorized tricycle, all-terrain vehicle or any other similar type equipment owned by an insured and designed or used for recreational or utility purposes off public roads, while off an insured location. A motorized golf cart while used for golfing purposes is not a motor vehicle; and

d. any vehicle while being towed by or carried on a vehicle included in 6.a., 6.b. or 6.c.

7. "occurrence", when used in Section II of this policy, means an accident, including exposure to conditions, which results in:

a. bodily injury; or

b. property damage;

during the policy period. Repeated or continuous exposure to the same general conditions is considered to be one occurrence.

8. "property damage" means physical damage to or destruction of tangible property, including loss of use of this property. Theft or conversion of property by any insured is not property damage.

9. "residence employee" means an employee of an insured who performs duties, including household or domestic services, in connection with the maintenance or use of the residence premises. This includes employees who perform similar duties elsewhere for you. This does not include employees while performing duties in connection with the business of an insured.

10. "residence premises" means:

a. the one, two, three or four-family dwelling, other structures and grounds; or

b. that part of any other building;

where you reside and which is shown in the Declarations.

## SECTION I - COVERAGES

### COVERAGE A - DWELLING

1. **Dwelling.** We cover the dwelling used principally as a private residence on the residence premises shown in the Declarations.

Dwelling includes:

- a. structures attached to the dwelling;
- b. 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;
- c. foundation, floor slab and footings supporting the dwelling; and
- d. wall-to-wall carpeting attached to the dwelling.

2. **Dwelling Extension.** We cover other structures on the residence premises, separated from the dwelling by clear space. Structures connected to the dwelling by only a fence, utility line, or similar connection are considered to be other structures.

We do not cover other structures:

- a. not permanently attached to or otherwise forming a part of the realty;
- b. used in whole or in part for business purposes; or
- c. rented or held for rental to a person not a tenant of the dwelling, unless used solely as a private garage.

3. **Property Not Covered.** We do not cover:

- a. land, including the land necessary to support any Coverage A property;
- b. any costs required to replace, rebuild, stabilize, or otherwise restore the land; or
- c. the costs of repair techniques designed to compensate for or prevent land instability to any property, whether or not insured under Coverage A.

### COVERAGE B - PERSONAL PROPERTY

1. **Property Covered.** We cover personal property owned or used by an insured while it is anywhere in the world. This includes structures not permanently attached to or

otherwise forming a part of the realty. At your request, we will cover personal property owned by others while the property is on the part of the residence premises occupied exclusively by an insured. At your request, we will also cover personal property owned by a guest or a residence employee, while the property is in any other residence occupied by an insured.

We cover personal property usually situated at an insured's residence, other than the residence premises, for up to \$1,000 or 10% of the Coverage B limit, whichever is greater. This limitation does not apply to personal property in a newly acquired principal residence for the first 30 days after you start moving the property there. If the residence premises is a newly acquired principal residence, personal property in your immediate past principal residence is not subject to this limitation for the first 30 days after the inception of this policy.

**Special Limits of Liability.** These limits do not increase the Coverage B limit. The special limit for each of the following categories is the total limit for each loss for all property in that category:

- a. \$200 on money, coins and medals, including any of these that are a part of a collection, and bank notes;
- b. \$1,000 on property used or intended for use in a business, including merchandise held as samples or for sale or for delivery after sale, while on the residence premises. This coverage is limited to \$250 on such property away from the residence premises.  
Electronic data processing system equipment or the recording or storage media used with that equipment is not included under this coverage;
- c. \$1,000 on securities, checks, cashier's checks, traveler's checks, money orders and other negotiable instruments, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, passports and tickets;
- d. \$1,000 on watercraft of all types and outboard motors, including their trailers, furnishings and equipment;
- e. \$1,000 on trailers not used with watercraft;

- f. \$2,500 on stamps, trading cards and comic books, including any of these that are a part of a collection;
- g. \$2,500 for loss by theft of firearms;
- h. \$2,500 for loss by theft of silverware and goldware;
- i. \$5,000 on electronic data processing system equipment and the recording or storage media used with that equipment. There is no coverage for said equipment or media while located away from the residence premises except when said equipment or media are removed from the residence premises for the purpose of repair, servicing or temporary use. An insured student's equipment and media are covered while at a residence away from home; and
- j. \$5,000 on any one article and \$10,000 in the aggregate for loss by theft of any rug, carpet (except wall-to-wall carpet), tapestry, wall-hanging or other similar article.

**2. Property Not Covered. We do not cover:**

- a. articles separately described and specifically insured in this or any other insurance;
- b. animals, birds or fish;
- c. any engine or motor propelled vehicle or machine, including the parts, designed for movement on land. We do cover those not licensed for use on public highways which are:
  - (1) used solely to service the insured location; or
  - (2) designed for assisting the handicapped;
- d. devices or instruments for the recording or reproduction of sound permanently attached to an engine or motor propelled vehicle. We do not cover tapes, wires, records or other mediums that may be used with these devices or instruments while in the vehicle;
- e. aircraft and parts;
- f. property of roomers, boarders, tenants and other residents not related to an insured. We do cover property of roomers, boarders and other residents related to an insured;
- g. property regularly rented or held for rental to others by an insured. This exclusion does not apply to

property of an insured in a sleeping room rented to others by an insured;

- h. property rented or held for rental to others away from the residence premises;
- i. any citizens band radios, radio telephones, radio transceivers, radio transmitters, radar or laser detectors, antennas and other similar equipment permanently attached to an engine or motor propelled vehicle;
- j. books of account, abstracts, drawings, card index systems and other records. This exclusion does not apply to any recording or storage media for electronic data processing. We will cover the cost of blank books, cards or other blank material plus the cost of labor you incur for transcribing or copying such records; or
- k. recording or storage media for electronic data processing that cannot be replaced with other of like kind and quality on the current retail market.

**COVERAGE C - LOSS OF USE**

- 1. **Additional Living Expense.** When a Loss Insured causes the residence premises to become uninhabitable, we will cover the necessary increase in cost you incur to maintain your standard of living for up to 24 months. Our payment is limited to incurred costs for the shortest of: (a) the time required to repair or replace the premises; (b) the time required for your household to settle elsewhere; or (c) 24 months. This coverage is not reduced by the expiration of this policy.
- 2. **Fair Rental Value.** When a Loss Insured causes that part of the residence premises rented to others or held for rental by you to become uninhabitable, we will cover its fair rental value. Payment shall be for the shortest time required to repair or replace the part of the premises rented or held for rental, but not to exceed 12 months. This period of time is not limited by expiration of this policy. Fair rental value shall not include any expense that does not continue while that part of the residence premises rented or held for rental is uninhabitable.
- 3. **Prohibited Use.** When a civil authority prohibits your use of the residence premises because of direct damage to a neighboring premises by a Loss Insured, we will cover any resulting Additional Living Expense and Fair Rental

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Value: Coverage is for a period not exceeding two weeks while use is prohibited.

We do not cover loss or expense due to cancellation of a lease or agreement.

### SECTION I - ADDITIONAL COVERAGES

The following Additional Coverages are subject to all the terms, provisions, exclusions and conditions of this policy.

**1. Debris Removal.** We will pay the reasonable expenses you incur 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 exceeds the limit for the damaged property, an additional 5% of that limit is available for debris removal expense. This additional amount of insurance does not apply to Additional Coverage, item 3. Trees, Shrubs and Other Plants.

We will also pay up to \$500 in the aggregate for each loss to cover the reasonable expenses you incur in the removal of tree debris from the residence premises when the tree has caused a Loss Insured to Coverage A property.

**2. Temporary Repairs.** If damage is caused by a Loss Insured, we will pay the reasonable and necessary cost you incur 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.

**3. Trees, Shrubs and Other Plants.** We cover outdoor trees, shrubs, plants or lawns on the residence premises for direct loss caused by the following: Fire or 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.

The limit for this coverage, including the removal of debris, shall not exceed 5% of the amount shown in the Declarations for COVERAGE A - DWELLING. 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.

**4. Fire Department Service Charge.** We will pay up to \$500 for your liability assumed by contract or agreement for fire department charges. This means charges incurred when the fire department is called to save or protect covered property from a Loss Insured. No deductible applies to this coverage. This coverage may increase the limit otherwise applicable.

**5. 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 by you for the removal and return of the covered property. This coverage does not increase the limit applying to the property being removed.

**6. Credit Card, Bank Fund Transfer Card, Forgery and Counterfeit Money.**

a. We will pay up to \$1,000 for:

(1) the legal obligation of an insured to pay because of the theft or unauthorized use of credit cards and bank fund transfer cards issued to or registered in an insured's name. If an insured has not complied with all terms and conditions under which the cards are issued, we do not cover use by an insured or anyone else;

(2) loss to an insured caused by forgery or alteration of any check or negotiable instrument; and

(3) loss to an insured through acceptance in good faith of counterfeit United States or Canadian paper currency.

No deductible applies to this coverage.

We will not pay more than the limit stated above for forgery or alteration committed by any one person. This limit applies when the forgery or alteration involves one or more instruments in the same loss.

b. We do not cover loss arising out of business pursuits or dishonesty of an insured.

c. Defense:

(1) We may make any investigation and settle any claim or suit that we decide is appropriate. Our obligation to defend claims or suits ends when

the amount we pay for the loss equals our limit of liability.

(2) If claim is made or a suit is brought against an **insured** for liability under the Credit Card or Bank Fund Transfer Card coverage, we will provide a defense. This defense is at our expense by counsel of our choice.

(3) We have the option to defend at our expense an **insured** or an **insured's** bank against any suit for the enforcement of payment under the Forgery coverage.

**7. Power Interruption.** We cover accidental direct physical loss caused directly or indirectly by a change of 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 does not increase the limit applying to the damaged property.

**8. Refrigerated Products.** Coverage B is extended to cover the contents of deep freeze or refrigerated units on the **residence premises** 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.

**9. Arson Reward.** We will pay \$1,000 for information which leads to an arson conviction in connection with a fire loss to property covered by this policy. This coverage may increase the limit otherwise applicable. However, the \$1,000 limit shall not be increased regardless of the number of persons providing information.

**10. Volcanic Action.** We cover direct physical loss to a covered building or covered property contained in a building resulting from the eruption of a volcano when the loss is directly and immediately caused by:

- a. volcanic blast or airborne shock waves;
- b. ash, dust or particulate matter; or
- c. lava flow.

We will also pay for the removal of that ash, dust or particulate matter which has caused direct physical loss to a covered building or covered property contained in a building.

One or more volcanic eruptions that occur within a 72-hour period shall be considered one volcanic eruption.

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

**11. Collapse.** We insure only for direct physical loss to covered property involving the sudden, entire collapse of a building or any part of a building.

Collapse means actually fallen down or fallen into pieces. It does not include settling, cracking, shrinking, bulging, expansion, sagging or bowing.

The collapse must be directly and immediately caused only by one or more of the following:

- a. perils described in **SECTION I - LOSSES INSURED, COVERAGE B - PERSONAL PROPERTY**. These perils apply to covered building and personal property for loss insured by this Additional Coverage;
- b. hidden decay of a supporting or weight-bearing structural member of the building;
- c. hidden insect or vermin damage to a structural member of the building;
- d. weight of contents, equipment, animals or people;
- e. weight of ice, snow, sleet or rain which collects on a roof; or
- f. use of defective material or methods in the construction (includes remodeling or renovation) of the building, if the collapse occurs during the course of the construction of the building.

Loss to an awning, fence, patio, pavement, swimming pool, underground pipe, flue, drain, cesspool, septic tank, foundation, retaining wall, bulkhead, pier, wharf or dock is not included under items b., c., d., e. and f. unless the

loss is the direct and immediate cause of the collapse of the building.

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

12. **Locks.** We will pay the reasonable expenses you incur to re-key locks on exterior doors of the dwelling located on the residence premises, when the keys to those locks are a part of a covered theft loss.

No deductible applies to this coverage.

#### **INFLATION COVERAGE:**

The limits of liability shown in the **Declarations** for Coverage A, Coverage B and, when applicable, Option ID will be

increased at the same rate as the increase in the Inflation Coverage Index shown in the **Declarations**:

To find the limits on a given date:

1. divide the Index on that date by the Index as of the effective date of this Inflation Coverage provision; then
2. multiply the resulting factor by the limits of liability for Coverage A, Coverage B and Option ID separately.

The limits of liability will not be reduced to less than the amounts shown in the **Declarations**.

If during the term of this policy the Coverage A limit of liability is changed at your request, the effective date of this Inflation Coverage provision is changed to coincide with the effective date of such change.

### **SECTION I - LOSSES INSURED**

#### **COVERAGE A - DWELLING**

We insure for accidental direct physical loss to the property described in Coverage A, except as provided in **SECTION I - LOSSES NOT INSURED**.

#### **COVERAGE B - PERSONAL PROPERTY**

We insure for accidental direct physical loss to property described in Coverage B caused by the following perils, except as provided in **SECTION I - LOSSES NOT INSURED**:

1. **Fire or lightning.**
2. **Windstorm or hail.** This peril does not include loss to property contained in a building caused by rain, snow, sleet, sand or dust. This limitation does not apply when the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand or dust enters through this opening.  
This peril includes loss to watercraft of all types and their trailers, furnishings, equipment, and outboard motors, only while inside a fully enclosed building.
3. **Explosion.**
4. **Riot or civil commotion.**
5. **Aircraft,** including self-propelled missiles and spacecraft.

6. **Vehicles,** meaning impact by a vehicle.

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

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

8. **Vandalism or malicious mischief,** meaning only willful and malicious damage to or destruction of property.

9. **Theft,** including attempted theft and loss of property from a known location when it is probable that the property has been stolen.

This peril does not include:

- a. loss of a precious or semi-precious stone from its setting;

- b. loss caused by theft:

(1) committed by an insured or by any other person regularly residing on the insured location. Property of a student who is an insured is covered while located at a residence away from home, if the theft is committed by a person who is not an insured;

(2) in or to a dwelling under construction or of materials and supplies for use in the construction until the dwelling is completed and occupied; or

(3) from the part of a residence premises rented to others:

(a) caused by a tenant, members of the tenant's household, or the tenant's employees;

(b) of money, bank notes, bullion, gold, gold-ware, silver, silverware, pewterware, platinum, coins and medals;

(c) of securities, checks, cashier's checks, traveler's checks, money orders and other negotiable instruments, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, passports, tickets and stamps; or

(d) of jewelry, watches, fur garments and garments trimmed with fur, precious and semi-precious stones;

c. loss caused by theft that occurs away from the residence premises of:

(1) property while at any other residence owned, rented to, or occupied by an insured, except while an insured is temporarily residing there. Property of a student who is an insured is covered while at a residence away from home;

(2) watercraft of all types, including their furnishings, equipment and outboard motors; or

(3) trailers and campers designed to be pulled by or carried on a vehicle.

If the residence premises is a newly acquired principal residence, property in the immediate past principal residence shall not be considered property away from the residence premises for the first 30 days after the inception of this policy.

10. **Falling objects.** This peril does not include loss to property contained in a building unless the roof or an exterior wall of the building is first damaged by a falling object. Damage to the falling object itself is not included.

11. **Weight of ice, snow or sleet** which causes damage to property contained in a building.

12. **Sudden and accidental discharge or overflow** of water or steam from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system, or from within a household appliance.

This peril does not include loss:

a. to the system or appliance from which the water or steam escaped;

b. caused by or resulting from freezing;

c. caused by or resulting from water or sewage from outside the residence premises 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

d. caused by or resulting from continuous or repeated seepage or leakage of water or steam which occurs over a period of time and results in deterioration, corrosion, rust, mold, or wet or dry rot.

13. **Sudden and accidental tearing asunder, cracking, burning or bulging** of a steam or hot water heating system, air conditioning or automatic fire protective sprinkler system, or an appliance for heating water.

This peril does not include loss:

a. caused by or resulting from freezing; or

b. caused by or resulting from continuous or repeated seepage or leakage of water or steam which occurs over a period of time and results in deterioration, corrosion, rust, mold, or wet or dry rot.

14. **Freezing** of a plumbing, heating, air conditioning or automatic fire protective sprinkler system, or of a household appliance.

This peril does not include loss on the residence premises while the dwelling is vacant, unoccupied or being constructed, unless you have used reasonable care to:

a. maintain heat in the building; or

b. shut off the water supply and drain the system and appliances of water.



15. Sudden and accidental damage to electrical appliances, devices, fixtures and wiring from an increase or decrease of artificially generated electrical current. We will pay up to \$1,000 under this peril for each damaged item described above.

16. Breakage of glass, meaning damage to personal property caused by breakage of glass which is a part of a building on the residence premises. There is no coverage for loss or damage to the glass.

### SECTION I - LOSSES NOT INSURED

1. 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 n. 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:

a. collapse, except as specifically provided in SECTION I - ADDITIONAL COVERAGES, Collapse;

b. freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system, or of a household appliance, or by discharge, leakage or overflow from within the system or appliance caused by freezing. This exclusion only applies while the dwelling is vacant, unoccupied or being constructed. This exclusion does not apply if you have used reasonable care to:

- (1) maintain heat in the building; or
- (2) shut off the water supply and drain the system and appliances of water.

c. freezing, thawing, pressure or weight of water or ice, whether driven by wind or not, to a swimming pool, hot tub or spa, including their filtration and circulation systems, fence, pavement, patio, foundation, retaining wall, bulkhead, pier, wharf or dock;

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

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

f. continuous or repeated seepage or leakage of water or steam from a:

(1) heating, air conditioning or automatic fire protective sprinkler system;

(2) household appliance; or

(3) plumbing system, including from, within or around any shower stall, shower bath, tub installation, or other plumbing fixture, including their walls, ceilings or floors;

which occurs over a period of time. If loss to covered property is caused by water or steam not otherwise excluded, we will cover the cost of tearing out and replacing any part of the building necessary to repair the system or appliance. We do not cover loss to the system or appliance from which the water or steam escaped;

g. wear, tear, marring, scratching, deterioration, inherent vice, latent defect or mechanical breakdown;

h. corrosion, electrolysis or rust;

i. mold, fungus or wet or dry rot;

j. contamination;

k. smog, smoke from agricultural smudging or industrial operations;

l. settling, cracking, shrinking, bulging, or expansion of pavements, patios, foundation, walls, floors, roofs or ceilings;

m. birds, vermin, rodents, insects, or domestic animals. We do cover the breakage of glass or safety glazing material which is a part of a building, when caused by birds, vermin, rodents, insects or domestic animals; or

n. pressure from or presence of tree, shrub or plant roots.

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.

2. 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.

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, mudslide, sinkhole, subsidence, erosion or movement resulting from improper compaction, site selection or any other external forces. Earth movement also includes volcanic explosion or lava flow, except as specifically provided in **SECTION I - ADDITIONAL COVERAGES, Volcanic Action**.

However, we do insure for any direct loss by fire resulting from earth movement, provided the resulting fire loss is itself a Loss Insured.

c. **Water Damage**, meaning:

(1) flood; surface water, waves, tidal water, tsunami, seiche, overflow of a body of water, or spray from any of these, all whether driven by wind or not;

(2) water or sewage from outside the residence premises 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) 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.

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

e. **War**, including any undeclared war, civil war, insurrection, rebellion, revolution, warlike act by a military force or military personnel, destruction or seizure or use for a military purpose, and including any consequence of any of these. Discharge of a nuclear weapon shall be deemed a warlike act even if accidental.

f. **Nuclear Hazard**, meaning any nuclear reaction, radiation, or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these. Loss caused by the nuclear hazard shall not be considered loss caused by fire, explosion or smoke.

However, we do insure for any direct loss by fire resulting from the nuclear hazard, provided the resulting fire loss is itself a Loss Insured.

3. 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 cause, contribute to or aggravate the loss; or (b) occur before, at the same time, or after the loss or any other cause of the loss:

a. conduct, act, failure to act, or decision of any person, group, organization or governmental body whether intentional, wrongful, negligent, or without fault;

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; or

c. weather conditions.

However, we do insure for any resulting loss from items a., b. and c. unless the resulting loss is itself a Loss Not Insured by this Section.

### SECTION I - LOSS SETTLEMENT

Only the Loss Settlement provisions shown in the Declarations apply. We will settle covered property losses according to the following.

#### COVERAGE A - DWELLING

##### 1. A1 - Replacement Cost Loss Settlement - Similar Construction.

a. We will pay the cost to repair or replace with similar construction and for the same use on the premises shown in the Declarations, the damaged part of the property covered under SECTION I - COVERAGES, COVERAGE A - DWELLING, except for wood fences, subject to the following:

- (1) until actual repair or replacement is completed, we will pay only the actual cash value at the time of the loss of the damaged part of the property, up to the applicable limit of liability shown in the Declarations, not to exceed the cost to repair or replace the damaged part of the property;
- (2) when the repair or replacement is actually completed, we will pay the covered additional amount you actually and necessarily spend to repair or replace the damaged part of the property, or an amount up to the applicable limit of liability shown in the Declarations, whichever is less;
- (3) to receive any additional payments on a replacement cost basis, you must complete the actual repair or replacement of the damaged part of the property within two years after the date of loss, and notify us within 30 days after the work has been completed; and

(4) 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, except as provided under Option OL - Building Ordinance or Law Coverage.

b. Wood Fences: We will pay the actual cash value at the time of loss for loss or damage to wood fences, not to exceed the limit of liability shown in the Declarations for COVERAGE A - DWELLING EXTENSION.

##### 2. A2 - Replacement Cost Loss Settlement - Common Construction.

a. We will pay the cost to repair or replace with common construction and for the same use on the premises shown in the Declarations, the damaged part of the property covered under SECTION I - COVERAGES, COVERAGE A - DWELLING, except for wood fences, subject to the following:

- (1) we will pay only for repair or replacement of the damaged part of the property with common construction techniques and materials commonly used by the building trades in standard new construction. We will not pay the cost to repair or replace obsolete, antique or custom construction with like kind and quality;
- (2) until actual repair or replacement is completed, we will pay only the actual cash value at the time of the loss of the damaged part of the property, up to the applicable limit of liability shown in the Declarations, not to exceed the cost to repair or

replace the damaged part of the property as described in a.(1) above;

(3) when the repair or replacement is actually completed as described in a.(1) above, we will pay the covered additional amount you actually and necessarily spend to repair or replace the damaged part of the property, or an amount up to the applicable limit of liability shown in the **Declarations**, whichever is less;

(4) to receive any additional payments on a replacement cost basis, you must complete the actual repair or replacement of the damaged part of the property within two years after the date of loss, and notify us within 30 days after the work has been completed; and

(5) 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, except as provided under **Option OL - Building Ordinance or Law Coverage**.

b. **Wood Fences:** We will pay the actual cash value at the time of loss for loss or damage to wood fences, not to exceed the limit of liability shown in the **Declarations** for **COVERAGE A - DWELLING EXTENSION**.

## **COVERAGE B - PERSONAL PROPERTY**

### **1. B1 - Limited Replacement Cost Loss Settlement.**

a. We will pay the cost to repair or replace property covered under **SECTION I - COVERAGES, COVERAGE B - PERSONAL PROPERTY**, except for property listed in item b. below, subject to the following:

(1) until repair or replacement is completed, we will pay only the cost to repair or replace less depreciation;

(2) after repair or replacement is completed; we will pay the difference between the cost to repair or replace less depreciation and the cost you have

actually and necessarily spent to repair or replace the property; and

(3) if property is not repaired or replaced within two years after the date of loss, we will pay only the cost to repair or replace less depreciation.

b. We will pay market value at the time of loss for:

(1) antiques, fine arts, paintings, statuary and similar articles which by their inherent nature cannot be replaced with new articles;

(2) articles whose age or history contribute substantially to their value including, but not limited to, memorabilia, souvenirs and collectors items; and

(3) property not useful for its intended purpose.

However, we will not pay an amount exceeding the smallest of the following for items a. and b. above:

(1) our cost to replace at the time of loss;

(2) the full cost of repair;

(3) any special limit of liability described in the policy; or

(4) any applicable Coverage B limit of liability.

### **2. B2 - Depreciated Loss Settlement.**

a. We will pay the cost to repair or replace less depreciation at the time of loss for property covered under **SECTION I - COVERAGES, COVERAGE B - PERSONAL PROPERTY**, except for property listed in item b. below.

b. We will pay market value at the time of loss for:

(1) antiques, fine arts, paintings, statuary and similar articles which by their inherent nature cannot be replaced with new articles;

(2) articles whose age or history contribute substantially to their value including, but not limited to, memorabilia, souvenirs and collectors items; and

(3) property not useful for its intended purpose.

However, we will not pay an amount exceeding the smallest of the following for items a. and b. above:

- (1) our cost to replace at the time of loss;
- (2) the full cost of repair;

- (3) any special limit of liability described in the policy; or
- (4) any applicable Coverage B limit of liability.

## SECTION I - CONDITIONS

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

- a. to the insured for an amount greater than the insured's interest; or
- b. for more than the applicable limit of liability.

2. **Your Duties After Loss.** After a loss to which this insurance may apply, you shall see that the following duties are performed:

- a. give immediate notice to us or our agent. Also notify the police if the loss is caused by theft. Also notify the credit card company or bank if the loss involves a credit card or bank fund transfer card;
- b. protect the property from further damage or loss, make reasonable and necessary temporary repairs required to protect the property, keep an accurate record of repair expenditures;
- c. prepare an inventory of damaged or stolen personal property. Show in detail the quantity, description, age, replacement cost and amount of loss. Attach to the inventory all bills, receipts and related documents that substantiate the figures in the inventory;
- d. as often as we reasonably require:

- (1) exhibit the damaged property;
- (2) provide us with records and documents we request and permit us to make copies;
- (3) submit to and subscribe, while not in the presence of any other insured:
  - (a) statements; and
  - (b) examinations under oath; and

- (4) produce employees, members of the insured's household or others for examination under oath to the extent it is within the insured's power to do so; and

e. submit to us, within 60 days after the loss, your signed, sworn proof of loss which sets forth, to the best of your knowledge and belief:

- (1) the time and cause of loss;
- (2) interest of the insured and all others in the property involved and all encumbrances on the property;
- (3) other insurance which may cover the loss;
- (4) changes in title or occupancy of the property during the term of this policy;
- (5) specifications of any damaged building and detailed estimates for repair of the damage;
- (6) an inventory of damaged or stolen personal property described in 2.c;
- (7) receipts for additional living expenses incurred and records supporting the fair rental value loss; and
- (8) evidence or affidavit supporting a claim under the Credit Card, Bank Fund Transfer Card, Forgery and Counterfeit Money coverage, stating the amount and cause of loss.

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

- a. repair or replace any part to restore the pair or set to its value before the loss; or
- b. pay the difference between the depreciated value of the property before and after the loss.

4. **Appraisal.** If you and we fail to agree on the amount of loss, either one can demand that the amount of the loss be set by appraisal. If either makes a written demand for appraisal, each shall select a competent, disinterested appraiser. Each shall notify the other of the appraiser's identity within 20 days of receipt of the written demand. The two appraisers shall then select a competent, impartial umpire. If the two appraisers are unable to agree upon an umpire within 15 days, you or we can ask a judge of a court of record in the state where the residence premises is located to select an umpire. The appraisers shall then set the amount of the loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon shall be the amount of the loss. If the appraisers fail to agree within a reasonable time, they shall submit their differences to the umpire. Written agreement signed by any two of these three shall set the amount of the loss. Each appraiser shall be paid by the party selecting that appraiser. Other expenses of the appraisal and the compensation of the umpire shall be paid equally by you and us.

5. **Other Insurance.** If a loss covered by this policy is also covered by other insurance, we will pay only our share of the loss. Our share is the proportion of the loss that the applicable limit under this policy bears to the total amount of insurance covering the loss.

6. **Suit Against Us.** No action shall be brought unless there has been compliance with the policy provisions. The action must be started within one year after the date of loss or damage.

7. **Our Option.** We may repair or replace any part of the property damaged or stolen with similar property. Any property we pay for or replace becomes our property.

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

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

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

10. **Mortgage Clause.** The word "mortgagee" includes trustee.

a. If a mortgagee is named in this policy, any loss payable under Coverage A shall be paid to the mortgagee and you, as interests appear. If more than one mortgagee is named, the order of payment shall be the same as the order of precedence of the mortgages.

b. If we deny your claim, that denial shall not apply to a valid claim of the mortgagee; if the mortgagee:

(1) notifies us of any change in ownership, occupancy or substantial change in risk of which the mortgagee is aware;

(2) pays on demand any premium due under this policy, if you have not paid the premium; and

(3) submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so. Policy conditions relating to Appraisal, Suit Against Us and Loss Payment apply to the mortgagee.

c. If this policy is cancelled by us, the mortgagee shall be notified at least 10 days before the date cancellation takes effect. Proof of mailing shall be proof of notice.

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

(1) we are subrogated to all the rights of the mortgagee granted under the mortgage on the property;

(2) at our option, we may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, we shall receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.

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

11. **No Benefit to Bailee.** We will not recognize an assignment or grant coverage for the benefit of a person or organization holding, storing or transporting property for

a fee. This applies regardless of any other provision of this policy.

12. **Intentional Acts.** If you or any person insured under this policy causes or procures a loss to property covered

under this policy for the purpose of obtaining insurance benefits, then this policy is void and we will not pay you or any other insured for this loss.

## SECTION II - LIABILITY COVERAGES

### COVERAGE L - PERSONAL LIABILITY

If a claim is made or a suit is brought against an insured for damages because of **bodily injury** or **property damage** to which this coverage applies, caused by an **occurrence**, we will:

1. pay up to our limit of liability for the damages for which the insured is legally liable; and
2. provide a defense at our expense by counsel of our choice. We may make any investigation and settle any claim or suit that we decide is appropriate. Our obligation to defend any claim or suit ends when the amount we pay for damages, to effect settlement or satisfy a judgment resulting from the **occurrence**, equals our limit of liability.

### COVERAGE M - MEDICAL PAYMENTS TO OTHERS

We will pay the necessary medical expenses incurred or medically ascertained within three years from the date of an accident causing **bodily injury**. Medical expenses means reasonable charges for medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, prosthetic devices and funeral services. This coverage applies only:

1. to a person on the insured location with the permission of an insured;
2. to a person off the insured location, if the **bodily injury**:
  - a. arises out of a condition on the insured location or the ways immediately adjoining;
  - b. is caused by the activities of an insured;
  - c. is caused by a residence employee in the course of the residence employee's employment by an insured; or
  - d. is caused by an animal owned by or in the care of an insured; or
3. to a residence employee if the **occurrence** causing **bodily injury** occurs off the insured location and arises

out of or in the course of the residence employee's employment by an insured.

## SECTION II - ADDITIONAL COVERAGES

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

1. **Claim Expenses.** We pay:
  - a. expenses we incur and costs taxed against an insured in suits we defend;
  - b. premiums on bonds required in suits we defend, but not for bond amounts greater than the Coverage L limit. We are not obligated to apply for or furnish any bond;
  - c. reasonable expenses an insured incurs at our request. This includes actual loss of earnings (but not loss of other income) up to \$100 per day for aiding us in the investigation or defense of claims or suits;
  - d. prejudgment interest awarded against the insured on that part of the judgment we pay; and
  - e. interest on the entire judgment which accrues after entry of the judgment and before we pay or tender, or deposit in court that part of the judgment which does not exceed the limit of liability that applies.
2. **First Aid Expenses.** We will pay expenses for first aid to others incurred by an insured for **bodily injury** covered under this policy. We will not pay for first aid to you or any other insured.
3. **Damage to Property of Others.**
  - a. We will pay for **property damage** to property of others caused by an insured.
  - b. We will not pay more than the smallest of the following amounts:
    - (1) replacement cost at the time of loss;
    - (2) full cost of repair; or

(3) \$500 in any one occurrence.

c. We will not pay for property damage:

- (1) if insurance is otherwise provided in this policy;
- (2) caused intentionally by an insured who is 13 years of age or older;
- (3) to property, other than a rented golf cart, owned by or rented to an insured, a tenant of an insured, or a resident in your household; or

(4) arising out of:

- (a) business pursuits;
- (b) any act or omission in connection with a premises an insured owns, rents or controls, other than the insured location; or
- (c) the ownership, maintenance, or use of a motor vehicle, aircraft, or watercraft, including airboat, air cushion, personal watercraft, sail board or similar type watercraft.

## SECTION II - EXCLUSIONS

1. Coverage L and Coverage M do not apply to:

a. **bodily injury or property damage:**

- (1) which is either expected or intended by the insured; or
- (2) which is the result of willful and malicious acts of the insured;

b. **bodily injury or property damage** arising out of business pursuits of any insured or the rental or holding for rental of any part of any premises by any insured. This exclusion does not apply:

- (1) to activities which are ordinarily incident to non-business pursuits;
- (2) with respect to Coverage L to the occasional or part-time business pursuits of an insured who is under 19 years of age;
- (3) to the rental or holding for rental of a residence of yours:
  - (a) on an occasional basis for the exclusive use as a residence;
  - (b) in part, unless intended for use as a residence by more than two roomers or boarders; or
  - (c) in part, as an office, school, studio or private garage;
- (4) when the dwelling on the residence premises is a two; three or four-family dwelling and you oc-

cupy one part and rent or hold for rental the other part; or

- (5) to farm land (without buildings), rented or held for rental to others, but not to exceed a total of 500 acres, regardless of the number of locations;

c. **bodily injury or property damage** arising out of the rendering or failing to render professional services;

d. **bodily injury or property damage** arising out of any premises currently owned or rented to any insured which is not an insured location. This exclusion does not apply to bodily injury to a residence employee arising out of and in the course of the residence employee's employment by an insured;

e. **bodily injury or property damage** arising out of the ownership, maintenance, use, loading or unloading of:

- (1) an aircraft;
- (2) a motor vehicle owned or operated by or rented or loaned to any insured; or
- (3) a watercraft:
  - (a) owned by or rented to any insured if it has inboard or inboard-outdrive motor power of more than 50 horsepower;
  - (b) owned by or rented to any insured if it is a sailing vessel, with or without auxiliary power, 26 feet or more in overall length;



- (c) powered by one or more outboard motors with more than 25 total horsepower owned by any insured;
- (d) designated as an airboat, air cushion, or similar type of craft; or
- (e) owned by any insured which is a personal watercraft using a water jet pump powered by an internal combustion engine as the primary source of propulsion.

This exclusion does not apply to **bodily injury** to a **residence employee** arising out of and in the course of the **residence employee's** employment by an **insured**. Exclusion e.(3) does not apply while the watercraft is on the **residence premises**;

f. **bodily injury** or **property damage** arising out of:

- (1) the entrustment by any insured to any person;
- (2) the supervision by any insured of any person;
- (3) any liability statutorily imposed on any insured; or
- (4) any liability assumed through an unwritten or written agreement by any insured;

with regard to the ownership, maintenance or use of any aircraft, watercraft, or motor vehicle which is not covered under Section II of this policy.

**bodily injury** or **property damage** caused directly or indirectly by war, including undeclared war, or any warlike act including destruction or seizure or use for a military purpose, or any consequence of these. Discharge of a nuclear weapon shall be deemed a warlike act even if accidental;

h. **bodily injury** to you or any insured within the meaning of part a. or b. of the definition of **insured**.

This exclusion also applies to any claim made or suit brought against you or any insured to share damages with or repay someone else who may be obligated to pay damages because of the **bodily injury** sustained by you or any insured within the meaning of part a. or b. of the definition of **insured**;

i. any claim made or suit brought against any insured by:

- (1) any person who is in the care of any insured because of child care services provided by or at the direction of:

- (a) any insured;
- (b) any employee of any insured; or
- (c) any other person actually or apparently acting on behalf of any insured; or

- (2) any person who makes a claim because of **bodily injury** to any person who is in the care of any insured because of child care services provided by or at the direction of:

- (a) any insured;
- (b) any employee of any insured; or
- (c) any other person actually or apparently acting on behalf of any insured.

This exclusion does not apply to the occasional child care services provided by any insured, or to the part-time child care services provided by any insured who is under 19 years of age; or

j. **bodily injury** or **property damage** arising out of an insured's participation in, or preparation or practice for any prearranged or organized race, speed or demolition contest, or similar competition involving a motorized land vehicle or motorized watercraft. This exclusion does not apply to a sailing vessel less than 26 feet in overall length with or without auxiliary power.

2. Coverage L does not apply to:

a. liability:

- (1) for your share of any loss assessment charged against all members of an association of property owners; or
- (2) assumed under any unwritten contract or agreement, or by contract or agreement in connection with a **business of the insured**;

b. **property damage** to property currently owned by any insured;

c. **property damage** to property rented to, occupied or used by or in the care of any insured. This exclusion

does not apply to **property damage** caused by fire, smoke or explosion;

- d. **bodily injury** to a person eligible to receive any benefits required to be provided or voluntarily provided by an **insured** under a workers' compensation, non-occupational disability, or occupational disease law;
- e. **bodily injury or property damage** for which an **insured** under this policy is also an **insured** under a nuclear energy liability policy or would be an **insured** but for its termination upon exhaustion of its limit of liability. A nuclear energy liability policy is a policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters, Nuclear Insurance Association of Canada, or any of their successors.

3. Coverage M does not apply to **bodily injury**:

- a. to a **residence employee** if it occurs off the **insured location** and does not arise out of or in the course of the **residence employee's** employment by an **insured**;
- b. to a person eligible to receive any benefits required to be provided or voluntarily provided under any workers' compensation, non-occupational disability or occupational disease law;
- c. from nuclear reaction, radiation or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these;
- d. to a person other than a **residence employee** of an **insured**, regularly residing on any part of the **insured location**.

## SECTION II - CONDITIONS

1. **Limit of Liability.** The Coverage L limit is shown in the **Declarations**. This is our limit for all damages from each **occurrence** regardless of the number of **insureds**, claims made or persons injured.

The Coverage M limit is shown in the **Declarations**. This is our limit for all medical expense for **bodily injury** to one person as the result of one accident.

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

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

- a. give written notice to us or our agent as soon as practicable, which sets forth:

- (1) the identity of this policy and **insured**;
- (2) reasonably available information on the time, place and circumstances of the accident or **occurrence**; and

- (3) names and addresses of any claimants and available witnesses;

- b. immediately forward to us every notice, demand, summons or other process relating to the accident or **occurrence**;

- c. at our request, assist in:

- (1) making settlement;

- (2) the enforcement of any right of contribution or indemnity against a person or organization who may be liable to an **insured**;

- (3) the conduct of suits and attend hearings and trials; and

- (4) securing and giving evidence and obtaining the attendance of witnesses;

- d. under the coverage - **Damage to Property of Others**, exhibit the damaged property if within the **insured's** control; and

- e. the **insured** shall not, except at the **insured's** own cost, voluntarily make payments, assume obligations or incur expenses. This does not apply to expense for first aid to others at the time of the **bodily injury**.

4. **Duties of an Injured Person - Coverage M.** The injured person, or, when appropriate, someone acting on behalf of that person, shall:

- a. give us written proof of claim, under oath if required, as soon as practicable;
- b. execute authorization to allow us to obtain copies of medical reports and records; and
- c. submit to physical examination by a physician selected by us when and as often as we reasonably require.

5. **Payment of Claim - Coverage M.** Payment under this coverage is not an admission of liability by an insured or us.

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

No one shall have the right to join us as a party to an action against an insured. Further, no action with respect to Coverage L shall be brought against us until the obligation of the insured has been determined by final judgment or agreement signed by us.

7. **Bankruptcy of an Insured.** Bankruptcy or insolvency of an insured shall not relieve us of our obligation under this policy.

8. **Other Insurance - Coverage L.** This insurance is excess over any other valid and collectible insurance except insurance written specifically to cover as excess over the limits of liability that apply in this policy.

### SECTION I AND SECTION II - CONDITIONS

1. **Policy Period.** This policy applies only to loss under Section I or **bodily injury or property damage** under Section II which occurs during the period this policy is in effect.

2. **Concealment or Fraud.** This policy is void as to you and any other insured, if you or any other insured under this policy has intentionally concealed or misrepresented any material fact or circumstance relating to this insurance, whether before or after a loss.

3. **Liberalization Clause.** If we adopt any revision which would broaden coverage under this policy without additional premium, within 60 days prior to or during the period this policy is in effect, the broadened coverage will immediately apply to this policy.

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

5. **Cancellation.**

- a. You may cancel this policy at any time by notifying us in writing of the date cancellation is to take effect. We may waive the requirement that the notice be in writing by confirming the date and time of cancellation to you in writing.

b. We may cancel this policy only for the reasons stated in this condition. We will notify you in writing of the date cancellation takes effect. This cancellation notice may be delivered to you, or mailed to you at your mailing address shown in the Declarations. Proof of mailing shall be sufficient proof of notice:

(1) When you have not paid the premium, we may cancel at any time by notifying you at least 10 days before the date cancellation takes effect. This condition applies whether the premium is payable to us or our agent or under any finance or credit plan.

(2) When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason. We may cancel by notifying you at least 10 days before the date cancellation takes effect.

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

- (a) if there has been a material misrepresentation of fact which, if known to us, would have caused us not to issue this policy; or

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

We may cancel this policy by notifying you at least 30 days before the date cancellation takes effect.

(4) When this policy is written for a period longer than one year, we may cancel for any reason at anniversary. We may cancel by notifying you at least 30 days before the date cancellation takes effect.

c. When this policy is cancelled, the premium for the period from the date of cancellation to the expiration date will be refunded. When you request cancellation, the return premium will be based on our rules for such cancellation. The return premium may be less than a full pro rata refund. When we cancel, the return premium will be pro rata.

d. The return premium may not be refunded with the notice of cancellation or when the policy is returned to us. In such cases, we will refund it within a reasonable time after the date cancellation takes effect.

6. **Nonrenewal.** We may elect not to renew this policy. If we elect not to renew, a written notice will be delivered to you, or mailed to you at your mailing address shown in the Declarations. The notice will be mailed or delivered at least 30 days before the expiration date of this policy. Proof of mailing shall be sufficient proof of notice.

**Assignment.** Assignment of this policy shall not be valid as we give our written consent.

8. **Subrogation.** An insured may waive in writing before a loss all rights of recovery against any person. If not

waived, we may require an assignment of rights of recovery for a loss to the extent that payment is made by us.

If an assignment is sought, an insured shall:

- sign and deliver all related papers;
- cooperate with us in a reasonable manner; and
- do nothing after a loss to prejudice such rights.

Subrogation does not apply under Section II to Medical Payments to Others or Damage to Property of Others.

9. **Death.** If any person shown in the Declarations or the spouse, if a resident of the same household, dies:

a. we insure the legal representative of the deceased. This condition applies only with respect to the premises and property of the deceased covered under this policy at the time of death;

b. insured includes:

(1) any member of your household who is an insured at the time of your death, but only while a resident of the residence premises; and

(2) with respect to your property, the person having proper temporary custody of the property until appointment and qualification of a legal representative.

10. **Conformity to State Law.** When a policy provision is in conflict with the applicable law of the State in which this policy is issued, the law of the State will apply.

### OPTIONAL POLICY PROVISIONS

Each Optional Policy Provision applies only as shown in the Declarations and is subject to all the terms, provisions, exclusions and conditions of this policy.

**Option AI - Additional Insured.** The definition of insured is extended to include the person or organization shown in the Declarations as an Additional Insured or whose name is on file with us. Coverage is with respect to:

1. Section I - Coverage A; or

2. Section II - Coverages L and M but only with respect to the residence premises. This coverage does not apply to bodily injury to an employee arising out of or in the course of the employee's employment by the person or organization.

This option applies only with respect to the location shown in the Declarations.

**Option BP - Business Property.** The COVERAGE B - PERSONAL PROPERTY, Special Limits of Liability, item b., for property used or intended for use in a business,

including merchandise held as samples or for sale or for every after sale, is changed as follows:

The \$1,000 limit is replaced with the amount shown in the **Declarations** for this option.

**Option BU - Business Pursuits. SECTION II - EXCLUSIONS**, item 1.b. is modified as follows:

1. Section II coverage applies to the business pursuits of an insured who is a:

- a. clerical office employee, salesperson, collector, messenger; or
- b. teacher (except college, university and professional athletic coaches), school principal or school administrator;

while acting within the scope of the above listed occupations.

2. However, no coverage is provided:

a. for **bodily injury or property damage** arising out of a **business** owned or financially controlled by the insured or by a partnership of which the insured is a partner or member;

b. for **bodily injury or property damage** arising out of the rendering of or failure to render professional services of any nature (other than teaching or school administration). This exclusion includes but is not limited to:

(1) computer programming, architectural, engineering or industrial design services;

(2) medical, surgical, dental or other services or treatment conducive to the health of persons or animals; and

(3) beauty or barber services or treatment;

c. for **bodily injury** to a fellow employee of the insured injured in the course of employment; or

d. when the insured is a member of the faculty or teaching staff of a school or college:

(1) for **bodily injury or property damage** arising out of the maintenance, use, loading or unloading of:

(a) draft or saddle animals, including vehicles for use with them; or

(b) aircraft, motor vehicles, recreational motor vehicles or watercraft, airboats, air cushions or personal watercraft which use a water jet pump powered by an internal combustion engine as the primary source of propulsion;

owned or operated, or hired by or for the insured or employer of the insured or used by the insured for the purpose of instruction in the use thereof; or

(2) under Coverage M for **bodily injury** to a pupil arising out of corporal punishment administered by or at the direction of the insured.

**Option FA - Firearms.** Firearms are insured for accidental direct physical loss or damage.

The limits for this option are shown in the **Declarations**. The first amount is the limit for any one article; the second amount is the aggregate limit for each loss.

The following additional provisions apply:

1. we do not insure for any loss to the property described in this option either consisting of, or directly and immediately caused by, one or more of the following:

a. mechanical breakdown, wear and tear, gradual deterioration;

b. insects or vermin;

c. any process of refinishing, renovating, or repairing;

d. dampness of atmosphere or extremes of temperatures;

e. inherent defect or faulty manufacture;

f. rust, fouling or explosion of firearms;

g. breakage, marring, scratching, tearing or denting unless caused by fire, thieves or accidents to conveyances; or

h. infidelity of an insured's employees or persons to whom the insured property may be entrusted or rented;

2. our limit for loss by any Coverage B peril except theft is the limit shown in the **Declarations** for Coverage B, plus aggregate limit;

3. our limits for loss by theft are those shown in the **Declarations** for this option. These limits apply in lieu of the Coverage B theft limit; and

4. our limits for loss by any covered peril except those in items 2. and 3. are those shown in the **Declarations**.

**Option HC - Home Computer.** The **COVERAGE B - PERSONAL PROPERTY, Special Limits of Liability**, item i., for electronic data processing system equipment and the recording or storage media used with that equipment is increased to be the amount shown in the **Declarations** for this option.

**Option ID - Increased Dwelling Limit.** We will settle losses to damaged building structures covered under **COVERAGE A - DWELLING** according to the **SECTION I - LOSS SETTLEMENT** provision shown in the **Declarations**.

If the amount you actually and necessarily spend to repair or replace damaged building structures exceeds the applicable limit of liability shown in the **Declarations**, we will pay the additional amounts not to exceed:

1. the Option ID limit of liability shown in the **Declarations** to repair or replace the Dwelling; or

2. 10% of the Option ID limit of liability to repair or replace building structures covered under **COVERAGE A - DWELLING, Dwelling Extension**.

**Report Increased Values.** You must notify us within 90 days of the start of any new building structure costing \$5,000 or more; or any additions to or remodeling of building structures which increase their values by \$5,000 or more. You must pay any additional premium due for the increased value. We will not pay more than the applicable limit of liability shown in the **Declarations**, if you fail to notify us of the increased value within 90 days.

**Option IO - Incidental Business.** The coverage provided by this option applies only to that incidental business occupancy on file with us.

1. **COVERAGE A - DWELLING, Dwelling Extension**, item 2.b. is deleted.

2. **COVERAGE B - PERSONAL PROPERTY** is extended to include equipment, supplies and furnishings usual and

incidental to this business occupancy. This Optional Policy Provision does not include electronic data processing system equipment or the recording or storage media used with that equipment or merchandise held as samples or for sale or for delivery after sale.

The Option IO limits are shown in the **Declarations**. The first limit applies to property on the residence premises. The second limit applies to property while off the residence premises. These limits are in addition to the **COVERAGE B - PERSONAL PROPERTY, Special Limits of Liability** on property used or intended for use in a business.

3. Under Section II, the residence premises is not considered business property because an insured occupies a part of it as an incidental business.

4. **SECTION II - EXCLUSIONS**, item 1.b. of Coverage L and Coverage M is replaced with the following:

b. **bodily injury or property damage** arising out of business pursuits of an insured or the rental or holding for rental of any part of any premises by an insured. This exclusion does not apply:

(1) to activities which are ordinarily incidental to non-business pursuits or to business pursuits of an insured which are necessary or incidental to the use of the residence premises as an incidental business;

(2) with respect to Coverage L to the occasional or part-time business pursuits of an insured who is under 19 years of age;

(3) to the rental or holding for rental of a residence of yours:

(a) on an occasional basis for exclusive use as a residence;

(b) in part, unless intended for use as a residence by more than two roomers or boarders; or

(c) in part, as an incidental business or private garage;

(4) when the dwelling on the residence premises is a two family dwelling and you occupy

one part and rent or hold for rental the other part; or

- (5) to farm land (without buildings), rented or held for rental to others, but not to exceed a total of 500 acres, regardless of the number of locations.

5. This insurance does not apply to:

a. **bodily injury** to an employee of an **insured** arising out of the **residence premises** as an **incidental business** other than to a **residence employee** while engaged in the employee's employment by an **insured**;

b. **bodily injury** to a pupil arising out of corporal punishment administered by or at the direction of the **insured**;

c. liability arising out of any acts, errors or omissions of an **insured**, or any other person for whose acts an **insured** is liable, resulting from the preparation or approval of data, plans, designs, opinions, reports, programs, specifications, supervisory inspections or engineering services in the conduct of an **insured's** incidental **business** involving data processing, computer consulting or computer programming; or

d. any claim made or suit brought against any **insured** by:

(1) any person who is in the care of any **insured** because of child care services provided by or at the direction of:

(a) any **insured**;

(b) any employee of any **insured**; or

(c) any other person actually or apparently acting on behalf of any **insured**; or

(2) any person who makes a claim because of **bodily injury** to any person who is in the care of any **insured** because of child care services provided by or at the direction of:

(a) any **insured**;

(b) any employee of any **insured**; or

(c) any other person actually or apparently acting on behalf of any **insured**.

Coverage M does not apply to any person indicated in (1) and (2) above.

This exclusion does not apply to the occasional child care services provided by any **insured**, or to the part-time child care services provided by any **insured** who is under 19 years of age.

**Option JF - Jewelry and Furs.** Jewelry, watches, fur garments and garments trimmed with fur, precious and semi-precious stones, gold other than goldware, silver other than silverware and platinum are insured for accidental direct physical loss or damage.

The limits for this option are shown in the **Declarations**. The first amount is the limit for any one article; the second amount is the aggregate limit for each loss.

The following additional provisions apply:

1. we do not insure for any loss to the property described in this option either consisting of, or directly and immediately caused by, one or more of the following:

a. mechanical breakdown, wear and tear, gradual deterioration;

b. insects or vermin;

c. inherent vice; or

d. seizure or destruction under quarantine or customs regulations;

2. our limit for loss by any Coverage B peril except theft is the limit shown in the **Declarations** for Coverage B, plus the aggregate limit;

3. our limits for loss by theft are those shown in the **Declarations** for this option; and

4. our limits for loss by any covered peril except those in items 2. and 3. are those shown in the **Declarations** for this option.

Pontius v. SFF&CC  
HO CP 100029

## Option OL - Building Ordinance or Law

### Coverage Provided:

The total limit of insurance provided by this Building Ordinance or Law provision will not exceed an amount equal to the Option OL percentage shown in the Declarations of the Coverage A limit shown in the Declarations at the time of the loss, as adjusted by the inflation coverage provisions of the policy. This is an additional amount of insurance and applies only to the dwelling.

### 2. Damaged Portions of Dwelling.

When the dwelling covered under **COVERAGE A - DWELLING** is damaged by a Loss Insured we will pay for the increased cost to repair or rebuild the physically damaged portion of the dwelling caused by the enforcement of a building, zoning or land use ordinance or law if the enforcement is directly caused by the same Loss Insured and the requirement is in effect at the time the Loss Insured occurs.

### 3. Undamaged Portions of Damaged Dwelling.

When the dwelling covered under **COVERAGE A - DWELLING** is damaged by a Loss Insured we will also pay for:

- a. the cost to demolish and clear the site of the undamaged portions of the dwelling caused by the enforcement of a building, zoning or land use ordinance or law if the enforcement is directly caused by the same Loss Insured and the requirement is in effect at the time the Loss Insured occurs; and
- b. loss to the undamaged portion of the dwelling caused by enforcement of any ordinance or law if:
  - (1) the enforcement is directly caused by the same Loss Insured;
  - (2) the enforcement requires the demolition of portions of the same dwelling not damaged by the same Loss Insured;
  - (3) the ordinance or law regulates the construction or repair of the dwelling, or establishes zoning or

land use requirements at the described premises; and

- (4) the ordinance or law is in force at the time of the occurrence of the same Loss Insured; or

- c. the legally required changes to the undamaged portion of the dwelling caused by the enforcement of a building, zoning or land use ordinance or law if the enforcement is directly caused by the same Loss Insured and the requirement is in effect at the time the Loss Insured occurs.

### 4. Building Ordinance or Law Coverage Limitations.

- a. We will not pay for any increased cost of construction under this coverage:
  - (1) until the dwelling is actually repaired or replaced at the same or another premises in the same general vicinity; and
  - (2) unless the repairs or replacement are made as soon as reasonably possible after the loss, not to exceed two years.
- b. We will not pay more for loss to the undamaged portion of the dwelling caused by the enforcement of any ordinance or law than:
  - (1) the depreciated value of the undamaged portion of the dwelling, if the dwelling is not repaired or replaced;
  - (2) the amount you actually spend to replace the undamaged portion of the dwelling if the dwelling is repaired or replaced.
- c. We will not pay more under this coverage than the amount you actually spend:
  - (1) for the increased cost to repair or rebuild the dwelling at the same or another premises in the same general vicinity if relocation is required by ordinance or law; and
  - (2) to demolish and clear the site of the undamaged portions of the dwelling caused by enforcement of building, zoning or land use ordinance or law.



We will never pay for more than a dwelling of the same height, floor area and style on the same or similar premises as the dwelling, subject to the limit provided in paragraph 1. Coverage Provided of this option.

**Option SG - Silverware and Goldware Theft.** The **COVER-AGE B - PERSONAL PROPERTY, Special Limits of Liability, item h.,** for theft of silverware and goldware is increased to be the amount shown in the Declarations for this option.

IN WITNESS WHEREOF, this Company has caused this policy to be signed by its President and Secretary at Bloomington, Illinois.

*Kim M. Bruner*

Secretary

*Edward B. Rust, Jr.*

President

The Board of Directors, in accordance with Article VI(c) of this Company's Articles of Incorporation, may from time to time distribute equitably to the holders of the participating policies issued by said Company such sums out of its earnings as in its judgment are proper.

Pontius v. SFF&CC  
HO CP 100031

**AMENDATORY ENDORSEMENT  
(Mississippi)**

**SECTION I AND SECTION II - CONDITIONS**

**Right to Inspect** is added:

**Right to Inspect.** We have the right but are not obligated to make inspections and surveys at any time, give you reports on conditions we find and recommend changes. Any inspections, surveys, reports or recommendations relate only to insurability and the premiums to be charged.

We do not:

- a. make safety inspections;
- b. undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public;

- c. warrant that conditions are safe or healthful; or
- d. warrant that conditions comply with laws, regulations, codes or standards.

This condition applies not only to us but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.

**Joint and Individual Interests** is added:

**Joint and Individual Interests.** When there are two or more named insureds, each acts for all to cancel or change the policy.

All other policy provisions apply.

## BACK-UP OF SEWER OR DRAIN ENDORSEMENT (\$10,000 Limit)

### SECTION I - LOSSES INSURED

Over accidental direct physical loss to the dwelling used principally as a private residence on the **residence premises** shown in the **Declarations** and only the following personal property, while located in the dwelling:

1. clothes washers and dryers;
2. food freezers and the food in them;
3. refrigerators;
4. ranges;
5. portable dishwashers; and
6. dehumidifiers;

caused by or resulting from water or sewage from outside the **residence premises** 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.

There is no coverage for other personal property.

This coverage does not apply if the loss is caused by your negligence.

Item c. of **Sudden and accidental discharge or overflow** of water or steam, shown below, is deleted:

- c. caused by or resulting from water or sewage from outside the **residence premises** 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

### SECTION I - LOSSES NOT INSURED

Item (2) of **Water Damage**, shown below, is deleted:

- (2) water or sewage from outside the **residence premises** 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

**Limit of Liability:** The limit for this coverage shall not exceed \$10,000 in any one occurrence.

**Deductible:** The deductible amount shown in the **Declarations** under **DEDUCTIBLES - SECTION I**, but in no event less than \$1,000, will be deducted from each back-up of sewer or drain loss covered by this endorsement.

**Other Insurance:** If a loss covered by this endorsement is also covered by flood insurance, we will pay only for the amount of covered loss in excess of the amount due from that insurance.

All other policy provisions apply.

Pontius v. SFF&CC  
HO CP 100033

## POLICY ENDORSEMENT

### SECTION I AND SECTION II - CONDITIONS

The following condition is added:

**Premium.** The premium for this policy may vary based upon the purchase of other insurance from one of the State Farm affiliated companies.

All other policy provisions apply.

FE-5320  
(4/99)

## FUNGUS (INCLUDING MOLD) EXCLUSION ENDORSEMENT

### DEFINITIONS

The following definition is added:

"fungus" means any type or form of fungus, including mold, mildew, mycotoxins, spores, scents or byproducts produced or released by fungi.

### SECTION I - LOSSES INSURED

Item 12.d. is replaced with the following:

- d. caused by or resulting from continuous or repeated seepage or leakage of water or steam which occurs over a period of time and results in deterioration, corrosion, rust, or wet or dry rot.

Item 13.b. is replaced with the following:

- b. caused by or resulting from continuous or repeated seepage or leakage of water or steam which occurs over a period of time and results in deterioration, corrosion, rust, or wet or dry rot.

### SECTION I - LOSSES NOT INSURED

Item 1.i. is replaced with the following:

- i. wet or dry rot;

In item 2., the following is added as item g.:

g. Fungus. We also do not cover:

- (1) any loss of use or delay in rebuilding, repairing or replacing covered property, including any associated cost or expense, due to interference at the residence premises or location of the rebuilding, repair or replacement, by fungus;
- (2) any remediation of fungus, including the cost to:
  - (a) remove the fungus from covered property or to repair, restore or replace that property; or
  - (b) tear out and replace any part of the building or other property as needed to gain access to the fungus; or
- (3) the cost of any testing or monitoring of air or property to confirm the type, absence, presence or level of fungus, whether performed prior to, during or after removal, repair, restoration or replacement of covered property.

All other policy provisions apply.

## MOTOR VEHICLE ENDORSEMENT

### DEFINITIONS

The definition of "motor vehicle" is replaced by the following:

"motor vehicle", when used in Section II of this policy, means:

- a. a land motor vehicle designed for travel on public roads or subject to motor vehicle registration;
- b. a trailer or semi-trailer designed for travel on public roads and subject to motor vehicle registration;
- c. a "recreational vehicle" while off an insured location. "Recreational vehicle", means a motorized vehicle designed for recreation principally off public roads that is owned or leased by an insured. This includes, but is not limited to, a motorized all terrain vehicle, amphibious vehicle, dune buggy, go-cart, golf cart, snowmobile, trailbike, minibike and personal assistive mobility device;
- d. a "locomotive" while off an insured location. "Locomotive" means a self-propelled vehicle for pulling or pushing freight or passenger cars on tracks that is large enough to carry a person and is owned or leased by an insured;
- e. a bulldozer, track loader, backhoe, high-hoe, trencher, grader, crane, self-propelled scraper, excavator, pipe-layer, cherry picker, telehandler, logging vehicle, mining vehicle or road building vehicle that is owned or leased by an insured while off an insured location;
- f. any vehicle while being towed or pushed by or carried on a vehicle included in a., b., c., d. or e.;
- g. the following are not motor vehicles:
  - (1) a motorized land vehicle in dead storage on an insured location;
  - (2) a boat, camp, home or utility trailer not being towed or pushed by or carried on a vehicle included in a., b., c., d. or e.;
  - (3) a motorized golf cart while used for golfing purposes;
  - (4) a motorized vehicle or trailer designed to assist the handicapped that is not designed for travel on public roads or subject to motor vehicle registration;
- h. "leased" does not include temporary rental.

All other policy provisions apply.

*Your  
Nationwide<sup>®</sup>  
Homeowners Policy*

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Nationwide Insurance Companies, Home Office: One Nationwide Plaza, Columbus, Ohio 43215-2220

**EXHIBIT**

*Hinkle #14  
10-31-06 sm*

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## Insuring Agreement

We will provide the insurance described in this policy, which includes the Declarations and attached endorsements or schedules, in return for the premium and fees, and compliance with all the policy provisions.

The applicable limits of liability and optional coverages **you** have chosen are shown on the Declarations. This policy applies only to loss which occurs while the policy is in force.

## Definitions

Certain words and phrases used in this policy are defined as follows:

1. "WE", "US" and "OUR" refer to the company shown on the Declarations as the issuing company.
2. "YOU" and "YOUR" refer to the named **insured** shown in this policy who resides at the **residence premises**. These terms also mean **your** spouse who resides at the same **residence premises**.
3. "BUSINESS" includes trade, profession, occupation, or employment including self-employment, performed on a full-time, part-time, or temporary basis. **Business** also includes any occasional **business** pursuits of an **insured**, including ownership of rental property. It includes home care services regularly provided to a person or persons, other than **insureds** or **insureds'** relatives, for which there is monetary or other compensation. A mutual exchange of home care services is not considered compensation. Exceptions, if any, are noted on the Declarations.
4. "INSURED" means **you** and the following if residents of **your** household at the **residence premises**:
  - a) **your** relatives.
  - b) any other person under age 21 and in the care of **you** or **your** relatives.
5. "INSURED LOCATION" means:
  - a) the **residence premises**.
  - b) the part of any other premises, structures, and grounds used by **you** as a residence and shown in the policy; also any of these acquired by **you** during the policy period for **your** use as a residence.
  - c) a premises **you** use with premises defined in 5. a) or 5. b).
  - d) a part of a premises, not owned by an **insured**, where an **insured** is temporarily living.
  - e) vacant land, other than farm land, owned by or rented to an **insured**.
  - f) land, other than farm land, owned by or rented to an **insured** on which a one or two-family dwelling is being built as a residence for an **insured**.
  - g) cemetery plots or burial vaults of an **insured**.
  - h) a part of a premises rented on occasion to an **insured** for purposes other than **business**.
6. "MOTOR VEHICLE" means:
  - a) a motorized land vehicle or conveyance, including motorized bicycles or mopeds, designed for travel on public roads or subject to **motor vehicle** registration.
  - b) a trailer or semi-trailer designed for travel on public roads and subject to **motor vehicle** registration.
  - c) any vehicle while being towed by or carried on a vehicle defined in 6. a) or 6. b).
7. "RESIDENCE PREMISES" means the one, two, three or four-family dwelling, other structures and grounds located at the mailing address shown on the Declarations unless otherwise indicated.
8. "AIRCRAFT" means any machine or device capable of atmospheric flight, except models.



# Section I Property Coverages

## Coverage Agreements

### COVERAGE A – DWELLING

We cover:

1. the dwelling on the **residence premises** used mainly as **your** private residence, including attached structures and attached wall-to-wall carpeting.
2. materials or supplies on or adjacent to the **residence premises** for use in construction, alteration or repair of:
  - a) the dwelling; or
  - b) Coverage B – Other Structures.

We do not cover land or the replacement, rebuilding, restoration, stabilization or value of such land.

### COVERAGE B – OTHER STRUCTURES

We cover other structures on the **residence premises**. They must be separated from the dwelling by clear space. Structures connected to the dwelling by only a fence, utility line, or similar connection are considered other structures.

We do not cover:

1. other structures used in whole or in part for **business** purposes.
2. other structures rented or held for rental to anyone, unless used solely as a private garage.
3. land or the replacement, rebuilding, restoration, stabilization or value of such land.

### COVERAGE C – PERSONAL PROPERTY

We cover personal property owned or used by an **insured** at the **residence premises**. At **your** request, we will cover personal property owned by others. It must be on the part of the **residence premises** occupied by an **insured**. This extension of coverage does not increase the limit of liability.

Our limit of liability for personal property while away from the **residence premises** is 10 percent of the limit of liability for Coverage C or \$1,000, whichever is greater. This 10 percent limitation does not apply to personal property:

1. removed from the **residence premises** due to a covered loss;
2. in transit to and from, or while in a newly acquired principal residence for 30 days. The 30 days start right after **you** begin to move the property; or
3. stored in a commercial storage facility up to 180 days. The 180 days start when **you** begin to move the property. A commercial storage facility does not include a self-storage unit.

**SPECIAL LIMITS OF LIABILITY.** Certain property is subject to special limits which do not increase the personal property limits of liability. The special limit, shown below for each numbered category, is the total limit for each loss for all property in that category.

7. property in an apartment regularly rented or held for rental to others by an insured.
8. property rented or held for rental to others away from the **residence premises**.
9. **business** property away from the **residence premises**.

### COVERAGE D – LOSS OF USE

We cover, subject to the coverage limit which is the total limit, all of the following:

1. **Additional Living Expense.** If a covered loss requires you to leave the **residence premises**, we will pay the required increase in living expenses you incur to maintain your normal standard of living. Payment will be for the shortest time required to repair or replace the premises; or, if you permanently relocate, for the shortest time required for your household to settle elsewhere. Payment will not exceed the limit of liability shown on the Declarations or 12 months, whichever occurs first. This period of time is not limited by the end of the policy period; and
2. **Fair Rental Value.** If a loss covered under this section requires occupants to leave that part of the **residence premises** rented to others or held for rental, we will pay its fair rental value. Payment will be for the shortest time required to repair or replace this part of the premises. This does not include expense that does not continue while the part of the **residence premises** is uninhabitable. Payment will not exceed the limit of liability shown on the Declarations or 12 months, whichever occurs first. This period of time is not limited by the end of the policy period; and
3. **Prohibited Use.** If a civil authority prohibits your use of the **residence premises** because of direct damage to neighboring premises by a peril insured against in this policy, we will pay the resulting loss, for up to two weeks while use is prohibited, for:
  - a) Additional Living Expense; and
  - b) Fair Rental Value.

We do not cover loss or expense due to cancellation of a lease or agreement.

This coverage does not apply to an insured's **business**, whether conducted on or off any insured location.

No deductible applies to this coverage.

## Additional Property Coverages

These additional property coverages are subject to the policy deductible except as noted. In no event will the deductible be applied more than once to any one loss.

1. **Debris Removal.** We will pay reasonable expense you incur removing debris of covered property, if the peril causing the loss is covered. This includes debris of trees that cause damage to covered property or covered structures, or that obstruct access to covered structures if such access is necessary to repair or replace the structure. We will pay only to move away from, or off of, covered property or covered structures, the debris of trees that cause damage to covered property or restrict access. An additional five (5) percent of the limit of liability for the damaged property will be available when the amount payable for the property loss plus the debris removal expense exceeds the limit of liability.
2. **Live Tree Debris Removal.** In the event of a loss, we will also pay the reasonable expense you incur for the removal of live tree debris from the **residence premises**, that does not cause damage to covered property or covered structures. The most we will pay is \$500, regardless of the number of trees requiring removal, for any one loss. Loss must be the result of a Coverage C Perils Insured Against. This is an additional amount of coverage.

8. **Inflation Protection Coverage.** If the Declarations show this coverage applies, we will adjust the limit of liability on the Declarations for Section I – Coverages. The limit of liability will change as the appropriate index, shown on the Declarations, changes.

We will compare the latest available index to the index as of the effective date of this policy. We will adjust the limit of liability by the percentage change in the index. It is further agreed that the premium for this policy at the next anniversary date shall be for the adjusted limits of liability.

If you request a change in the dwelling limit of liability, the effective date of this coverage will be amended to the effective date of that change.

This coverage will not reduce our limit of liability during the current policy period below that for which premium has been paid.

9. **Consequential Loss.** We cover insured personal property in a building at the residence premises for loss due to temperature change resulting from power interruption. There must be damage to the residence premises caused by a covered peril.

10. **Refrigerated Property.** If a power interruption occurs, off the residence premises, we will pay up to a maximum of \$500 for loss of contents in a freezer or refrigerator due to temperature changes. You must use all reasonable means to protect the covered property from damage or this coverage is void.

11. **Lock Replacement.** We will pay up to \$100 to replace the exterior door locks on your residence premises with deadbolt locks or to rekey the lock cylinders of existing deadbolt locks, whichever is less. This coverage applies only if the keys to your residence premises are stolen.

No deductible applies to this coverage.

12. **Collapse.** We cover direct physical loss to covered property described in Coverages A, B and C caused by the complete collapse of a building structure or any part of a building structure. Collapse means an abrupt falling down or caving in of a building or other structure or any part of a building or other structure with the result that it cannot be occupied for its intended purpose. A building or other structure or part of a building or other structure is not considered in a state of collapse if:

- a) it is standing but in danger of falling down or caving in;
- b) it is standing but has separated from any other part of the building;
- c) it is standing even if it shows signs of settling, cracking, shifting, bulging, sagging, bowing, bending, leaning, shrinkage, or expansion.

The collapse must be sudden and accidental and caused by one or more of the following:

- a) one of the Coverage C – Personal Property perils insured against;
- b) hidden decay of a supporting or weight bearing building structural member;
- c) hidden insect or vermin damage of a supporting or weight bearing building structural member;
- d) weight of:
  - (1) contents, equipment, animals or people; or
  - (2) rain, ice, sleet or snow which collects on the roof; or
- e) defective material or methods used in the construction, repair or remodeling or renovation if the collapse occurs in the course of work being done.

The presence of any decay, insect or vermin damage must be unknown to an insured prior to collapse.

Loss to an awning, fence, patio, swimming pool, underground pipe, flue, drain, cesspool, septic tank, foundation, retaining wall, bulkhead, pier, wharf, or dock is not included under items b), c), d), or e) unless the loss is a direct result of the collapse of a building.

The limit of liability applying to the covered property is not increased by this coverage.

# *Perils Insured Against*

(Section I)

## *Covered Causes of Loss*

### **COVERAGE A – DWELLING and COVERAGE B – OTHER STRUCTURES**

We cover accidental direct physical loss to property described in Coverages A and B except for losses excluded under Section I – Property Exclusions.

### **COVERAGE C – PERSONAL PROPERTY**

We cover accidental direct physical loss to property described in Coverage C caused by the following perils except for losses excluded under Section I – Property Exclusions:

1. fire or lightning.
2. windstorm or hail.

Direct loss caused by rain, snow, sleet, sand or dust driven through roof or wall openings made by direct action of wind, hail, or other insured peril is covered. This peril includes loss to:

- a) rowboats and canoes inside or outside a building.
- b) other watercraft and outboard motors, including their trailers, furnishings, and equipment, while inside a fully enclosed building.

3. explosion.
4. riot or civil commotion.
5. **aircraft**, missiles propelled and spacecraft.
6. vehicles.
7. sudden and accidental damage from smoke. This does not include loss due to smoke from farm or industrial operations.
8. vandalism and malicious mischief.

This peril does not include loss to property on the **residence premises** if the dwelling has been vacant for more than 30 consecutive days immediately before the loss. A dwelling under construction is not considered vacant.

9. theft, including attempted theft. Loss of property from a known location when it is likely the property was stolen is covered. Loss of precious or semi-precious stones from their settings is not covered. This peril does not include loss caused by any theft:
  - a) committed by an **insured**.
  - b) in or to a dwelling under construction, or of materials and supplies for use in the construction, until the dwelling is completed and occupied.
  - c) of money, securities, stamps, jewelry, watches, gems, articles of gold, silver, or platinum from any part of a **residence premises** usually occupied solely by an **insured** while rented to other than an **insured**.

# Property Exclusions

(Section I)

1. We do not cover loss to any property resulting directly or indirectly from any of the following. Such a loss is excluded even if another peril or event contributed concurrently or in any sequence to cause the loss.
  - a) **Earth Movement and Volcanic Eruption.** Earth movement means: earth movement due to natural or unnatural causes, including mine subsidence; earthquake; landslide; mudslide; earth shifting, rising or sinking. Volcanic eruption means: eruption; or discharge from a volcano. Resulting direct loss by fire, explosion, theft or breakage of glass which is part of the building is covered.
  - b) **Water or damage caused by water-borne material.** Loss resulting from water or water-borne material damage described below is not covered even if other perils contributed, directly or indirectly to cause the loss. Water and water-borne material damage means:
    - (1) flood, surface water, waves, tidal waves, overflow of a body of water, spray from these, whether or not driven by wind.
    - (2) water or water-borne material which:
      - (a) backs up through sewers or drains from outside the dwelling's plumbing system; or
      - (b) overflows a sump pump, sump pump well or other system designed to remove subsurface water or water-borne material from the **foundation** area.
    - (3) water or water-borne material below the surface of the ground, including water or water-borne material which exerts pressure on, seeps or leaks through a building, sidewalk, driveway, **foundation**, swimming pool, or other structure.Resulting direct loss by fire, explosion, or theft is covered.
  - c) **Neglect**, meaning neglect of the **insured** to use all reasonable means to save and preserve property at the time of and after a loss, or when property is endangered by a covered peril.
  - d) **War or Warlike Acts.** This includes insurrection, rebellion or revolution. Discharge of a nuclear weapon is considered a warlike act even if accidental.
  - e) **Nuclear Hazard**, meaning any nuclear reaction, discharge, radiation, or radioactive contamination, all whether controlled or not or however caused, and any consequence of any of these. Loss caused by nuclear hazard is not considered loss caused by fire, smoke, or explosion, whether these perils are specifically named in or otherwise included as a covered peril in Section I.
  - f) **Increased Hazard**, meaning any loss occurring while hazard is increased by a means within the control and knowledge of an **insured**.
  - g) **Intentional Acts**, meaning loss resulting from an act committed by or at the direction of an **insured** that may reasonably be expected to result from such acts, or is the intended result from such acts. Intentional acts include criminal acts. Such acts exclude coverage for all **insureds**.
  - h) **Ordinance or Law**, meaning enforcement of any ordinance or law regulating the construction, repair or demolition of a building or other structure.
  - i) **Collapse**, except as provided by Section I — Additional Property Coverages — Collapse.

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This exclusion applies only while the dwelling is vacant, unoccupied or being constructed unless you have used reasonable care to:

- (1) maintain heat in the building; or
  - (2) shut off the water supply and drained the system and appliance of water.
- b) freezing, thawing, pressure or weight of water, snow or ice, whether driven by wind or not, to a:
- (1) fence, pavement, patio or swimming pool;
  - (2) **foundation**, retaining wall, or bulkhead; or
  - (3) pier, wharf or dock.
- c) theft in or to a dwelling under construction, or of materials and supplies for use in the construction until the dwelling is completed and occupied.
- d) vandalism and malicious mischief or breakage of glass and safety glazing materials if the dwelling has been vacant for more than 30 consecutive days immediately before the loss. A dwelling under construction is not considered vacant.
- e) continuous or repeated seepage or leakage of water or steam over a period of time from a heating, air conditioning or automatic protective sprinkler system; household appliance; or plumbing system that results in deterioration or rust. Continuous or repeated seepage or leakage from, within, or around any shower stall, shower tub, tub installation or other plumbing fixture, including their walls, ceilings or floors, is also excluded.

If loss caused by water or steam is not otherwise excluded, we will cover the cost of tearing out and replacing any part of the building necessary to repair or replace the system or appliance. We do not cover loss to the system or appliance from which the water or steam escaped.

- f) (1) wear and tear, marring, deterioration;
- (2) inherent vice, latent defect, mechanical breakdown;
- (3) smog or rust;
- (4) smoke from agricultural smudging or industrial operations;
- (5) release, discharge, or dispersal of contaminants or pollutants;
- (6) settling, cracking, shrinking, bulging or expansion of pavements, patios, **foundations**, walls, floors, roofs or ceilings;
- (7) birds, vermin, rodents, insects or domestic animals. Resulting breakage of glass constituting part of a covered building is covered;
- (8) root growth, movement or action; or
- (9) mismatch of color between undamaged material and new material used to replace faded, weathered or oxidized damaged material.
- (10) mismatch between undamaged material and new material used to repair or replace damaged material due to outdated, obsolete or discontinued products.

If any of items f)(1) through (8) cause water to escape from a plumbing, heating, air conditioning or fire protective sprinkler system or household appliance, we cover loss caused by the water not otherwise excluded. We also cover the cost of tearing out and replacing any part of a building necessary to repair the system or appliance. We do not cover loss to the system or appliance from which the water escaped.

Under exclusions 3.a) through 3.f), any loss that follows is covered unless it is specifically excluded.

# Property Conditions

(Section I)

1. **Insurable Interest and Limit of Liability.** Even if more than one person has an insurable interest in the property covered, we will not be liable:
  - a) to the **insured** for more than the **insured's** interest.
  - b) for more than the limit of liability.
2. **Deductible.** The deductible amount shown on the Declarations or endorsements attached to this policy is the amount of loss paid by the **insured**. We pay for covered loss above the deductible amount.
3. **Your Duties after Loss.** In case of loss, you must:
  - a) give immediate notice to us or our agent; and also to the police in case of theft. In case of loss under the credit card coverage, also notify the credit card (Electronic Fund Transfer Card) company. If loss is caused by or results from the peril of hail, loss must be reported to us or our agent within 6 months of the loss event.
  - b) protect the property from further damage. You must make repairs required to protect the property and keep a record of repair expenses.
  - c) as often as we reasonably require:
    - (1) show us the damaged property; and
    - (2) provide records and documents we request and permit us to make copies.
    - (3) submit to examinations under oath and sign same. At your or our request, the exams will be conducted separately and not in the presence of any other persons except legal representation.
  - d) submit to us, within 60 days after we request, your signed, sworn proof of loss which sets forth,
    - (1) the time and cause of loss.
    - (2) interest of the **insured** and all others in the property involved and all liens on the property.
    - (3) other insurance that may cover the loss.
    - (4) changes in title or occupancy of the property during the term of the policy.
    - (5) specifications of any damaged property and detailed estimates for repair of damage.
    - (6) a list of damaged personal property showing in detail the quantity, description, **actual cash value**, and amount of loss. Attach all bills and receipts that support the figures.
    - (7) receipts for additional living expenses and records supporting the fair rental value loss.
    - (8) evidence or affidavit supporting a claim under the Credit Card, Electronic Fund Transfer Card, Access Device and Forgery Coverage. It should state the amount and cause of loss.
4. **Loss Settlement.** Covered losses will be settled, up to the applicable limit of liability, by us paying:
  - a) **actual cash value** at the time of loss, the amount not to exceed **actual cash value**, needed to repair or replace:
    - (1) personal property and structures that are not buildings;
    - (2) carpeting (including wall-to-wall) and cloth awnings;



will be paid equally by you and us. Any fees for expert witnesses or attorneys will be paid by the party who hires them. Neither the umpire nor the appraisers will have a financial interest that is conditioned on the outcome of the specific matter for which they are called to serve.

This is not a provision providing for or requiring arbitration. The appraisers and umpire are only authorized to determine the **actual cash value**, replacement cost, or cost to repair the property that is the subject of the claim. They are not authorized to determine coverage, exclusions, conditions, forfeiture provisions, conditions precedent, or any other contractual issues that may exist between you and us. The appraisal award cannot be used by either you or us in any proceeding concerning coverage, exclusions, forfeiture provisions, conditions precedent, or other contractual issues. However, once contractual liability is admitted or determined, the appraisal award is binding upon you and us. This appraisal process and authority granted to the appraisers and the umpire can only be expanded or modified by written mutual consent signed by you and us.

7. **Other Insurance.** If a loss covered by this policy is also covered by other insurance, we will pay only the proportion of the loss that the limit of liability that applies under this policy bears to the total amount of insurance covering the loss.
8. **Suit Against Us.** No action can be brought against us unless there has been full compliance with the policy provisions. Any action must be started within one year after the date of loss or damage.
9. **Abandonment of Property.** We need not accept property abandoned by an insured.
10. **Mortgage Clause.** The word "mortgagee" includes trustee. If a mortgagee is named in this policy, a loss payable under Coverage A or B will be paid to the mortgagee and you, as interests appear. If more than one mortgagee is named, the order of payment will be the same as the order or precedence of the mortgages. If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:
  - a) notifies us of change in ownership, occupancy, or substantial change in risk of which the mortgagee is aware.
  - b) pays premium due under this policy on our demand, if you neglected to pay the premium.
  - c) submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so. Policy conditions relating to Your Duties after Loss, Loss Payment, Appraisal, and Suit Against Us apply to the mortgagee.

If we cancel the policy, we will notify the mortgagee at least 10 days before the cancellation takes effect. If we pay the mortgagee for loss and deny payment to you:

  - a) we are subrogated to all the rights of the mortgagee granted under the mortgage on the property; or
  - b) at our option, we may pay to the mortgagee the whole principal on the mortgage plus accrued interest. In this event, we will receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt. Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.
11. **No Benefit to Bailee.** This insurance does not benefit a person or organization that is caring for or handling your property for a fee.
12. **Glass Replacement.** We will replace covered glass using safety glazing materials when required by ordinance or law.



## Section II

# Liability Coverages

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### ADDITIONAL DEFINITIONS APPLICABLE TO THESE COVERAGES

For purposes of these coverages only:

1. "BODILY INJURY" means bodily harm, including resulting care, sickness or disease, loss of services or death. **Bodily injury** does not include emotional distress, mental anguish, humiliation, mental distress or injury, or any similar injury unless the direct result of bodily harm.
2. "PROPERTY DAMAGE" means physical injury to or destruction of tangible property. This includes its resulting loss of use.
3. "RESIDENCE EMPLOYEE" means an employee of an **insured** who performs duties in connection with maintenance or use of the **residence premises**. This includes household or domestic services or similar duties elsewhere not in connection with the **business** of an **insured**.
4. "OCCURRENCE" means **bodily injury** or **property damage** resulting from an accident, including continuous or repeated exposure to the same general condition. The **occurrence** must be during the policy period.
5. "INSURED" means **you** and the following persons if residents of **your** household at the **residence premises**:
  - a) **your** relatives;
  - b) any other person under age 21 and in the care of **you** or **your** relatives;
  - c) a person or entity legally responsible for animals or covered watercraft that are either owned by or in the custody of an **insured**. A person or entity using or having custody of these animals or watercraft in the course of **business**, or without permission of the owner, is not an **insured**.
  - d) any person operating, utilizing, or maintaining a covered vehicle while engaged in **your** employment or that of an **insured**.

## Coverage Agreements

### COVERAGE E – PERSONAL LIABILITY

We will pay damages an **insured** is legally obligated to pay due to an **occurrence** resulting from negligent personal acts or negligence arising out of the ownership, maintenance or use of real or personal property. We will provide a defense at **our** expense by counsel of **our** choice. We may investigate and settle any claim or suit. Our duty to defend a claim or suit ends when the amount we pay for damages equals **our** limit of liability. Damages include prejudgment interest awarded against the **insured**.

This coverage is excess over other valid and collectible insurance. It does not apply to insurance written as excess over the applicable limits of liability.

4. **Accidental Death Benefits.** We will pay \$500 (\$2,000 if an adult) to the estate of the deceased for accidental loss of life of an **insured**. Death must be solely caused by accident. The adult benefit applies to an **insured** age 18 or older. Accident means an event which is sudden, unforeseen, and unintended. Death must be within 90 days of the accident. It must result directly from **bodily injury** suffered on the **residence premises**. Death must be independent of other causes. Coverage ends for an **insured** on the nearest policy renewal date to such **insured's** 65th birthday. We will not pay where death results directly or indirectly, wholly or in part, from any of the following causes:
- a) disease, bodily or mental illness;
  - b) medical or surgical treatment for disease, bodily or mental illness;
  - c) infection unless it results from visible wounds. It must be the result of an accident which happened at the **residence premises**;
  - d) suicide, whether the deceased was sane or insane;
  - e) sensitivity to drugs or an overdose of drugs;
  - f) taking poison or inhaling gas, voluntarily;
  - g) war or an act of war, declared or undeclared. It does not matter whether the **insured** is in military service or not.

# Liability Exclusions

(Section II)

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1. Coverage E – Personal Liability and Coverage F – Medical Payments to Others do not apply to **bodily injury or property damage**:
  - a) caused intentionally by or at the direction of an **insured**, including willful acts the result of which the **insured** knows or ought to know will follow from the **insured's** conduct.  
This exclusion 1.a) does not apply to corporal punishment of pupils.
  - b) caused by or resulting from an act or omission which is criminal in nature and committed by an **insured**.  
This exclusion 1.b) applies regardless of whether the **insured** is actually charged with, or convicted of a crime.
  - c) arising out of **business** pursuits of an **insured**.  
This exclusion 1.c) does not apply to:
    - (1) activities normally considered non-**business**.
    - (2) occasional or part time self-employed **business** pursuits of an **insured** under age 19 years old (age 23 if a full-time student).
    - (3) an office, school, studio, barber or beauty shop on the **residence** premises if noted on the Declarations.
    - (4) home care services provided by or at the direction of an **insured** on or from the **residence** premises if noted on the Declarations.
  - d) arising out of the rental or holding for rental of any part of any premises by an **insured**. Exceptions, if any, are noted on the Declarations.  
This exclusion 1.d) does not apply to the rental or holding for rental of part of **your residence** premises:
    - (1) occasionally for the exclusive use as a residence.
    - (2) unless intended as a residence by more than two roomers or boarders.
    - (3) as a private garage.
  - e) arising out of any professional liability except teaching.
  - f) arising out of premises owned or rented to an **insured** but not an **insured** location.  
This exclusion 1.f) does not apply to **bodily injury** to any **residence** employee arising out of and in the course of employment by an **insured**.
  - g) arising out of the ownership, maintenance or use of, or loading or unloading of; entrustment or the negligent supervision by an **insured** of; or statutorily imposed liability on an **insured** related to the use of:
    - (1) an **aircraft**.
    - (2) a **motor vehicle** or all other motorized land conveyance owned by or operated by, or rented or loaned to an **insured**.

- (2) fuel oil and other petroleum products; or
- (3) any other waste materials or other irritants, contaminants or pollutants.

This exclusion 1.k) does not apply to **bodily injury** arising out of routine lawn and garden care of an **insured location**.

- l) resulting from acts or omissions relating directly or indirectly to sexual molestation, physical or mental abuse, harassment, including sexual harassment, whether actual, alleged or threatened.
- m) resulting from the use, sale, manufacture, delivery, transfer or possession by a person of a controlled substance(s) as defined by Federal Food and Drug Law (21 U.S.C.A Sections 811 and 812). Controlled substances include but are not limited to: cocaine; LSD; marijuana; and all narcotic drugs.

This exclusion 1.m) does not apply to the legitimate use of prescription drugs by a person following orders of a licensed physician.

- n) **bodily injury** to a person eligible to receive any benefits required to be provided or voluntarily provided by any **insured** under:
  - (1) a workers' compensation;
  - (2) an unemployment compensation;
  - (3) a non-occupational or occupational disease;
  - (4) a disability benefits;or any similar law.

- o) caused by any of the following animals owned by or in the care of an **insured**:

- (1) the following types of pure bred dogs:

- (a) American Staffordshire Terriers, American Pit Bull Terriers, or Staffordshire Bull Terriers, all commonly known as Pit Bulls;

- (b) Doberman Pinschers;

- (c) Rottweilers;

- (d) Chow Chows; or

- (e) Presa Canarios;

- (2) wolf hybrids;

- (3) trained attack or guard dogs;

- (4) any fighting dog or dog bred for fighting; or

- (5) any dog with a prior history of:

- (a) causing **bodily injury** to a person; or

- (b) attacking or biting another animal;

established through insurance claims records, or through the records of local public safety, law enforcement or other similar regulatory agency.

- (6) any non-licensed dog if a license is required by state, county, municipality or local law, regulation or ordinance.

- p) arising out of **biological deterioration or damage**.

2. Coverage E – Personal Liability does not apply to:

- a) liability under any loss assessment contract or agreement unless optional loss assessment coverage is purchased; and then only up to the limit of liability shown for that optional coverage.

- b) liability assumed under any unwritten contract or agreement, or by contract or agreement in connection with any **business** of an **insured**.

- c) **property damage** to property owned, produced or distributed by an **insured**.

# Liability Conditions

(Section II)

1. **Limits of Liability.** Our total liability under Coverage E for all damages resulting from one occurrence will not exceed the limit for Coverage E shown on the Declarations. This is true regardless of the number of **insureds**, claims made or persons injured.  
Our total liability under Coverage F for all medical expense for **bodily injury** to one person resulting from one accident will not exceed the limit for Coverage F shown on the Declarations.
2. **Severability of Insurance.** This insurance applies separately to each **insured**. This condition does not increase our limit of liability for one **occurrence**.
3. **Duties after Loss.** In case of a loss, **you** must perform the following duties. **You** must cooperate with **us** in seeing that these duties are performed.
  - a) give notice to **us** or our agent as soon as practicable setting forth:
    - (1) identity of the policy and **insured**.
    - (2) time, place, and facts of the accident or **occurrence**.
    - (3) names and addresses of the claimants and witnesses.
  - b) immediately forward to **us** every document relating to the accident or **occurrence**.
  - c) at our request, assist in:
    - (1) making settlement.
    - (2) enforcing a right of contribution or indemnity against a person or entity who may be liable to an **insured**.
    - (3) conducting suits, and attending hearings and trials.
    - (4) giving evidence and asking witnesses to attend.
  - d) under the coverage – Damage to Property of Others:
    - (1) submit to **us**, within 60 days after the loss, a sworn proof of loss; and
    - (2) exhibit the damaged property, if within the **insured's** control.
  - e) the **insured** shall not, except at the **insured's** own cost, voluntarily make a payment, assume an obligation, or incur an expense other than for first aid to others at the time of the **bodily injury**.
  - f) Under the coverage – Accidental Death Benefits:
    - (1) **you** agree to authorize **us** to receive medical reports and copies of supporting records;
    - (2) **we** have the right and opportunity to make an autopsy where not forbidden by law.
4. **Duties of an Injured Person – Coverage F – Medical Payments to Others.** The injured person or someone on behalf of the injured person will:
  - a) give **us** written proof of claim, under oath if required, as soon as possible.
  - b) authorize **us** to obtain copies of medical reports and records. The injured person will submit to physical examination by a physician **we** select. This may be as often as **we** require with good reason.
5. **Suit Against Us.** No action can be brought against **us** unless there has been full compliance with the policy provisions. No one has a right to join **us** as party to an action against an **insured**. No action with respect to Coverage E can be brought against **us** until the obligation of the **insured** has been determined by final judgment or agreement signed by **us**.
6. **Bankruptcy of an Insured.** Bankruptcy or insolvency of an **insured** will not relieve **us** of our obligations under this policy.

# Policy Coverage Options

The following options apply only if they are indicated on the Declarations. They are subject to all provisions of this policy except as modified herein.

**Option A. Jewelry.** The coverage for jewelry, watches and furs is amended as follows:

We will pay for accidental direct physical loss except that caused by:

1. wear and tear or mechanical breakdown.
2. gradual deterioration or inherent vice.
3. insects or vermin.
4. losses excluded under Section I – Property Exclusions that apply to personal property.

**Option B. Guns.** The coverage for guns, including accessories is amended as follows:

We will pay for accidental direct physical loss except that caused by:

1. wear and tear, mechanical breakdown or gradual deterioration.
2. insects or vermin.
3. refinishing, renovating or repairing.
4. dampness or temperature extremes, rust, fouling or explosion.
5. inherent defect or faulty manufacture.
6. breakage, marring, scratching, tearing, or denting; unless caused by fire, thieves or vehicular accident.
7. losses excluded under Section I – Property Exclusions that apply to personal property.

**Option C. Cameras.** The coverage for cameras (film, digital or video), including accessories, is amended as follows:

We will pay for accidental direct physical loss except that caused by:

1. wear and tear, mechanical breakdown or gradual deterioration.
2. renovating or repairing, rust, dampness or temperature extremes.
3. inherent defect or faulty manufacture, insect or vermin.
4. breakage, marring, scratching, tearing, or denting; unless caused by fire, thieves or vehicular accident.
5. losses excluded under Section I – Property Exclusions that apply to personal property.

The limits of liability for property covered by **Options A, B or C** are amended as follows:

The option's limit of liability is shown on the Declarations. Other than loss by theft, it is in addition to the Coverage C – Personal Property limit of liability for losses by a Coverage C – Personal Property Perils Insured Against. It is the total limit, with a \$1,000 maximum for any one item, for loss by:

1. theft; or
2. a covered peril other than the Coverage C – Personal Property Perils Insured Against.

- c) any special limits of liability described in this policy or attached by endorsement; or
- d) our cost to repair or replace any part of the damaged or stolen property with equivalent property. We will not pay more than the actual cash value of the damaged or stolen property until it has been repaired or replaced.

2. You may elect not to repair or replace some or all of the damaged or stolen property. In this event, settlement will be based on the smallest of the repair cost, replacement cost, any special limit of liability that applies or the actual cash value of those items. If you later decide to repair or replace those items, you may make an additional claim within 180 days after the loss for any difference between the amount paid and the amount payable if repaired or replaced. The actual repair or replacement of the property need not be completed within the 180 days, but payment will not be made until proof of repair or replacement is provided to us.

3. This coverage does not apply to:
- a) manuscripts, antiques or collectors' items, and other items whose age and history with new articles.
  - b) memorabilia, souvenirs, or their value.
  - c) property not maintained in good or workable order.
  - d) property which is obsolete or useless to you at the time of loss.
- The actual cash value provisions of this policy apply to the preceding items 3.a) through 3.d).

**Option K. Replacement Cost Plus (Dwelling) (Increased Coverage A Limit).** When a loss covered by this policy occurs to the dwelling in which you live, located at the residence premises, we will settle losses, subject to applicable deductibles, according to the policy provisions. If the amount actually and necessarily spent to repair or replace the dwelling is more than the Coverage A - Dwelling Limit, we will pay up to a maximum of an additional 20% of the Coverage A limit for the policy identified as the residence premises on the Declarations. This coverage does not increase or affect any other coverage limit or limit of liability in this policy. This additional payment is subject to the following provisions:

**SPECIAL CONDITIONS:**

- You must:
- 1. insure the dwelling in which you live, located at the residence premises, to 100% of the cost to repair or replace it; and in the Coverage A - Dwelling limit of liability due to
  - 2. accept the annual adjustment and pay the premium charged; and
  - 3. notify us within 90 days of the start of any physical improvements or additions which increase the replacement cost value of your dwelling by \$5,000 or more and pay any additional premium due.
- You must comply with these special conditions or we will pay no more than the policy limit in effect on the date of loss, less applicable deductibles.



2. an event of the type covered by Section II of this policy; or
3. damages the Association is legally obligated to pay due to **personal injury** as a result of:
  - a) false arrest, false imprisonment, wrongful eviction, or wrongful entry;
  - b) wrongful detention, malicious prosecution, misrepresentation, or humiliation;
  - c) libel, slander, defamation of character; or
  - d) invasion of rights of privacy.

This coverage is excess over other valid and collectible insurance covering the Association. Loss under subparagraph 1. is subject to the Section I deductible shown on the Declarations.

**Option O. Building Ordinance or Law Coverage.**

We agree to cover the increased cost resulting from any ordinance or law regulating the:

1. construction;
2. repair;
3. renovation;
4. remodeling; or
5. demolition;

of covered building structures damaged by a Peril Insured Against.

**LIMIT OF PAYMENT**

The amount of ordinance or law coverage is shown on the Declarations. It is a percentage of the Coverage A — Limit of Liability shown on the Declarations at the time of loss. This is additional coverage.

The damaged or destroyed building structure must be repaired or replaced at the residence premises.

**SPECIAL EXCLUSIONS**

We will not pay costs:

1. required to replace, repair, regrade, remove, stabilize, change the contour of, or otherwise alter land, unless under or immediately surrounding the damaged building structure;
2. resulting from the enforcement of any ordinance or law involving construction, repair, remodeling or demolition of that portion of the undamaged building structure.

However, this exclusion does not apply if the total damage to the covered building structure is more than 50% of the building's replacement cost, less any ordinance or law expenses, at the time of the loss.

**Option P. Limited Water Back up of Sewers or Drains Coverage.** We will pay up to a maximum of \$5,000 for all damage to:

1. the Coverage A — Dwelling; and
2. the following personal property:
  - a) clothes washers and dryers;
  - b) food freezers and the food in them;
  - c) refrigerators;





# General Policy Conditions

## 1. HOW YOUR POLICY MAY BE CHANGED

- a) Any part of this policy which may be in conflict with statutes of the state in which this policy is issued is hereby amended to conform.
- b) Any **insured** will automatically have the benefit of any broadening of coverage in this policy, as of the effective date of the change, provided it does not require more premium.
- c) A waiver or change of a part of this policy must be in writing by **us** to be valid. Our request for an appraisal or examination does not waive **our** rights.
- d) The premium for the coverage provided by this policy and attached endorsements is based on information in **our** possession. Any change or correction in this information will allow **us** to make an adjustment of the premium.

## 2. CONCEALMENT OR FRAUD

- a) This policy is void as to all **insureds** if **you** or any other **insured** has intentionally misrepresented any material fact or circumstance which would have caused **us** not to issue or renew this policy.
- b) This policy does not provide coverage for all **insureds** if **you** or any other **insured**, either before or after a loss, has:
  - (1) intentionally concealed or misrepresented any material fact or circumstance; or
  - (2) committed any fraud or made false statements relating to such loss.

## 3. RENEWAL

This policy is written for a specific policy period as shown on the Declarations. We will renew it for successive policy periods subject to the following conditions:

- a) Renewal will be in accordance with the policy forms, rules, rates and rating plan in use by **us** at the time.
- b) All premiums or premium installment payments and fees must be paid when due.
- c) Prior to the expiration of a policy period for which premium has been paid, we will mail a notice to the named **insured** for the premium required to renew or maintain the policy in effect. We will mail this notice to the address last known to **us**.
- d) **You** agree to an interior inspection of **your** home by one of **our** representatives to determine **your** continued eligibility. Such inspection will not be performed more than once a year with prior advance notice. Failure to allow an interior inspection in accordance with these terms may result in nonrenewal of **your** policy.

## 4. NON-RENEWAL

- a) At the end of each policy period, we will have the right to refuse to renew this policy.
- b) If we elect not to renew, we will mail written notice to the named **insured**, at the address shown in this policy, at least 30 days before the renewal date of this policy. Proof of mailing shall be proof of notice.
- c) For nonpayment of renewal premium, coverage will terminate without notice at the end of the last policy period for which premium was paid.

## 5. CANCELLATION DURING POLICY PERIOD

Any named **insured** may cancel this policy at any time by returning it to **us** or by notifying **us** in writing of the future date cancellation is to take effect.

We may cancel this policy only for the reasons stated in this condition by notifying the named **insured** in writing of the date cancellation takes effect. This cancellation notice will be mailed to the named **insured** at the address shown in the policy. Proof of mailing will be proof of notice.

payment there is an installment premium payment charge. Your agent or sales representative can provide more information.

**11. NON-SUFFICIENT FUNDS CHARGE**

The company reserves the right to impose a fee for any premium that is unable to be processed due to non-sufficient funds, or if there are non-sufficient funds in an account that is being utilized for electronic funds transfer (EFT) payments.

**12. DIVIDENDS**

The first named **insured** is entitled to any dividends which are declared by the Board of Directors and are applicable to coverages in this policy.

**MUTUAL POLICY CONDITIONS**

(Applicable only to policies issued by Nationwide Mutual Insurance Company – Nationwide Mutual Fire Insurance Company.)

If this policy is issued by Nationwide Mutual Insurance Company or Nationwide Mutual Fire Insurance Company, the first named **insured** is a member of the company issuing the policy while this or any other policy issued by one of these two companies is in force. While a member, the first named **insured** is entitled to one vote only – regardless of the number of policies issued to the first named **insured** – either in person or by proxy at meetings of members of said company.

The annual meeting of members of the Nationwide Mutual Insurance Company will be held at the Home Office at Columbus, Ohio, at 10 a.m. on the first Thursday of April. The annual meeting of members of the Nationwide Mutual Fire Insurance Company will be held at the Home Office at Columbus, Ohio, at 9:30 a.m. on the first Thursday in April. If the Board of Directors of either of the above companies should elect to change the time or place of meeting, that company will mail notice of the change to the first named **insured** at the address last known to it. The company will mail this notice at least 10 days in advance of the meeting date.

This policy is non-assessable, meaning the first named **insured** is not subject to any assessment beyond the premiums the above companies require for each policy term.

**IN WITNESS WHEREOF:** Nationwide Mutual Insurance Company, Nationwide Mutual Fire Insurance Company, or Nationwide Property and Casualty Insurance Company, whichever is the issuing company as shown in the Declarations, has caused this policy to be signed by its President and Secretary and countersigned as may be required by a duly authorized representative of the company.

*Patricia P. Hatcher* *Galen Burnes*  
Secretary President



Nationwide Mutual Insurance Company  
Nationwide Mutual Fire Insurance Company  
Nationwide Property and Casualty Insurance Company  
Home Office: Columbus, Ohio 43215-2220



# Hurricane Coverage and Deductible Provision Endorsement

Please attach this important addition to your policy.

For the premium charged, the policy is amended as follows:

## ADDITIONAL DEFINITIONS APPLICABLE

For purposes of this endorsement only:

1. "Hurricane" means a storm system declared to be a hurricane by the National Hurricane Center of the National Weather Service. The duration of the hurricane includes the following time period in the state or commonwealth in which the **residence premises** is located:
  - a) Beginning at the time a hurricane watch or hurricane warning is issued in any part of the state or commonwealth by the National Hurricane Center; and
  - b) Continuing for the time period during which the hurricane exists anywhere in the state or commonwealth; and
  - c) Ending 72 hours following termination of the last hurricane watch or hurricane warning for any part of the state or commonwealth by the National Hurricane Center.
2. "Windstorm" means wind, wind gust, hail, rain, tornadoes or cyclones caused by or resulting from a hurricane.

## HURRICANE COVERAGE

Coverage under this policy includes loss or damage caused by the peril of **windstorm** during a hurricane. It includes damage to a building's interior or property inside a building, caused directly by rain, snow, sleet, hail, sand or dust if direct force of the **windstorm** first damages the building causing an opening through which the above enters and causes damage.

Hurricane coverage does not include loss caused by flooding, including but not limited to flooding resulting from high tides or storm surges.

## HURRICANE DEDUCTIBLE PROVISION

The hurricane deductible on the Declarations applies in the event of direct physical loss caused directly or indirectly by **windstorm** during a hurricane, subject to the following:

The hurricane deductible:

1. is one of the following shown on the Declarations:
  - a) the dollar hurricane deductible; or
  - b) the hurricane percentage deductible which is determined by applying the percentage to the Coverage A dwelling limit of liability at the time of loss.
2. applies to the total of all loss to property covered under Coverage A - Dwelling, Coverage B - Other Structures, Coverage C - Personal Property, Section I - Other Coverages and Loss Assessment Coverage.
3. applies whether or not other causes or events contribute concurrently or in any sequence to the loss.
4. does not apply to Section I - Coverage D - Loss of Use.

All wind losses other than **windstorm** losses during a hurricane are subject to the Section I - Deductible. In no event will the hurricane deductible be less than the Section I - Deductible applicable to all other losses.

All other policy provisions apply.

This endorsement is issued by the company shown in the Declarations as the issuing company.

**NATIONWIDE INSURANCE COMPANIES**  
Home Office: Columbus, Ohio 43215-2220

## OPERATION GUIDE

DATE	GENERAL CLASSIFICATION	SUBJECT	NUMBER
07-13-05	Claim Practices Fire	Claim Interpretations-- Losses Insured First Party	75-100

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**EXHIBIT**

Hinkle #15  
10-31-06 sm

XXIII. COMPUTER DATA

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**I. PURPOSE**

This Operation Guide provides the Company interpretation of selected Section I - Losses Insured.

**II. GENERAL**

Homeowners Policy Forms FP-7921, FP-7923, FP-7925, and FP-7955 were used in the development of this Operation Guide to provide basic interpretations on specific subjects. A stated interpretation may only be applicable to a specific policy form's language. The exact language of the policy on which a claim is made will be the controlling factor in any coverage decision.

If a policy provision or interpretation is more restrictive than applicable local or state regulations or laws, the regulations and laws of the state will apply. Also, there may be situations where our Company position is broader than local or state law. In such situations, you should follow the Company position. Some of the referenced policies may not be available in your state.

If policy wording in your state conflicts with any of these interpretations, or in case of unusual claim situations, contact claim management.

**III. COVERAGE A - DWELLING**

Section I - Coverage A encompasses the dwelling and dwelling extensions.

The "dwelling" as referenced in the policy is a structure used principally as a private residence. Dwelling extensions are other structures separated from the dwelling by clear space. Dwelling extensions include "other structures." Fences, walls, flag poles, in-ground pools, and other similar items are examples of "other structures."

**A. Guaranteed Extra Coverage/Option ID**

Buildings and other structures are insured under Coverage A. We provide accidental direct physical loss coverage for building items at replacement cost if repaired or replaced and actual cash value if not repaired or replaced.

FP-7925 extends Guaranteed Extra Coverage for only the dwelling and other building structures. Other structures that are not buildings do not receive Guaranteed Extra Coverage.

FP-7955, Option ID, Increased Dwelling Limit provides limited additional Coverage A limits, as discussed in the Option, for the dwelling and other building structures.

**B. Building**

The term "building" is interpreted to mean a structure with walls and roof that is permanently affixed to the real estate. It includes all component parts permanently attached to the structure. Unless defined otherwise in the policy, the following are to be considered component parts:

1. Furnaces
2. Hot water heaters
3. Central air conditioners and air purification systems
4. Plumbing and electrical systems
5. Appliances built into the structure when removal would result in defacement of the building, such as:

- a. Dishwashers
  - b. Wall ovens and counter top ranges
  - c. Disposal systems attached to the plumbing system
  - d. Built-in communication systems, trash compactors, microwave ovens, etc.
  - e. Central vacuum systems
6. Attached floor coverings
7. Awnings - FP-7925 and FP-7955 cover awnings for replacement cost coverage. FP-7923, without Option RC, provides coverage on an actual cash value basis for awnings.
- a. Roof-like shelters over windows and doors without vertical support from the ground are considered awnings. There may be individual cases where the shelter is constructed in such a manner that it is an integral part of the building and would be considered a porch rather than an awning.
  - b. Cloth and canvas patio or carport covers are considered awnings.
  - c. The type of construction is the prime factor in determining whether or not the patio or carport cover is considered an awning or porch.  
  
In most cases, there must be vertical support from the ground on the exterior side before we will consider the item a porch. If there are vertical supports, we must determine how the item is affixed to the building. To be classified as a porch, it must be affixed in a permanent manner such that it becomes a part of the permanent structure.  
  
Disputed or questionable situations should be submitted to claim management.
  - d. See Collapse (Section III.D.5.) for additional information regarding awnings.

C. Dwelling Extensions

Homeowners policies provide coverage under Coverage A for "other structures" on the residence premises separated from the dwelling by a clear space. Those connected to the dwelling by only a fence, utility line, or similar connection are considered to be other structures.

Detached garages, fences, walls, sheds, flag poles, in-ground pools, and similar items attached to the real estate are "other structures."

1. Outdoor sheds. If attached to the realty, sheds qualify as dwelling extensions and are covered for accidental direct physical loss. If not permanently attached, they are covered as personal property subject to named perils. See Collapse (Section III.D.5.) for additional information.  
  
Example: A shed attached to a slab, foundation, or otherwise permanently anchored to the ground qualifies as a dwelling extension. If it is unanchored and free standing, it is considered personal property.
2. Driveways. Driveways abutting the dwelling are considered dwelling extensions.  
  
**Note:** It is important to distinguish between buildings, other structures, and personal property since the Loss Settlement provisions may apply



differently to each class of property. For example, other structures that are not buildings do not receive increased limits from Guaranteed Extra Coverage or Option ID.

D. Claim Interpretations

1. Tree, Shrub, and Plant Root Damage

Coverage for damage from tree, shrub, and plant roots is not the same in the FP-7925 and FP-7955 policies.

a. The FP-7925 Policy

Tree roots are naturally drawn to moisture. As sewer pipes deteriorate and joints loosen, the roots may enter the pipe in search of water without an actual break or damage to the pipe itself. The mere fact tree roots are evidenced in or around the sewer line does not constitute a covered loss unless the sewer line itself is damaged or broken because of a tree root invasion.

Visible tree roots, prior removal of tree roots, or cleaning out of the sewer lines due to tree roots would make the loss or damage "non-fortuitous" and coverage would not apply. If during the investigation the insured indicates prior problems or if the roots are visible, the loss is not covered. For there to be coverage, first there must be damage caused by the tree roots and it must be unforeseen by the insured.

If coverage is determined to apply, caution must be taken to identify the proper repair process and the costs associated with the repairs. Sewer lines come in sections and only the section damaged needs replacement. Re-routing of the sewer line may be more cost effective than massive or multiple breaks in slabs or driveways to get at the broken/damaged section of the pipe in need of repair. This and other alternative repair methods should be explored.

**Example 1:** The insured had no prior problems with tree roots. There were no visible tree roots on the surface. Tree roots grow into the sewer line breaking the pipe. Coverage for the broken portion of the pipe repair applies. The entire line should not need to be replaced. This will be considered an accidental direct physical loss.

**Example 2:** The insured has visible tree roots growing toward a sidewalk and eventually the roots damage the sidewalk. No coverage for the sidewalk as the loss was not accidental or fortuitous.

**Example 3:** Your investigation of a reported claim establishes the insured has had prior problems with tree roots in the sewer line. A video tape of the sewer line shows a crack in the sewer line caused by the tree roots. Coverage would not apply since it was not accidental or fortuitous because the damage could be expected. The insured was aware of prior problems with tree roots.

If an actual break in a sewer pipe occurs and the break is the direct and unforeseen result of tree root intrusion, coverage is available for only the area of the actual break and not for replacement of the entire sewer line.

As to sidewalks, driveways, patios, etc., the investigation should establish if a reasonable person should have known the continued presence of tree roots might eventually cause damage. If the answer is yes, there is no coverage.

If the policyholder has already had the sewer line replaced and you are unable to inspect the damage, you should proceed under a non-waiver/reservation of rights. If we are unable to inspect the damage, then our rights may have been prejudiced. Management should be involved in the decision process.

b. The FP-7955 Policy

FP-7955 does not provide coverage for damage to Coverage A property caused by pressure from or the presence of tree, shrub, or plant roots. There is no coverage for any resulting Coverage A loss due to pressure from or the presence of tree, shrub, or plant roots. If Coverage B Items are involved in the loss, further coverage analysis is needed.

c. Check for the presence of a Back-up of Sewer and Drain endorsement. If applicable, Losses Not Insured 1.n. under the Homeowners Policy FP-7955, which applies to Coverage A only, does not affect or apply to water damage otherwise covered under the Back-up of Sewer or Drain endorsement.

If water damage is the cause of loss under the Back-up of Sewer or Drain endorsement, although the tree roots could be considered the efficient proximate cause, the Company position is to pay the water damage, but not include the expense for removal of tree roots as a part of the loss. The water back-up did not accidentally do any damage to the drainage system itself. The separate damage by the tree roots to the drain tile is excluded under the FP-7955 Homeowners Policy.

If water damage occurs due to the presence or pressure of roots and the FP-7955 with no Back-up of Sewer and Drain endorsement is the policy applicable, Losses Not Insured 1.n. applies and there is no coverage for the water damage.

There may be specific law in your jurisdiction that would allow a different causation analysis, and you should follow the law of your state.

2. Exterior Siding Discoloration and Stain

Discoloration and stain on exterior siding is not covered when caused by normal events in relation to weather conditions. However, discoloration or stain resulting from accidental direct physical loss would be covered. Small hail or soft hail which removes oxidation from siding is not considered to be accidental direct physical loss as it does not damage this siding. The oxidation is a natural occurrence due to normal weathering and removal of same does not constitute damage.

3. Matching

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. Claim management should review questionable or difficult matching issues.

Generally, when a decision is made to pay for undamaged material, payment is not made until the cost is actually incurred. Each matching issue should be evaluated on a case-by-case basis. The facts may dictate an exception on the timing of payment.

Payment for undamaged items that do not match should be on an incurred basis and reduced to writing regardless of whether the policy is an actual cash value (ACV) or a replacement cost value (RCV) upfront policy.

4. Potential Danger of Damage

We do not cover removal/repair of an item/object that is a potential danger to covered property.

Example: We do not owe to remove a dead tree hanging over the insured's home simply because it creates a potential danger of causing damage to the home.

Section I - Losses Not Insured (d) Neglect might be considered if the tree does fall at a future date.

5. Collapse

- a. The determination of what constitutes "collapse" varies greatly by jurisdiction. It is necessary to be familiar with local case law which interprets the peril of collapse. You need to determine how collapse is interpreted in your jurisdiction.
- b. FP-7925 does not insure for collapse of a building or any part of a building unless such collapse is produced by a cause stated in Additional Coverages - 13. Collapse (see policy provision).

The term "collapse" is not further defined in the FP-7925. However, "collapse does not include settling, cracking, shrinking, bulging or expansion" (FP-7925).

- c. The FP-7955 policy language differs from the FP-7925. The Additional Coverage - Collapse insuring agreement includes a definition of collapse:

"We insure only for direct physical loss to covered property involving the sudden, entire collapse of a building or any part of a building."

"Collapse means actually fallen down or fallen into pieces. It does not include settling, cracking, shrinking, bulging, expansion, sagging, or bowing."

"The collapse must be directly and immediately caused only by one or more of the following:"

(See policy provision)

**Note:** Collapse does not include sagging or bowing. Collapse means actually fallen down or fallen into pieces (FP-7955).

- d. The Additional Coverage - Collapse will apply to any building structure whether or not it is permanently attached to the realty. As such, sheds that are not permanently affixed to the realty receive coverage benefits as established under the Additional Coverage - Collapse.
- e. While the Homeowners policy does not provide coverage for awnings due to collapse, it does provide coverage if the awning is damaged by the weight of ice and snow, but has not collapsed.

Awnings are typically metal or cloth and once an awning has collapsed, it is very difficult to determine if the awning had already been damaged by

the weight of ice or snow prior to the collapse.

Coverage should be provided for awnings that are damaged by the weight of ice or snow whether or not they have collapsed.

f. Examples:

- (1) Kitchen cupboards fall due to the weight of heavy contents.  
-Covered- Weight of contents is a covered cause of loss for collapse and a collapse did occur (FP-7925 and FP-7955).
- (2) Contractor improperly nails sheetrock to the ceiling of insured's home. Three months after the construction is completed, the ceiling falls to the floor.  
-Not Covered- Collapse due to improper construction must occur during construction (FP-7925 and FP-7955).
- (3) Insured stores Christmas decorations in the unfinished attic and places boxes directly on the sheetrock. The ceiling below falls.  
-Covered- The collapse was caused by weight of contents, a covered cause of loss for collapse (FP-7925 and FP-7955).
- (4) A utility shed, not attached to the realty, is extensively damaged by the weight of snow. The snow buckles the walls causing the roof to fall down.  
-Covered- The shed, although a personal property item, did fall down under the weight of snow. Thus, a collapse occurred (under both the FP-7925 and FP-7955) and the collapse was caused by a covered collapse cause of loss.

6. Garage Door Openers

Garage door openers damaged beyond repair should be replaced with an opener meeting existing residential safety standards or laws.

7. Debris Removal

Debris removal is part of the repair/replacement cost of a covered loss. It is included in the limits applying to the damaged property. When the amount payable for the property damage plus the debris removal expense exceeds the limit for the damaged property, an additional 5% of that limit is available for debris removal.

This additional amount of insurance is not available in the FP-7955. (See Additional Coverage, 3. Trees, Shrubs and Other Plants.)

In policies providing Guaranteed Extra Coverage, debris removal is included in the limit applying to the covered building structure. Since the Coverage A limits would be expanded to include all covered repair/replacement costs, debris removal would become part of the new Coverage A limit and would not be subject to the 5% Debris Removal Additional Coverage.

In policies providing Option ID - Increased Dwelling Limit, debris removal is included in the limit applying to the covered building structure. If the Coverage A limits available for the covered structure, including Option ID benefits, are exceeded as a result of debris removal and cost of repair, the 5% Debris Removal Additional Coverage would be available.

The 5% Debris Removal Additional Coverage also applies to any property having a special limit of liability.

Also note that under Debris Removal:

"we will also pay up to \$500 in the aggregate for each loss to cover the reasonable expenses you incur in the removal of tree debris from the residence premises when the tree has caused a Loss Insured to Coverage A property."

- (1) There is a \$500 aggregate limit per loss.
- (2) If a tree falls and damages Coverage A property, the cost to remove the tree from the Coverage A property is paid as a Coverage A expense. To then remove the tree debris from the residence premises, a debris removal expense is incurred.
- (3) The tree debris removal coverage applies only to the tree debris that has damaged Coverage A property. In calculating the covered loss, care should be taken in separating costs for covered and uncovered tree debris removal expense. Only a single \$500 aggregate limit applies and any applicable deductible should be taken from the covered loss.

8. Trees, Shrubs, and Other Plants

We cover outdoor trees, shrubs, plants, or lawns on the residence premises for loss covered by perils described in Additional Coverages, 3. Trees, Shrubs and Other Plants.

Under Section I - Additional Coverages, 3. Trees, Shrubs and Other Plants, the most we can pay for the tree value plus debris removal is \$500.

In the FP-7925, if the tree value plus debris removal exceeds the \$500 per tree limit, we can pay up to an additional 5% of the per tree limit (5% of \$500), or up to \$25 under Additional Coverages, 1. Debris Removal. This additional benefit is not available in the FP-7955.

When the tree has caused a Loss Insured to Coverage A property, we can pay up to \$500 for the reasonable expense to remove the tree from the residence premises.

Example 1:

During a hurricane, high winds topple five trees. Four of the trees that fall do not damage Coverage A property. The fifth tree falls across the house and damages the roof. During the adjustment of the claim, the claim representative receives from a tree removal company an estimate to remove all tree debris from the residence premises for \$1250. As received, the estimate is not sufficient to adjust the claim and determine the amount of the covered loss. The claim representative calls the tree removal company and determines the estimate can be broken down as follows:

Cost to remove tree from house	\$300
Cost to remove tree that damaged house from the residence premises	\$300 (within the \$500 limit)
Cost to remove remaining trees from residence premises	\$650 (not covered)

The amount of the covered loss is \$600, \$300 to remove the tree from the house and \$300 to remove that same tree from the residence premises. The \$650 cost to remove the remaining trees from the residence premises is not a covered loss and is not included in any calculation regarding the application of the deductible.

Example 2:

Lightning damages a tree and the tree falls on the dwelling.

	DAMAGE	PAY	
Dwelling repair	\$5,000	\$5,000	Cov. A
Remove tree from Dwelling	1,500	1,500	Cov. A
Value of tree	2,000	500	Addl. Cov. 3 Peril - Lightning
Cut up & haul off the tree from the residence premises	800	500	Addl. Cov. 1
		25	FP-7925 (5% of \$500) (Does not apply to FP-7955)
	<u>\$9,300</u>	<u>\$7,525</u>	(FP-7925)
		\$7,500	(FP-7955)

Any applicable deductible applies, if not absorbed.

Example 3 - (Multiple Trees) (FP-7955):

Wind causes several trees to fall. Some fall but do not damage Coverage A items. One tree hits the dwelling and one tree hits a detached garage causing a Loss Insured.

	DAMAGE	PAY	
Dwelling Damage	\$5,000	\$5,000	Cov. A
Detached Garage Damage	1,000	1,000	Cov. A
Remove tree from Dwelling	1,500	1,500	Cov. A
Remove tree from Garage	500	500	Cov. A
Value of tree on Dwelling	2,000**	0	Not covered; see Additional Coverages
Value of tree on Garage	1,000**	0	Not covered; see Additional Coverages
Cut up & remove trees (Dwelling and Garage) from premises	600*	500	Addl. Cov. 1 aggregate limit

Cut up & remove other trees from remainder of premises	1,000**	0 These trees did not cause damage to Cov. A items
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\$12,600	\$8,500
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Any applicable deductible applies, if not absorbed.

\*The \$100 in excess of the limit can be absorbed in the deductible.

\*\*These amounts cannot be absorbed in the deductible since they do not involve a covered loss.

**IV. COVERAGE B - PERSONAL PROPERTY**

A. Homeowners policies insure personal property under Coverage B for named perils. (Commercial forms may insure Business Personal Property for accidental direct physical loss if Coverage B is purchased.)

B. The term "Personal Property" includes a broad category of items of a personal nature as opposed to items of real property.

1. Property of Students

Property of students who reside in dorms/rental housing are covered up to 100% of the Coverage B limit as opposed to the 10% limit. This assumes the student qualifies as an insured by definition.

2. Outdoor Sheds

If permanently attached to the realty, sheds qualify as dwelling extensions and are covered for accidental direct physical loss. If not permanently attached, they are covered as personal property subject to named perils.

Example: A shed attached to a slab, foundation, or otherwise permanently anchored to the ground qualifies as a dwelling extension. If it is unanchored and free standing, it is considered personal property. The individual facts of each outdoor shed must be considered and judgment applied to determine the Coverage A or Coverage B status.

3. Gravestones, Tombstones, Markers, Plaques, and Monuments

a. A mausoleum-type structure or large monument structure off premises is usually real property; therefore, dwelling extension coverage would not apply. Portions of structures of this type such as urns, vases, etc., may retain the character of personal property receiving coverage off-premises under the Homeowners policy.

b. Depending upon the method of installation, smaller markers and stones may qualify as either real property or personal property.

c. Bronze or other types of plaques are considered to be the same type of property as that to which they are affixed.

d. The intent of the person placing the marker, stone, or similar items should be considered when deciding if the installation is permanent.

4. Warranties

Warranties on personal property damaged or destroyed are not covered. Warranties are not considered to be tangible personal property.

5. Cellular Telephones and Air Time

Cellular telephones, if covered, are considered tangible Coverage B, Personal Property. "Air time" is not considered tangible property, and theft of "air time" is not covered.

6. Electronic Data Processing System Equipment

Electronic data processing system equipment and the recording or storage media used with that equipment are subject to named peril coverage and a special limit of liability.

Homeowners policy - Coverage B - Personal Property, Special Limits of Liability:

- i. \$5000 on electronic data processing system equipment and the recording or storage media used with that equipment. There is no coverage for said equipment or media while located away from the residence premises except when said equipment or media are removed from the residence premises for the purpose of repair, servicing or temporary use. An insured student's equipment and media are covered while at a residence away from home.

The Homeowners policy Coverage B - Personal Property provides specific peril coverage for personal property owned or used by an insured while it is anywhere in the world, subject to the policy provisions. This includes property used or intended for use in a business. Business personal property has a special limit of liability but electronic data processing system equipment and the recording or storage media used with that equipment are exempted from the business property special limit.

As such, the special limit of liability applicable to electronic data processing equipment and the recording or storage media used with that equipment is \$5,000, whether the property is used for personal or business activities. Application and systems software programs that are pre-loaded into hardware before it is sold are included in the price of the hardware; thus, consideration should be given to the value of these programs when determining the value of the electronic data processing equipment involved in the claim. Off-the-shelf software that is loaded into hardware after purchase is not considered part of the electronic data processing equipment nor is it recording or storage media; thus, it should not be considered in the value and is not subject to the special limit for electronic data processing equipment. These items would then be subject to the special limit for business property if applicable.

This limited coverage for electronic data processing system equipment and the recording or storage media used with that equipment is applicable when said property is on the residence premises or removed from the residence premises for repair, servicing, or temporary use.

By claim interpretation and subject to insurable interest and "other insurance" clause considerations, this limited coverage will extend to said equipment/media when off the residence premises, whether temporary or not.

C. Business Property - Homeowners Policy

The Homeowners policy limits coverage for business personal property to \$1,000 on premises and \$250 for such property away from the residence premises.

**Business Property - Defined**



1. Any property owned by the insured which is used or intended for use in any business by the insured or others.

Example: The insured is a professional photographer who brings \$5,000 of photographic equipment home to take family photos. The home burns and destroys the camera equipment. This equipment was intended for business purposes and would be subject to the business limit under the Homeowners policy.

Business property may change status. For example, if the professional photographer retires or goes out of business, the camera equipment would no longer be used or intended for use in a business.

Hobbies involving organized activity indicating a profit motive generally would be considered a business. The scope and nature of the activity are significant factors to be examined.

2. Any property owned by others used, or intended for use, by the insured in a business.
3. It is our position that claims involving uniforms will not be held to the business property limitations. For example, the uniforms of police officers (including a gun required to be furnished by the police officer), firefighters, military personnel, nurses, food servers, etc., will not be subject to the business limit.

**V. PROPERTY NOT COVERED**

Articles Separately Described - Under Coverage B - Personal Property, we do not cover articles separately described and specifically insured in this or any other insurance. Accordingly, articles separately described and specifically insured under a Personal Articles Policy (PAP) are not covered under any Homeowners policy.

However, if an Insured has purchased a State Farm Personal Articles Policy specifically insuring an item or items and also has a State Farm Homeowners Policy providing coverage for the same item or items, we would want the insured to have the broadest application of coverage in the event a loss occurred where coverage would apply under both policies (had the "articles separately described and specifically insured in this or any other insurance" exclusion not been present).

When articles so insured would have been covered under the Homeowners policy, but for the PAP, the insured should be given the benefit of any more liberal provisions contained in the Homeowners policy, as excess coverage subject to the following:

- A. The Homeowners policy and the PAP are with State Farm®.
- B. The Coverage B (Personal Property) amount of insurance must be greater than the limit on the scheduled amount of the property involved or the aggregate limit if several items are involved. If the scheduled limit(s) is equal to or greater than the Coverage B limit, this excess interpretation will be inapplicable.
- C. The amount of coverage on the PAP appeared to be adequate at the time the policy was written and the insured has not rejected opportunities to increase coverage under the PAP based on increased values.
- D. One deductible (the smaller) is applied to the claim. The deductible may be 0 (zero).

Example: Our insured owns an M.I. Hummel® figurine that has been damaged by a Loss Insured under both the Homeowners and the Personal Articles policies.

Replacement Cost of the Hummel	\$	200
PAP Coverage Limit	\$	150
PAP Deductible	\$	0

HO Coverage B Limits	\$ 50,000
HO Deductible	\$ 250
Our payment	\$ 200 (\$150 PAP, \$50 Homeowners)

(We apply the lower deductible to the current replacement cost)

All other terms, conditions, limits, and exclusions applicable under the Homeowners policy will apply to such "excess" amounts.

Unusual cases or questionable claims should be discussed with claim management.

## VI. AIRCRAFT - PROPERTY NOT COVERED AND AIRCRAFT PERIL

### A. Policy Provisions (FP-7921, FP-7923, FP-7925, FP-7955)

#### 1. Coverage B - Personal Property.

We insure covered personal property owned or used by an insured while it is anywhere in the world.

Property Not Covered excludes coverage for "aircraft and parts."

#### 2. Losses Insured - Homeowners.

"We insure for accidental direct physical loss to property described in Coverage B caused by the following perils, except as provided in SECTION I - LOSSES NOT INSURED."

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

### B. Model Airplanes

1. Model airplanes owned by the insured and used for recreational purposes will be considered personal property under Coverage B and will not be excluded as aircraft.
2. Damage to the insured's personal property caused by a model airplane will be deemed to be caused by the peril of "Aircraft, including self-propelled missiles and spacecraft."

### C. Hang Gliders, Hot Air Balloons

1. Since these devices are capable of carrying one or more people for varying distances and heights, it is our position that they come within the definition of aircraft and are not covered as personal property since aircraft are Property Not Covered.
2. Since they are aircraft, damage to insured personal property by these items is considered damage under the aircraft peril.

### D. Construction of Aircraft on the Residence Premises

Under Coverage B, aircraft parts purchased specifically for an aircraft represent personal property if not installed at the time of loss. Loss or damage to such component parts is covered under Section I of the Homeowners policy. There is no intent to cover aircraft or their parts as personal property if:

1. Permanently installed on an aircraft at the time of loss; or

2. Temporarily removed for repairs or storage if the items are used exclusively with a particular aircraft and the insured's intent is to reinstall the item on that aircraft.

## VII. MOTOR VEHICLES - PROPERTY NOT COVERED

There are three exclusions relating to motor vehicles under Coverage B - Personal Property.

FP-7921, FP-7923, and FP-7925 refer to items that are "permanently installed in an engine or motor propelled vehicle," while FP-7955 refers to items "permanently attached to an engine or motor propelled vehicle." We construe these phrases as having the same meaning.

### A. Property Not Covered - c.

"any engine or motor propelled vehicle or machine, including the parts, designed for movement on land. We do cover those not licensed for use on public highways which are:

1. used solely to service the insured location; or
2. designed for assisting the handicapped."

The intent is to exclude automobiles, motorcycles, go-carts, motor powered bicycles, all terrain vehicles, golf carts, or any motor propelled vehicle unless it is used solely to service the insured location or designed for assisting the handicapped and is not licensed for use on public highways. This exclusion would not apply to a remote control golf caddy.

Where there is a question as to when a particular item might cease to be a part of the vehicle, the following interpretations will apply.

#### Motor Vehicle Parts, Accessories and Equipment.

1. No coverage under residential policies if:
  - a. Permanently installed (FP-7921, FP-7923, FP-7925) in a motor propelled vehicle at time of loss. Permanently attached (FP-7955) in a motor propelled vehicle at time of loss.
  - b. Temporarily removed for repairs or storage if the items are used exclusively with a particular vehicle and the insured's intent is to reinstall the item on that vehicle. This includes camper shells or "toppers."
  - c. Pop out stereos, etc., that have no other power source and can only be operated in the vehicle are considered an auto part and therefore are not covered.
  - d. Items permanently installed (FP-7921, FP-7923, FP-7925) or permanently attached (FP-7955) or used exclusively with a non-owned motor propelled vehicle with no intent to remove or use elsewhere are considered part of the vehicle and excluded while on the vehicle.
  - e. Items permanently installed (FP-7921, FP-7923, FP-7925) or permanently attached (FP-7955) or used exclusively with a non-owned motor propelled vehicle with the intent to remove when the non-owned vehicle is returned to the owner will be excluded while attached to the vehicle.
2. Coverage will apply under residential policies if:
  - a. The item was newly purchased to replace an item on a motor propelled vehicle but not installed at the time of the loss; or
  - b. The item was purchased to add to a motor propelled vehicle but was not installed at the time of loss; or

- c. The item was removed from a motor propelled vehicle at the time of loss with no intent to reinstall due to prior installation of new or substitute items.
- d. The item was removed at the time of loss for use in a location other than a motor propelled vehicle.
- e. Items temporarily attached to a non-owned motor propelled vehicle, such as luggage carriers or ski racks, will be covered as personal property either on or off the vehicle as long as the intent is to remove them when the vehicle is returned.

The above interpretations apply only in those cases where the automobile insurance policy will not cover the items as part of the vehicle.

B. Property Not Covered - d.

1. FP-7921/FP-7923/FP-7925 - Not covered are:

"devices or instruments for the recording and reproduction of sound permanently installed in an engine or motor propelled vehicle. We do not cover tapes, wires, records or other mediums that may be used with these devices or instruments while in the vehicle."

Permanently installed means electrically connected and fastened in place in the vehicle, as opposed to simply resting on or being carried in the vehicle.

2. FP-7955 - Not covered are:

"devices or instruments for the recording or reproduction of sound permanently attached to an engine or motor propelled vehicle. We do not cover tapes, wires, records, or other mediums that may be used with these devices or instruments while in the vehicle."

Permanently attached means electrically connected and fastened in place in the vehicle, as opposed to simply resting on or being carried in the vehicle.

3. Any tapes, records, or other mediums (CDs, DVDs, video tapes, or other similar mediums) that can be used with the permanently installed or permanently attached devices are excluded while these tapes, records, or other mediums are located in the motor vehicle. Tapes, records, or other mediums for use with a device not permanently installed or permanently attached are covered while in the vehicle if the vehicle has no permanently installed or permanently attached device for the use of the mediums, tapes, or records.

4. Examples:

- a. A portable CD player rests on the floor of an automobile (not attached or installed) and is plugged in the cigarette lighter. Coverage exists as the CD player was not permanently installed or permanently attached.
- b. A portable CD player is temporarily attached to the dash of a car by velcro and plugged in the cigarette lighter or DC power port. Coverage exists as the unit was not permanently installed or permanently attached.

C. FP-7925 Property Not Covered - i.

"any citizen band radios, radio telephones, radio transceivers, radio transmitters, radar detectors, antennas and other similar equipment.

This exclusion applies while the property is located in or upon an engine or motor propelled vehicle, whether attached or not."

1. There is no coverage for the mentioned equipment while it is in or upon an engine or motor propelled vehicle.
  2. This exclusion includes fax machines and cellular/portable phones while in or upon an engine or motor propelled vehicle.
  3. There will be coverage away from the vehicle unless the equipment could be considered part of the vehicle so as to fall within the scope of Exclusion C.
- D. FP-7955 Property Not Covered - i.
- "any citizens band radios, radio telephones, radio transceivers, radio transmitters, radar or laser detectors, antennas and other similar equipment permanently attached to an engine or motor propelled vehicle;"
1. There is no coverage for the mentioned equipment permanently attached to an engine or motor propelled vehicle. Coverage exists if the items are in a vehicle, not permanently attached to the vehicle, and do not fall within the scope of Exclusion C.
  2. Cellular phones and fax machines operated by battery or powered from the cigarette lighter or DC power port, and not permanently attached to the vehicle, are covered.

### VIII. VEHICLE DAMAGE PERIL

A vehicle is a conveyance used to transport goods or people. Review Watercraft (Section IX) for additional information.

Coverage pertaining to vehicle damage may vary in each state as the definition of a vehicle may be controlled by statute or case law. Therefore, it is important to be familiar with the meaning applied to this item in your area.

In order for coverage to apply under the Vehicle peril, an object must be impacted by a vehicle. There is no coverage to a non-excluded vehicle when it is damaged by the motion of that vehicle itself. For example, there is no coverage when an insured propels his lawnmower against a stationary object and damages that lawnmower.

Cases where the definition of vehicle is in question should be investigated and submitted to claim management for a coverage decision.

- A. Homeowners FP-7925
1. Coverage is extended for accidental direct physical loss to property described in Coverage B by vehicles and would cover the following situations:
 

Direct physical loss includes fortuitous loss to insured property caused by the weight, force, power, or movement of the vehicle as the proximate cause.

    - a. Vehicle runs into building structure, resulting in loss to building and/or contents;
    - b. Vehicle hits insured, tearing clothing;
    - c. Vehicle runs over bicycle or other items of personal property;
    - d. Damage to covered property caused by an object propelled from the tire of a vehicle;

- e. Damage to personal property in the vehicle resulting from upset or collision of the vehicle with a stationary object or other vehicle;
  - f. Damage to articles resulting from the door or trunk lid being closed on such items.
2. Coverage would not extend in the following situations:
- a. Clothing item damaged by parts projecting from a vehicle resulting when the insured passes the vehicle. This is not considered vehicle damage as the vehicle played only a passive role.
  - b. The mere "shifting of the load" is not covered (for example, TV set falling to the floor of a vehicle due to normal driving conditions). The vehicle only plays a passive role.
- B. Homeowners FP-7955
- Coverage is extended for accidental direct physical loss to property described in Coverage B by vehicles, meaning impact by a vehicle.
- The examples of coverage and non-coverage as discussed in A above would also apply to the FP-7955. However, FP-7955 defines the peril of vehicle to mean "impact by a vehicle." This impact could be a vehicle impacting a dwelling and damaging contents in the vehicle. Damage to contents from a second vehicle impacting the insured's stationary vehicle would also be covered.

## IX. WATERCRAFT

Watercraft are considered to be vehicles as they are used to transport goods and people.

The Homeowners policies limit coverage for watercraft of all types to \$1,000, including their trailers, outboard motors, furnishings, and equipment. There is no coverage for such items due to theft while away from the residence premises or for damage from windstorm or hail unless they are inside a fully enclosed building.

"Watercraft" includes such items as windsurfers, ice surfers, jet skis, sailboats, etc.

## X. CLAIMS FROM FREEZING, ICE, AND SNOW

- A. Frozen Water Pipes
- 1. FP-7921 - No coverage.
  - 2. All other Homeowners and CMP Policies - If the insured has complied with policy provisions, we will pay the reasonable cost actually incurred to thaw frozen pipes and drainage systems if owned by or the responsibility of the insured.
  - 3. If necessary to excavate and refill the ground to correct the frozen plumbing, we will pay the necessary costs of the excavation and refill in addition to the cost to thaw and repair the system.
  - 4. CMP Named Peril Policies - No coverage unless caused by freezing of an automatic sprinkler system as defined in the policy.
- B. Water Damage from Ice Dams or Freezing and Thawing of Snow on Roofs
- 1. In areas where there is considerable snowfall and extended sub-freezing temperatures, ice dams will sometimes form on the lower edges of the roof above the gutters. Under certain thawing and freezing conditions, this can cause water to back up under the shingles and enter the interior of the dwelling.
  - 2. Under FP-7923, FP-7925, and FP7955, the water damage to the dwelling (not

personal property) would be covered. Personal property would be subject to the named perils listed in the policy.

The Coverage B peril most closely related to the ice dam or freezing and thawing of snow on a roof would be peril 11 "weight of ice, snow, or sleet which causes damage to property contained in a building."

In an ice dam situation, water may enter the dwelling and can damage personal property. While the weight of ice, snow, or sleet does not cause damage to the personal property, if the investigation establishes that the weight of ice, snow, or sleet caused damage to the building and, through this damaged area, water from the melting snow, ice, or sleet enters and damages personal property, we will consider the personal property to have been damaged by the weight of ice, snow, or sleet.

There may also be a situation where heavy snow is associated with a windstorm. Damage to personal property in a building caused by snow would be covered only if the windstorm damaged the building causing an opening in a roof or wall and the snow enters through this opening.

If no windstorm was associated with the heavy snow, the windstorm peril would not apply.

3. FP-7921 would respond to water damage only if an opening was created in the exterior of the dwelling by a named peril through which the water entered. Back-up of the water under the shingles would not be covered under named peril forms.

4. Commercial Multi-Peril Policies

- a. The limitation in these policies states:

"The interior of a building or the property contained in a building is not covered against loss caused by rain, snow, sleet, sand, or dust unless the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand, or dust enters through the opening."

- b. Water entering and causing damage to the interior of the building through the action of freezing and thawing is not "rain, snow, sleet, sand or dust." These losses will be covered for the action of freezing and thawing of snow causing an ice dam and resultant interior damage.
- c. This interpretation cannot apply to named peril policies. Even with this interpretation, there still must be a named peril to respond to the damage.

- C. Gutters and Downspouts

Damage due to the weight of ice and snow would be covered under FP-7923 and FP-7925.

- D. Flat Roof Claims

1. Flat roofs may contain standing water whether or not there is build-up of ice and/or snow, due to the nature of construction. Some leaks through flat roofs are caused by deteriorated roofing (rather than action of freezing and thawing) in which case roof damage should be denied, unless caused by some other covered peril.
2. If the inspection reveals ice and snow damage caused the leaks, payment for the roof should be considered (except under the FP-7921 and CMP Form 1). Some investigations may require an expert. For additional information, see OG 75-160, Roofing Guidelines.

3. Interior damage may appear some distance away from the source of the roof leak. Careful inspection is required in all cases to ensure we have found the actual cause of the leak, damage, or deterioration, and have properly paid or denied the claim.
- E. Removal of Snow and Ice From Roofs and Gutters
- Removal of snow and ice from roofs and gutters is not covered. If the weight of ice and snow, or other covered peril has caused structural damage to the dwelling which requires immediate repair to protect the property from further damage, then we would pay to remove the snow and ice from the involved area, if necessary, to make the repairs.
- F. Rotting or Deteriorated Decking
- See OG 75-160, Roofing Guidelines.
- G. Awnings, Carports, Patio Covers, etc.
1. Carports, patio covers, or porch covers with vertical supports to the ground would be treated as a building item.
  2. Awnings damaged by weight of ice, snow, or sleet are subject to the following:  
 FP-7921 -- No peril  
 CMP -- Covered for replacement cost
  3. Refer to Collapse (Section III.D.5.) for additional information.
- H. Exterior Siding Discoloration and Stains
1. FP-7921 and CMP Form 1 - No coverage, since no named peril and the windstorm and hail peril exclude loss (a) caused directly or indirectly by frost or cold weather or ice (other than hail) snow or sleet, all whether driven by wind or not.
  2. Other Homeowners policy forms and CMP Form 3 - No coverage. Excluded by wear and tear, deterioration, contamination language.  
  
 (Exterior siding discoloration and stains are a normal event related to weather conditions. The number of such situations is merely increased during severe winters.)
- If other damage to the property has occurred and was caused by a covered peril (such as weight of ice, snow, or sleet or collapse of the building or a part thereof), and such damage produced a diversion of the normal flow of water (for example, melting ice), we will honor such damage along with the covered peril damage. Each claim must be handled on its own merits.
- I. Swimming Pools
1. In-ground swimming pools will normally qualify as "dwelling extensions" as defined in Coverage A - Dwelling. These structures are most often on the residence premises and are separated from the dwelling by a clear space.  
  
 If such a swimming pool is connected to the dwelling by a fence, utility line, or similar connection, it would still be considered an "other structure."
  2. In some cases, the pool is connected to the dwelling by a water supply line which is part of the dwelling's plumbing system. A question then occurs as to whether or not the pool then becomes part of the dwelling.  
  
 Since this connecting water line is a "utility line or similar connection," the pool



does not change status but remains an "other structure."

3. As such, while coverage for damage due to freezing would extend to the connecting water line, there would be no coverage for the pool. The pool would not have become part of the dwelling and Section I – Losses Not Insured, paragraph 1.c. would still apply.
4. FP-7923 and FP-7925: Freezing to the swimming pool's circulation system generally consists of motors, filters, heater, and plumbing. The circulation system is not interpreted as a part of the swimming pool, but rather as a separate structure under the "dwelling extension." Consequently, exclusions in the FP-7923 and FP-7925, Manufactured Home, and Rental Dwelling policies for freezing losses to the "swimming pool" itself do not apply to the circulation system.

The exclusion requiring either maintenance of heat or draining of the system during periods of vacancy or unoccupancy does not apply to a non-building structure such as the circulation system of a stand-alone swimming pool. Therefore, under this policy language, all freezing losses to the swimming pool's circulation system are covered unless the circumstances of a particular loss indicate the loss should be denied due to the "neglect" exclusion, or if the subject of a named peril policy which does not provide coverage for the freezing peril.

5. FP-7955 Section I - Losses Not Insured 1.c., includes the "filtration and circulation systems" of Coverage A pools or hot tubs. Thus, there would be no coverage for freezing of these systems under this policy.
6. CMP policies also exclude freeze losses to swimming pools.

#### J. Hot Tubs/Jacuzzis

1. Coverage A: Under FP-7923 or FP-7925, permanently installed tubs qualify as Coverage A items and are not subject to the freezing and thawing exclusion, since, like circulation systems, they are not considered to be a swimming pool under the terms of the policy.

FP-7955 provides no coverage. See Section I - Losses Not Insured 1.c.

2. Coverage B: A portable hot tub is Coverage B property and will be covered for freezing as it is considered a "household appliance." The other requirement of freezing peril must be met for the coverage to apply; i.e., maintaining heat. This interpretation applies to FP-7923, FP-7925, and FP-7955.

#### K. Additional Living Expense (ALE)

ALE coverage would only apply if there is a Loss Insured under Section I of the policy which makes the residence premises uninhabitable. Therefore, ALE expenses due to an uninhabitable condition, such as lack of electrical power or water service due to situations occurring away from the residence premises, would not be covered.

#### L. Losses by Power Interruption

Coverage applies only if the power interruption occurs on the residence premises as the result of a covered peril, and the power source away from the residence premises remains energized.

### XI. REFRIGERATED PRODUCTS COVERAGE

Under Coverage B of most Homeowners policies, we extend coverage to the contents of deep freezers or refrigerated units located on the residence premises. Coverage is provided for loss due to power failure or mechanical failure. This coverage requires the insured to use reasonable means to protect the insured property from further damage. Loss to the freezer or refrigerated unit itself is not covered.

Questions arise as to the Company position regarding the rental or purchase of generators to protect the contents of deep freeze or refrigerated units during a general power outage.

The coverage requires the policyholder "to use all reasonable means to protect the property..." The policyholder may choose to move the contents to another location, buy dry ice, rent a generator, etc. Generally, the costs associated with this is not compensable under the contract, except for those costs mentioned in Section I - Additional Coverages, Item 5 - Property Removed.

However, there may be unique situations presented where the facts indicate the Company may wish to handle a specific case on an exception basis. These losses must be evaluated on a case-by-case basis and judgment must be used to determine if it makes good business sense to rent or purchase a generator on a specific case. All decisions must have claim management approval and the reason for decision be documented in the claim file.

Some areas to consider when making this judgment would be the length of time of the power outage, the amount of potential loss, the amount of the deductible, the cost of rental/purchase of generators, medical needs, or other factors. The particular loss being evaluated must be one where sound adjustment practices indicate that we may wish to pay for the rental or purchase of a generator in an effort to mitigate the damages. If the decision is to pay for a generator, the most owed to the policyholder is the amount it would cost to rent the generator for the period of the power outage or the value of the refrigerated products susceptible to damage, whichever is less. If this amount is less than the cost of buying a generator, the insured may elect to purchase the generator and apply the amount toward the purchase.

Keep in mind the policy does not provide coverage for the rental or purchase of generators. It should only be unique situations that we would give consideration to payment for the generators. Blanket decisions to rent or purchase generators are not to be made.

## **XII. FIRST PARTY PROPERTY LOSS "SUIT AGAINST US" PROVISION**

Our policies provide that no suit or action for recovery of any claim will be sustainable unless commenced within a certain time period after the loss. The language is commonly referred to as the "Suit Against Us" or "Legal Action Against Us" provision. The time period for bringing an action may vary by the type of contract. As an example, the Homeowners policy (FP-7955) contains a one-year provision while the Business policy (FP-6103) has a two-year provision. However, these time periods may be different in your state.

Review the law in your jurisdiction to determine applicability. As always, each reported claim must be individually investigated, analyzed, and handled on its merits. Each claim evaluation must consider contract language, the law in your jurisdiction, and the following:

- When did the insured first know that damage had occurred or was occurring?
- Would a reasonable person have known of the damage?

### **A. Newly Reported Claims**

The "Suit Against Us" clause is the limit of time in which an insured can bring an action on the contract.

There may be instances where insureds may not be aware that damage had occurred to their home while their policy was in force. If a reasonable person would not have known about the damage, consideration would be given to paying the claim despite the fact that a suit on the contract might be barred by the "Suit Against Us" clause. All such reported losses should be handled under a non-waiver or reservation of rights.

Subject to the above, if a policyholder failed to comply with the Section I Conditions of the policy, which include the "Suit Against Us" time period and Duties After Loss, and no legal reason exists in your jurisdiction to prohibit asserting the "Suit Against Us" clause, the claim would be time-barred and not payable under the contract.

### **B. Request to Re-Evaluate a Prior Claim**

If a policyholder reports additional damage from a prior claim, now time barred by the "Suit

Against Us" clause as interpreted by the law of your jurisdiction, we still will need to investigate the merits of the claim. Our investigation should be handled under a non-waiver or reservation of rights.

If we believe our original investigation failed to identify there was a loss caused by a covered peril or did not disclose the full extent of the damage, we should correct our factual mistake. The claim should be reviewed and considered for payment.

We must determine if there was a factual mistake on our part. If we made the mistake, we should consider not asserting the "Suit Against Us" clause to the extent of paying for that damage. However, if we find that the factual mistake is due to the policyholder not providing timely notice or sufficient information, as required by the contract, we may assert the "Suit Against Us" clause. If we decide to compromise disputed damages, a release should be considered.

Using a one-year "Suit Against Us" limitation, the following examples are provided:

Example 1: We had determined that hail did not damage the insured's roof. At the insured's request, more than one year later, we again inspect the roof and find hail damage which we believed occurred on the original date of loss and was missed during the original inspection. This case should be considered for payment.

Example 2: We had determined that a covered peril caused a certain amount of damage for which the insured was paid. More than one year later we reinspect the property and determine there is damage from the covered peril that we and the insured failed to identify. This case should be considered for payment.

Example 3: We determine that certain property is not covered under the terms of the contract and the claim is denied. More than one year later, subsequent court decisions indicate that such damage would likely have been covered. We would still assert our "Suit Against Us" language of the contract as to this claim.

Keep in mind not all policies contain a "Suit Against Us" time period of one year. The "Suit Against Us" time period pertaining to the specific claim must be evaluated and considered on each individual case.

### **XIII. THEFT PERIL**

See OG 75-26, Crime Coverages.

### **XIV. WATER LOSS PERILS**

See OG 75-20, Water Damage Losses.

### **XV. ADDITIONAL LIVING EXPENSE**

See OG 75-102, Loss of Use Coverage - Additional Living Expense.

### **XVI. OPTION ID**

Option ID provides an additional amount of insurance when the repair/replacement cost to the dwelling and/or building structures exceed the applicable Coverage A limit.

Option ID is applicable only to building structures. A building structure would include the residence dwelling, detached garage, and storage sheds permanently attached to the realty. Fences, walls, flag poles, in-ground pools and other like structures are not building structures and do not qualify for Option ID coverage. See Section III, Coverage A - Dwelling of this Operation Guide.

Coverage A - Dwelling Extension building structures qualifying for Option ID may receive 10% of the stated Option ID coverage.

The following guidelines should be applied in handling claims with potential Option ID applicability:

- A. When the combined cost to repair/replace dwelling extension "building structures" and "other structures" exceeds the Coverage A - Dwelling Extension limit of liability, the "other structures" item should be paid first under Coverage A - Dwelling Extension. This will allow the policyholder to receive the benefit of the maximum coverage available.

Method of allocating payments under Dwelling Extension and Option ID:

Coverage A	-	\$100,000
Dwelling Ext.	-	\$ 10,000
Option ID	-	\$ 20,000, including 10% for building structures or \$2,000

Fire Damage to Detached Garage and "Other Structures":

	Repair Cost	Dwelling Ext. Coverage Pay	Option ID Coverage Pay
Fence	1,500	1,500	0
Garage	9,500	8,500	1,000
<b>Total</b>	<b>\$11,000</b>	<b>\$10,000</b>	<b>\$1,000</b>

Total Payment of \$11,000 based on paying for fence - "other structure" first under Dwelling Extension and paying \$1,000 for garage under Option ID because Dwelling Extension limit exhausted.

There may also be additional coverage available for Debris Removal if:

"... the amount payable for the property damage plus the debris removal exceeds the limit for the damaged property, an additional 5% of that limit is available for debris removal expense."

Example:

Coverage A	-	\$100,000
Dwelling Ext.	-	\$ 10,000
Option ID	-	\$ 20,000, including 10% for building structures or \$2,000

Fire Damage to Detached Garage and "Other Structures":

	Pure Repair Cost	Debris Removal Cost	Dwelling Ext Coverage Pay	Option ID Pay	Debris Removal Cov. Pay
Fence	1,500	300	1,800	0	0
Garage	13,000	1,000	8,200	2,000	600
<b>Total</b>	<b>\$14,500</b>	<b>\$1,300</b>	<b>\$10,000</b>	<b>\$2,000</b>	<b>\$600</b>

Debris Removal for the fence is included in the Dwelling Extension Coverage payment.

The cost to repair the garage plus the garage debris removal charges exceed the available limits (\$10,000 Dwelling Extension + \$2,000 Option ID). Thus, 5% of \$12,000 (\$600) is available to pay the debris removal charges associated with the garage repair.

- B. When is Option ID Coverage payable?

Policy language says:

"If the amount you actually and necessarily spend to repair or replace damaged building structures exceed the applicable limit of liability

shown in the declarations, we will pay the additional amount not to exceed:

1. the Option ID limit of liability shown in the Declarations to repair or replace the dwelling; or
2. 10% of the Option ID limit of liability to repair or replace building structures covered under Coverage A - Dwelling, Dwelling Extensions."

That portion of the loss covered under Option ID is payable after the necessary replacement/repair is made and expense incurred.

An exception can be made where repairs are well underway or an acceptable signed contract for repairs has been entered into between the insured and repair firm. At all times sound judgment should be exercised on a claim-by-claim basis.

- C. Option ID Coverage is limited in total to the stated amount shown on the Declarations Page for both the dwelling and "building structures" covered under Dwelling Extension coverage.

Coverage A	-	\$ 100,000
Dwelling Ext.	-	\$ 10,000
Option ID	-	\$ 20,000

Example 1	Loss	Coverage A Payment	Option ID Payment	Total Payment
Coverage A Dwelling	120,000	100,000	20,000	120,000
Detached Garage	11,000	10,000	0	10,000

In the example, since the total cost to repair/replace the dwelling exhausted the Option ID limit of liability, no additional coverage is available for the detached garage beyond the Coverage A - Dwelling Extension limit of liability.

Example 2	Loss	Coverage A Payment	Option ID Payment	Total Payment
Coverage A Dwelling	117,000	100,000	17,000	117,000
Detached Garage	11,000	10,000	1,000	11,000

In this example, since Option ID limits were not exhausted in the dwelling loss, 10% of Option ID, or \$2,000 remained available for the detached garage loss, thus resulting in an additional \$1,000 payment.

## **XVII. MORTGAGEE CLAIMS SERVICING COMPANIES**

Mortgagees may contract with mortgagee claims servicing companies to assist them in presenting claims for property damage in which the mortgagee has an interest. Typically, the loss scenario involves a mortgage default on the part of the insured, and possibly the beginning of the foreclosure process by the mortgagee. During this process, the mortgagee may discover damage to the property, often after the insured has defaulted and abandoned the property. When damage has been discovered, the mortgagee may delegate the handling of the claim to a claims servicing company, rather than handle the claim directly with the insurance carrier.

Mortgagee claims servicing companies are businesses that assist mortgagees in presenting and expediting the mortgagee's interest in claims for damage to secured property. Often, these businesses provide this service in exchange for the mortgagee awarding the repair contract to the claims servicing company. While the mortgagee claims servicing company may have licensed adjusters on its staff, its primary function is to verify the scope and the cost to repair the damages being claimed by the mortgagee. In some states, mortgagee servicing companies may qualify as public adjusters under the laws of that specific state.

The mortgage clause in insurance property forms grants specific rights and status to mortgagees, including the payment of losses to the insured and mortgagee, as their interests appear. In claims where the mortgagee, rather than the insured, is presenting a claim for damage, the following

guidelines are provided to assist in equitable and efficient claim handling where a mortgagee claims servicing company is acting on behalf of the mortgagee.

These guidelines do not supersede nor modify provisions of the applicable insurance policy or state or local laws. In addition, these guidelines assume that the investigation of any claim for damages submitted by the mortgagee has addressed the factual and coverage issues involved in the specific loss situation. Each claim must be considered in light of its individual merit, and an appropriate coverage determination be made. The procedures described below do not anticipate every variable that may be present in any specific loss situation, but serve to provide general procedural guidelines.

#### General Procedural Guidelines

1. Mortgagee makes an inspection of the property. Damage to the property is noted.
2. Mortgagee delegates handling of the claim to a mortgagee claims servicing company.
3. Mortgagee claims servicing company presents claim on behalf of the mortgagee.
4. Determine whether or not a designee form (or similar form) is required by state laws or regulations for the mortgagee claims servicing company to handle the loss for the mortgage company direct with the insurance carrier.
5. The claim is assigned to a claim representative. The claim representative contacts the mortgagee claims servicing company to develop initial information, which may include:

- a. Information to enable the claim representative to determine the nature of the damage.
- b. Information regarding the date loss(es) occurred, as well as the date the mortgage company discovered the loss(es).
- c. The amount of the present principal owing on the note, as well as a payoff statement from the mortgagee.

The Mortgage Clause provides that any loss payable under Coverage A shall be paid to the mortgagee and the insured, as their interests appear. The mortgagee's interest in the property is limited to the amount necessary to pay off the note it holds on the property. For example, if the actual cash value of covered damages exceeds the amount of the payoff, but was below the Coverage A limit, the payoff amount would be the amount owed.

- d. Whether foreclosure proceedings have been started. If so, at what stage are the proceedings?

In many states, where the mortgagee has made a full credit bid in order to obtain title, the completion of the foreclosure sale after the loss may preclude coverage.

In other instances, the mortgagee may have made a bid for the full credit of the note, less the amount of the damage. In such an instance, depending on the law of the location, the mortgagee's claim for damage may still be viable. Thus, it is important to know whether a bid has been made, the amount of the bid, and whether foreclosure has actually been completed.

- e. Whether or not a personal inspection is needed.

6. If an inspection is necessary, the claim representative schedules the inspection.

In some cases, it may not be possible for a representative of the mortgagee claims servicing company to accompany the claim representative during the inspection. In such situations, the mortgagee claims servicing company will make arrangements to make the property accessible for the inspection and, if requested, will provide State Farm with a hold harmless agreement holding State Farm harmless from liability in the event of alleged subsequent damage, or injury claimed to be a result of our inspection.

7. Claim representative completes the inspection, and prepares or obtains an estimate of covered damages.
8. Upon completion of the estimate, the claim representative provides a copy of the estimate to the mortgagee claims servicing company representative.
9. Any disputes regarding the scope and/or cost of covered repairs will be discussed by the claim representative with the mortgagee claims servicing representative and, if necessary, with the mortgage company.
10. Payment for covered damages should be made to the mortgagee in accordance with local state laws.

Section I - Loss Settlement provisions of the policy apply in dealing with mortgagee's interests, just as they do in dealing with insured's interests. Coverage determinations will be made by applying the facts of the loss to the policy in force at the time of the loss.

#### **XVIII. PRE-PAID PHONE CARDS**

Phone cards are very popular and used for payment of long distance calls. While they represent money, the cards are not money.

Webster's Dictionary defines "security" 4a. to be "something given as pledge of repayment, fulfillment of a promise, etc. Guarantee - evidence of ownership."

As such, we consider pre-paid phone cards to be a "security."

The Homeowners policy limits loss of securities to \$1,000. Other policies may also place a limit on "securities."

#### **XIX. SCRIP MONEY**

Scrip money has become popular as a fund-raising mechanism for schools and other organizations. In most instances, a person will purchase the scrip for a particular store from a school or organization and will use the scrip to purchase merchandise, groceries, etc., from the store accepting the scrip. The purchaser does not receive a discount but the store rebates a certain percentage of the purchase to the school or organization.

While scrip is not money, to the store for which the scrip was purchased, the scrip takes the place of money when a purchase occurs.

If an insured purchases scrip, the cost to the insured would be the value of the scrip. We should consider scrip to be a "security" and not money.

The Homeowners policy places a \$1,000 limit on securities. Other policies may also place a limit on securities.

#### **XX. CARPET WARRANTY**

When a loss to carpet does not involve a loss to the carpet pad (for example, a paint spill or ink stain), a question may occur as to the warranty on the new carpet if the pad is not replaced at the same time the carpet is replaced. Some carpet manufacturers may void the new carpet warranty unless a new pad is also installed.

The Homeowners policy covers accidental direct physical loss to the property described in Coverage A, except as provided in Section I - Losses Not Insured. While the carpet is damaged (in the above scenarios), the pad has not suffered accidental direct physical loss. As such, there would be no coverage for the pad.

Often older padding may be damaged beyond use as a result of the customary carpet removal process. If this is the case, the cost to replace the pad would be covered as part of the repair process.

**XXI. INNOCENT CO-INSURED**

The countrywide Homeowners Policy Forms FP-7921, FP-7923, FP-7925, and FP-7955 contain in Section I - Conditions, the following:

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

These Policy forms contain in Section I and Section II - Conditions, the following:

**Concealment or Fraud.** This policy is void as to you and any other insured, if you or any other insured under this policy has intentionally concealed or misrepresented any material fact or circumstance relating to this insurance, whether before or after a loss.

Not all policies contain this exact language and various jurisdictions have interpreted the policy language differently when applying it to the claim of an innocent co-insured. Although there may be laws in a particular jurisdiction that would allow us to do otherwise, it is our company position when an insured has not caused or procured a loss for insurance benefits, we may still honor the claim of an innocent co-insured. This recognizes that an innocent co-insured may recover under certain circumstances.

The "Intentional Act" condition can be read together with or independently from the "Concealment or Fraud" condition. In essence, even though the "Intentional Act" condition may not be applicable, the "Concealment or Fraud" condition may still be separately violated in any particular claim. The fact that the loss may not have been caused or procured for the purposes of obtaining insurance benefits does not negate the possibility that other conduct by any insured may violate the policy provisions.

The "Concealment or Fraud" condition provides that the policy is void as to all insureds if any insured has violated this condition. Your particular jurisdiction may have policy language different than quoted above and therefore the analysis will differ. In some jurisdictions, the language of the "Intentional Act" condition and the "Concealment or Fraud" condition have been changed to only preclude coverage of the insured who has violated the condition. A few jurisdictions have also indicated by case law that a Standard Fire Policy Statute requires that the "Concealment or Fraud" condition applies to *the* insured and not to *any* insured. You need to be thoroughly aware of the policy language and the law in your jurisdiction.

Investigate and handle each claim according to its merits to determine whether co-insureds may recover their interests in the damaged property in light of the above discussion. The investigation should include a determination as to the ownership of the property claimed so a distinction can be made when making payment.

Contact your claim consultant with any questions regarding payment to the innocent co-insured for jointly owned property.

For the handling of any mortgagee interests, see OG 70-152, Mortgage Assignments.

**XXII. JEWELRY AND FUR ARTICLES**

The Homeowners policy makes reference to the Jewelry and Fur coverages to an amount of insurance for "any one article." The decision on whether something is "any one article" will be based on the way the items were purchased.

- Examples:
- If the insured purchased a pair of earrings, we would consider them as one article. If the insured buys one earring, it will also be considered one article.



- If the insured purchased an engagement ring and a wedding ring as two separate items and later soldered them together, we will consider them two separate articles.
- A charm bracelet and charms purchased separately would be considered separate articles.

**XXIII. COMPUTER DATA**

Computer data consists of organized information and ideas collected for a specific purpose. This information is not "tangible" property. Because computer data is not "tangible" (possessing physical form—capable of being touched and seen), it cannot be "physically" (material having an objective existence) damaged or destroyed.

- When a claimed loss consists exclusively of computer data, such as when a virus is introduced, there is normally no accidental direct physical loss because data is not "tangible" or "physical" property. However, certain coverages, such as Valuable Papers and Records, may still be available.
- The claim must be investigated to determine whether an accidental direct physical loss to tangible property has occurred, whether all other elements of the insuring agreement have been met, whether the type of property damaged or destroyed is covered property, and whether any exclusions apply.
- If the investigation concludes a covered, physical loss has occurred, such as damage to hardware components, loss to computer data will be subject to the internal limitations and conditions of the policy.

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## OPERATION GUIDE

DATE	GENERAL CLASSIFICATION	SUBJECT	NUMBER
03-09-05	Claim Practices Fire	Water Damage Losses	75-20

I. **PURPOSE**

This Operation Guide provides information and establishes guidelines for handling water damage claims.

II. **GENERAL**

Homeowners policy forms provide coverage under certain situations for direct loss caused by water. Building structures are covered for accidental direct physical loss, unless specifically excluded, while personal property is covered on a named perils basis.

The following discussion of water damage losses is based upon contract language contained within the Homeowners policy. All policy language quoted is found in Homeowners forms FP-7955, FP-7945, and FP-7155.5 unless otherwise noted. Coverage may apply differently in other types of policies. When adjusting losses where the policy language differs from the language cited, refer to that particular contract.

III. **SECTION I - LOSSES NOT INSURED**

Most policies contain the following or similar language.

LOSSES NOT INSURED, paragraph 1, states:

"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 n. 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:"

## A. Freezing

"b. freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system, or of a household appliance, or by discharge, leakage or overflow from within the system or appliance caused by freezing. This exclusion only applies while the dwelling is vacant, unoccupied, or being constructed. This exclusion does not apply if you have used reasonable care to:

(1) maintain heat in the building; or

(2) shut off the water supply and drain the system and appliances of water;"

When the insured dwelling is vacant, unoccupied, or under construction, losses caused by freezing are not covered unless the insured uses reasonable care to maintain heat in the dwelling or has turned off the water supply and drained systems and appliances of water. If the Insured uses reasonable care and still sustains a loss caused by freezing, we would pay the reasonable cost to repair or replace the damaged system or appliance, including the cost to thaw frozen pipes and drainage systems in addition to the resultant water damage to covered personal property.

**EXHIBIT**

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Exercise good judgment when determining whether the insured has used "reasonable care" since this standard may vary depending upon time of year, geography, etc. For more specific information on freeze losses, see QG 75-100.

B. Continuous and Repeated Seepage or Leakage of Water

"f. continuous or repeated seepage or leakage of water or steam from a:

(1) heating, air conditioning or automatic fire protective sprinkler system;

(2) household appliance; or

(3) plumbing system, including from, within or around any shower stall, shower bath, tub installation, or other plumbing fixture, including their walls, ceilings or floors;

which occurs over a period of time."

Losses resulting from normal wear and tear, deterioration, or neglect are not covered.

Homeowners forms FP-7923 and FP-7925 exclude continuous or repeated seepage or leakage of water or steam which occurs over a period of time "and results in deterioration, corrosion, rust, mold, or wet or dry rot." This language is absent in forms FP-7955, FP-7945, and FP-7155.5 and is considered a reduction in coverage.

C. Continuous and Repeated Seepage or Leakage of Water - Tear Out

"f... If loss to covered property is caused by water or steam not otherwise excluded, we will cover the cost of tearing out and replacing any part of the building necessary to repair the system or appliance. We do not cover loss to the system or appliance from which the water or steam escaped;"

Tear out and replacement applies only to a building, and only when a covered loss or damage occurs to insured property. We pay for tear out and replacement of driveways, sidewalks, patios, and other structures that qualify as dwelling extensions only if damage to the plumbing system or appliance is a covered loss, and tear out of the driveway, sidewalk, etc., is necessary for repairs.

Tear out and replacement of concrete slabs when the leak is in a slab on grade foundation requires evaluation on a case-by-case basis. The presence of a "hot spot" in a slab without resultant damage is not sufficient evidence of a covered loss to trigger coverage tear out. Determine first whether a covered event, such as lightning or freezing, caused the pipe to leak. Such losses can occur because of gradual deterioration of the water pipe or electrolysis. In some cases where a decision cannot be rendered simply by asking relevant questions, the claim representative can consider payment for exploratory tear out to determine coverage by a visual inspection. If the inspection reveals no damage to the plumbing caused by a covered loss, we will only pay the cost of the tear out for inspection purposes. We will not pay to repair the inspection damage. Communicate this position to the policyholder before any work begins. Exercise good judgment and consult management for guidance in questionable situations.

The cost of repairing or replacing the system or appliance from which the water or steam escaped is not included as part of the tear out. There is no coverage for the system or appliance from which the water or steam escaped unless these items are damaged by a loss insured.

At times, it may be difficult to determine exactly which components make up the "system" or "appliance." Consult with management in such cases.

#### IV. FLOOD AND SURFACE WATER EXCLUSION

SECTION I - LOSSES NOT INSURED, paragraph 2, is subject to the following concurrent causation language:

"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 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. Flood

\*c. Water Damage, meaning:

(1) flood, surface water, waves, tidal water, tsunami, seiche, overflow of a body of water, or spray from any of these, all whether driven by wind or not;"

Homeowners forms FP-7955, FP-7945, and FP-7155.5 include tsunami and seiche.

##### B. Sewer Back-up

"(2) water or sewage from outside the residence premises 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;"

There is no coverage for damage caused by sewer or drain back-up, or sump pump overflow or failure. Water or sewage entering from outside the residence premises plumbing system is excluded. An obstruction or other problem within the residence premises plumbing system that does not allow water to escape the system is a "fill up" rather than "back up" and is covered, unless the fill-up is caused by the pressure from or presence of tree, shrub, or plant roots.

Check for the presence of a Back-up of Sewer and Drain endorsement. If applicable, Losses Not Insured, 1.n., under the Homeowners policy FP-7955, which applies to Coverage A only, does not affect or apply to water damage otherwise covered under the Back-up of Sewer or Drain endorsement.

If water damage is the cause of loss under the Back-up of Sewer or Drain endorsement, although the tree roots could be considered the efficient proximate cause, the company position is to pay the water damage, but not include the expense for removal of tree roots as a part of the loss. The water back-up did not accidentally do any damage to the drainage system itself. The separate damage by the tree roots to the drain tile is excluded under the FP-7955 Homeowners policy.

If water damage occurs due to the presence or pressure of roots and the FP-7955 with no Back-up of Sewer and Drain endorsement is the policy applicable, Losses Not Insured, 1.n. applies, and there is no coverage for the water damage.

There may be specific law in your jurisdiction that would allow a different causation analysis, and you should follow the law of your state.

##### C. Subsurface Water

"(3) 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."

Loss caused by subsurface water is not covered, regardless of the source of subsurface water.

In jurisdictions where case law is more restrictive than this interpretation, use this interpretation. If case law is broader than this interpretation, follow the case law.

D. Ensuing Damage

"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."

E. Natural vs. Domesticated Water

It should be noted that paragraph 2 c. uses the unmodified term "water" and does not distinguish whether the water is domesticated or natural. We exclude natural surface water or subsurface water. However, loss caused by water that enters the dwelling from the surface of the ground which originates from a domestic source is not excluded by Losses Not Insured, 2.c.(1).

In jurisdictions where case law is more restrictive than this interpretation, use this interpretation. If case law is broader than this interpretation, follow the case law.

V. **COVERAGE B - PERSONAL PROPERTY**

"We insure for accidental direct physical loss to property described in Coverage B caused by the following perils, except as provided in SECTION I - LOSSES NOT INSURED:"

Damage to property insured under Coverage B - Personal Property is covered only if caused by one of the perils listed in SECTION I - LOSSES INSURED. However, even if damage is caused by a named peril, SECTION I - LOSSES NOT INSURED also applies.

A. Windstorm and Hail

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

If wind or hail damages the building, allowing rain, snow, sleet, sand, or dust to enter, we will cover loss to the personal property inside from rain, snow, sleet, sand or dust.

B. Accidental Discharge or Overflow of Water

"12. Sudden and accidental discharge or overflow of water or steam from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system, or from within a household appliance."

Coverage applies only if water or steam escapes from one of the sources named. Under this peril (12), a waterbed is not considered a household appliance.

"This peril does not include loss:

a. to the system or appliance from which the water or steam escaped;"

In order for coverage to apply to the system or appliance, these items must first be

damaged by a loss insured.

"b. caused by or resulting from freezing;"

Losses caused by freezing are addressed in SECTION I - LOSSES INSURED 14.

"c. caused by or resulting from water or sewage from outside the residence premises 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;...

Check for the presence of a Back-up of Sewer and Drain endorsement. If applicable, further coverage analysis is needed.

There is no coverage for damage to personal property caused by sewer or drain back-up, or sump pump overflow or failure. Water or sewage entering from outside the residence premises plumbing system is excluded. As with building coverage we must distinguish between "back ups" and "fill ups."

"d. caused by or resulting from continuous or repeated seepage or leakage of water or steam which occurs over a period of time and results in deterioration, corrosion, rust, mold, or wet or dry rot."

This language differs from the continuous or repeated seepage or leakage language in SECTION 1 - LOSSES NOT INSURED. Here, the leakage or seepage must occur over a period of time and result in deterioration, corrosion, rust, mold, or wet or dry rot.

C. Tearing Asunder, Cracking, Burning, Bulging of a Steam or Hot Water Heating System

"13. Sudden and accidental tearing asunder, cracking, burning or bulging of a steam or hot water heating system, an air conditioning or automatic fire protective sprinkler system, or an appliance for heating water. This peril does not include loss:

a. caused by or resulting from freezing; or

b. caused by or resulting from continuous or repeated seepage or leakage of water or steam which occurs over a period of time and results in deterioration, corrosion, rust, mold, or wet or dry rot."

As with peril 12, a waterbed is not considered a household appliance.

D. Freezing

"14. Freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system, or of a household appliance.

This peril does not include loss on the residence premises while the dwelling is vacant, unoccupied or being constructed, unless you have used reasonable care to:

(1) maintain heat in the building; or

(2) shut off the water supply and drain the system and appliances of water."

Damage to personal property caused by freezing of a plumbing, heating, air conditioning or fire protective sprinkler system, or household appliance is covered. However, such losses are not covered if the dwelling is vacant, unoccupied, or under construction unless the

insured uses reasonable care to maintain heat in the dwelling or has turned off the water supply and drained systems and appliances of water.

"Reasonable care" may vary depending upon time of year, geographic location, etc. Good judgment should be exercised when determining whether the insured has used "reasonable care." See QG 75-100 for more expanded information on freeze losses.

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Date: September 13, 2005  
To: State Farm Claim Associates handling CAT PL in the Central and Southern Zones  
From: Property and Casualty Claim Consulting Services  
Subject: Wind/Water Claim Handling Protocol

\*\*\*\*\*ACTION REQUIRED\*\*\*\*\*

**Summary**

Because of the combination of wind and water damages many homes sustained from Hurricane Katrina, the following materials have been developed and are intended for use as a guide for handling various wind and/or water claims in Louisiana, Mississippi and Alabama.

**Action**

The protocol below outlines the process that should be used for determination of coverage in those locations.

**Protocol Detail**

Each claim should be handled on its merits. A causation investigation should be conducted and appropriate claim file documentation is required. Any available information should be considered in making a coverage determination. This information will include, but is not limited to:

- Evidence gathered at the on site inspection. This includes documentation of physical evidence such as water lines, an examination of the debris, and an analysis of the physical damage to the structure.
- Evidence gathered at neighboring locations.
- Data obtained from reports describing damage to the area.
- Information from witnesses and policyholders.
- Input from experts that may be retained to provide guidance.

The damage to insured properties will fall into the following categories and should be handled as detailed below:

- Damage to the property was caused by windstorm.
- Damage to separate portions of the property can be attributed to either windstorm or excluded water.
- Damage to the property was caused by excluded water; with no available coverage.
- Damage to the property was caused by flood waters; covered by an available flood policy.



Damage Caused by Windstorm

When the investigation indicates that the damage was caused by windstorm, the claim will be handled under the applicable provisions of the involved property policy. Consideration should be given to determine if a hurricane deductible or a windstorm or hail exclusion endorsement is involved and the claim handled accordingly.

Damage to Separate Portions with Distinguishable Wind or Excluded Water

Each type of damage should be documented in the claim file. The claim representative should calculate the separate damage attributable to each peril and handle the adjustment accordingly. In those cases where the policyholder has policies for both a windstorm and a flood, payments should be issued under the applicable policy.

Damage Caused by Excluded Water

When the investigation indicates that the damage was caused by excluded water and the claim investigation does not reveal independent windstorm damage to separate portions of the property, there is no coverage available under the homeowners policy pursuant to the following language in *Section 1 Losses Not Insured*:

"2. 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 to any combination of these:

c. Water Damage, meaning:

- (1) flood, surface water, waves, tidal water, tsunami, seiche, overflow of a body of water, or spray from any of these, all whether driven by wind or not . . ."

Other Losses Not Insured may be applicable, including 2.c.(2) & (3), 3.(a), (b) & (c).

Damage to Property Caused by Flood Waters with available Flood Policy

Where wind acts concurrently with flooding to cause damage to the insured property, coverage for the loss exists only under flood coverage, if available. The flood damage claim should be handled consistent with the terms of the flood policy providing coverage as outlined in Operation Guide 71-06.

Claims where the causation investigation is ongoing

Payment can be made under a reservation of rights for ALE or Loss of Income under the property policy until the final coverage decision is made. The policyholder should be advised in writing that:

- The Investigation is ongoing.
- No coverage decision has been made.
- In the event it is determined that there is no covered damage, no further payment will be made on ALE or Loss of Income.
- They may undertake an independent investigation.

All claims in this category must be reviewed by the Claim Team Manager before a final decision is made. Management should be involved in any claim where it is deemed necessary to retain an expert to assist in the determination of causation.

**For More Information**

Any question on this protocol should be directed to your Claim Team Manager.

- C. P & C Claims Executive
  - Southern Zone Executive & Claim Managers
  - Central Zone Executive & Claim Managers
  - P & C Claims Directors and Consultants
  - Catastrophe Services Claim Managers
  - Catastrophe Services Section & Team Managers
  - Zone Section Managers

Date: September 13, 2005  
To: State Farm Claim Associates handling CAT PL in the Central and Southern Zones  
From: Property and Casualty Claim Consulting Services  
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\*\*\*\*\*ACTION REQUIRED\*\*\*\*\*

**Summary**

Because of the combination of wind and water damages many homes sustained from Hurricane Katrina, the following materials have been developed and are intended for use as a guide for handling various wind and/or water claims in Louisiana, Mississippi and Alabama.

**Action**

The protocol below outlines the process that should be used for determination of coverage in those locations.

**Protocol Detail**

Each claim should be handled on its merits. A causation investigation should be conducted and appropriate claim file documentation is required. Any available information should be considered in making a coverage determination. This information will include, but is not limited to:

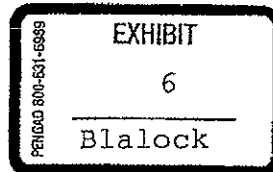
- Evidence gathered at the on site inspection. This includes documentation of physical evidence such as water lines, an examination of the debris, and an analysis of the physical damage to the structure.
- Evidence gathered at neighboring locations.
- Data obtained from reports describing damage to the area.
- Information from witnesses and policyholders.
- Input from experts that may be retained to provide guidance.

The damage to insured properties will fall into the following categories and should be handled as detailed below:

- Damage to the property was caused by windstorm.
- Damage to separate portions of the property can be attributed to either windstorm or excluded water.
- Damage to the property was caused by excluded water; with no available coverage.
- Damage to the property was caused by flood waters; covered by an available flood policy.

**EXHIBIT**

*Amble #17  
11-1-06 Sm*



Damage Caused by Windstorm

When the investigation indicates that the damage was caused by windstorm, the claim will be handled under the applicable provisions of the involved property policy. Consideration should be given to determine if a hurricane deductible or a windstorm or hail exclusion endorsement is involved and the claim handled accordingly.

Damage to Separate Portions with Distinguishable Wind or Excluded Water

Each type of damage should be documented in the claim file. The claim representative should calculate the separate damage attributable to each peril and handle the adjustment accordingly. In those cases where the policyholder has policies for both a windstorm and a flood, payments should be issued under the applicable policy.

Damage Caused by Excluded Water

When the investigation indicates that the damage was caused by excluded water and the claim investigation does not reveal independent windstorm damage to separate portions of the property, there is no coverage available under the homeowners policy pursuant to the following language in *Section 1 Losses Not Insured*:

"2. 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 to any combination of these:

c. Water Damage, meaning:

- (1) flood, surface water, waves, tidal water, tsunami, seiche, overflow of a body of water, or spray from any of these, all whether driven by wind or not . . ."

Other Losses Not Insured may be applicable, including 2.c.(2) & (3), 3.(a), (b) & (c).

Damage to Property Caused by Flood Waters with available Flood Policy

Where wind acts concurrently with flooding to cause damage to the insured property, coverage for the loss exists only under flood coverage, if available. The flood damage claim should be handled consistent with the terms of the flood policy providing coverage as outlined in Operation Guide 71-06.

Claims where the causation investigation is ongoing

Payment can be made under a reservation of rights for ALE or Loss of Income under the property policy until the final coverage decision is made. The policyholder should be advised in writing that:

- The investigation is ongoing.
- No coverage decision has been made.
- In the event it is determined that there is no covered damage, no further payment will be made on ALE or Loss of Income.
- They may undertake an independent investigation.

All claims in this category must be reviewed by the Claim Team Manager before a final decision is made. Management should be involved in any claim where it is deemed necessary to retain an expert to assist in the determination of causation.

**For More Information**

Any question on this protocol should be directed to your Claim Team Manager.

- C. P & C Claims Executive
  - Southern Zone Executive & Claim Managers
  - Central Zone Executive & Claim Managers
  - P & C Claims Directors and Consultants
  - Catastrophe Services Claim Managers
  - Catastrophe Services Section & Team Managers
  - Zone Section Managers



**FEMA**

W-05040

August 31, 2005

MEMORANDUM FOR: Write Your Own (WYO) Principal Coordinators  
and the NFIP Servicing Agent

FROM: WYO Clearinghouse

SUBJECT: Waiver of the Proof of Loss Requirement in the  
Standard Flood Insurance Policy (SFIP)

Attached is a document signed by the Acting Federal Insurance Administrator waiving certain proof of loss requirements of the Standard Flood Insurance Policy. This waiver applies to all claims arising on August 23, 2005, and thereafter until December 31, 2005.

If you have any questions, please contact your Program Coordinator.

Attachment

cc: Vendors, IBHS, FIPNC, WYO Marketing Committee, Government Technical Representative

Suggested Routing: Claims, Marketing, Underwriting



**FEMA**

**August 31, 2005**

**National Flood Insurance Program**

**Subject: Waiver of the Proof of Loss Requirement in the Standard Flood Insurance Policy (SFIP)**

Recently, a number of States experienced catastrophic losses as a result of Hurricane Katrina. As a result, there may be a shortage of qualified adjusters available to adjust the losses resulting from this hurricane. So, there is an urgent need to expedite claims payments to policyholders.

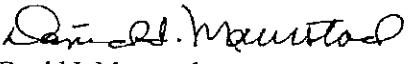
To expedite claims payments so that policyholders affected by these circumstances are not subject to undue hardship, I am waiving the requirement in VII.J.4 of the SFIP Dwelling and General Property Forms and VIII.J.4 of the SFIP Residential Condominium Building Association Policy Form for the policyholder to file a proof of loss prior to receiving insurance proceeds. Instead, payment of the loss will be based on the evaluation of damage in the adjuster's report. This means the requirement in VII.M.1 and VIII.M.1 that losses will be payable 60 days after the insurer receives the policyholder's proof of loss (or within 90 days after the adjuster files a report signed and sworn to by the policyholder in lieu of a proof of loss) will not apply. Instead, the loss will be payable as soon as practicable after the insurer receives the adjuster's report. This procedure will allow the insurer to promptly adjust, settle, and pay claims based on the adjuster's report. Also, under the terms of this waiver, the following sections will not apply: VII.J.7, J.9, and M.2.c of the SFIP Dwelling and General Property Forms and VIII.J.7, J.9, and M.2.c of the SFIP Residential Condominium Building Association Policy Form.

In the event a policyholder disagrees with the insurer's adjustment, settlement, or payment of the claim, a policyholder may submit to the insurer a proof of loss within one year from the date of the loss. The proof of loss must meet the requirements of VII.J.4 of the SFIP Dwelling or General Property Form or VIII.J.4 of the SFIP Residential Condominium Building Association Policy Form. The insurer will then process the policyholder's proof of loss in its normal fashion. If the insurer rejects the proof of loss in whole or in part, the policyholder may file a lawsuit against the insurer within one year of the date of the written denial of all or part of the claim as provided in VII.R of the SFIP Dwelling or General Property Form or VIII.R of the SFIP Residential Condominium Building Association Policy Form.

For example, a policyholder who suffered a flood loss from Hurricane Katrina on August 23, 2005, and disagrees with the insurer's decision based on the adjuster's report has until August 22, 2006, to file the proof of loss detailing the area(s) of disagreement.

This waiver is pursuant to the provisions dealing with amendments, waivers, and assignments of the SFIP (VII.D. of the SFIP Dwelling Form and General Property Form and VIII.D. of the SFIP Residential Condominium Building Association Policy Form). Since the potential adjuster availability problem will affect not only the claims from Hurricane Katrina, but also any other flood events that may occur while the adjustment of claims from Hurricane Katrina is ongoing, this waiver applies to all claims arising on August 23, 2005, and thereafter until December 31, 2005.

          Date            
August 31, 2005

  
David I. Maurstad  
Acting Federal Insurance Administrator  
Federal Emergency Management Agency  
U.S. Department of Homeland Security





FEMA

W-05054

September 21, 2005

MEMORANDUM FOR: Write Your Own Principal Coordinators and the NFIP Servicing Agent

FROM: David I. Maurstad *David I. Maurstad*  
Acting Administrator / Director  
Mitigation Division  
Federal Emergency Management Agency

SUBJECT: Hurricane Katrina - Flood Claim Handling Standards

The numbers and severity of Katrina flood losses are unprecedented in the history of the National Flood Insurance Program (NFIP). The complexities presented, both logistically and in terms of claim handling itself, have not been encountered before. To date, the WYO companies and the NFIP Servicing Agent have reported 150,000 claims. As a point of reference, the NFIP handled 74,000 flood claims nationwide in 2004. The situation requires innovative claim handling that will assist our policyholders to quickly recover from these losses, while maintaining adequate controls over NFIP funds.

FEMA, with the help of claims experts from some of our WYO companies, has sought to identify characteristics of flood claims that would lend those losses to an expedited claim handling process.

As a result, we have developed three processes, described in Attachment A, for handling claims with specific characteristics. Process # 1 should be used to expedite the claims handling of structures that have or have had standing water in them for an extended period of time. In order for your company to participate in this process, you must be able to acquire a reliable square foot measurement so that an accurate value can be developed. Some companies have a homeowner policy base that largely matches the flood policy base and may develop the square foot measurement from that information.

Process # 2 is to be used when it has been determined that the structure has been washed off its foundation by flood water and the square foot measurements are known. The company should use the same settlement procedures as in process # 1. All other claims require a site visit and will be handled using the company's normal claim procedures (process # 3).

**EXHIBIT**

*Hinkle 419  
11-1-06 SM*

Hurricane Katrina – Flood Claim Handling Standards  
September 21, 2005  
Page 2

As part of a separate e-mail to individual companies, we will provide depth data that includes three sets of data identified by the value in the “floodarea” field. One set includes areas that are known to have flooded (identified as “in”). The second set includes areas that may have flooded (identified as “near0”). The third set includes areas that did not flood to the best of our knowledge (identified as “out”). If a company receives a claim for a risk located in an area identified as “out” in the third set, it cannot use process # 1 or # 2.

Attached to this memorandum are three documents:

Attachment A: Description of Katrina Expedited Claim Handling Processes;  
Attachment B: File Documentation Requirements; and  
Attachment C: Example of a Valuation Worksheet

The NFIP’s general adjusters will be involved in closely monitoring the performance and procedures of the WYO carriers utilizing this process. Their activities will include site visits to field operations and the homes and businesses of insureds.

The existing NFIP fee schedule will be modified for the claims handled by processes # 1 and # 2. The fee will be \$750.00 for each claim + \$400.00 if a site visit is necessary at a later date. Process # 3 will be paid based upon the existing NFIP fee schedule. FEMA will not seek reimbursement from the company when a subsequent review identifies overpayments resulting from the company’s proper use of the FEMA depth data and a reasonable method of developing square foot value in concluding claims.

If your company has a method of acquiring reliable square foot measurements and wants to participate in these processes of handling Katrina claims, please reply to Jim Shortley or Tim Johnson at: [James.Shortley@dhs.gov](mailto:James.Shortley@dhs.gov) or [Timothy.Johnson@dhs.gov](mailto:Timothy.Johnson@dhs.gov). If your company chooses not to participate in process # 1 or # 2, it should still use process # 3 for those circumstances.

Attachments (3)

cc: Vendors, IBHS, FIPNC, WYO Marketing Committee, Government Technical Representative

Suggested Routing: Claims, Marketing, Underwriting

## KATRINA EXPEDITED CLAIM HANDLING PROCESSES

### # 1 APPLIES TO PRE-SELECTED AREAS

WYO carriers will utilize available depth data to determine areas of standing water. A site inspection would not be required.

The process uses flood depth data to identify structures that have been severely impacted. Depth data will be furnished by FEMA for the area of flooding caused by failure of the levees in the New Orleans area, resulting in flooding from Lake Pontchartrain. The depth data is being provided relative to the prevailing ground level at the risk. In addition, the flood elevation is estimated to be 2.7 feet relative to National Geodetic Vertical Datum (NGVD29). These water depths were at this level for at least five days.

Using the flood elevation and the depth data provided, the company should be able to determine the depth of the flood waters in the risk. For risks that are not elevation rated, speak with the insured to determine the first floor level of the risk relative to the prevailing ground. This information should be subtracted from the FEMA provided water depth relative to the prevailing ground to calculate the depth of the water in the building. If the resulting depth is a negative number, it is an indication that the risk may not have been flooded. For elevation rated risks, the first floor level relative to NGVD29 should be verified from the elevation certificate information. This information can be subtracted from the 2.7 foot NGVD29 flood elevation to determine depth of water in the building.

The company should use its best judgment, based on the depth and duration of the water in the building, to determine if it is likely that the covered damage exceeds policy limits. If the depth of water in the building is not likely to cause damage in excess of the policy limits the company should proceed based upon # 3.

The risks in selected areas as identified above will be subject to the following claim handling process for the Dwelling form and General Property form of the Standard Flood Insurance Policy. While this is primarily for certain parishes in Louisiana, this process may also be used in other areas if the WYO carrier or NFIP Servicing Agent has a method to determine the damage will exceed policy limits without a site visit.

The insured should be given the option to decline to have their claims processed in this manner. If the insureds accepts this process, but are not satisfied with the settlement offer from this process, the company should proceed based upon # 3.

**Reminder** – The Proof of Loss requirement has been waived as noted in WYO Bulletin W-05040.

### **BUILDING – DWELLING FORM**

- If known, Insurer will obtain the square foot area of the building from their underwriting records to determine the replacement cost, utilizing the square foot cost determined for the specific geographic area.

## **KATRINA EXPEDITED CLAIM HANDLING PROCESSES**

- If square footage is unavailable from the underwriting record, ask insured for the square footage of the property. If the information provided appears incorrect, advise insured a site inspection will be needed. File needs to be documented as to how square footage was determined.
- If RCV or ACV, as appropriate, is more than the limit of liability, pay the limit.
- If the risk is not insured to 80% of value, a detailed discussion will take place with the insureds to determine appropriate depreciation to be applied to the building component categories.

### **CONTENTS – DWELLING FORM\***

- Assist the insured to list major categories of contents (e.g. Appliances, electronics, furniture, clothing, etc.).
- If ACV of the contents exceeds policy limits, issue payment of policy limits.
- If ACV does not exceed policy limits, issue amount agreed upon with insured.
- Serial and Model numbers for appliances are not required.
- File documentation by the adjuster must reflect how amounts were determined, e.g. # of adults / children in the residence, etc.

### **BUILDING – GENERAL PROPERTY FORM**

- If known, Insurer will obtain the square foot area of the building from the underwriting records to determine the replacement cost, utilizing the square foot cost determined for the specific geographic area.
- If square footage is unavailable from the underwriting record, ask the insured for the square footage of the property. If the information provided appears incorrect, advise insured a site inspection will be needed. File needs to be documented as to how square footage was determined.
- Determine the age of the building and apply depreciation.
- If ACV of building is more than the limit of liability, pay the limit.

### **CONTENTS – GENERAL PROPERTY FORM\***

- Assist insured to list major categories of contents.
- If ACV of contents exceeds policy limits, issue payment of policy limits.
- If ACV does not exceed policy limits, issue amount agreed upon with insured.
- Serial and Model numbers for appliances are not required.
- File documentation by the adjuster must reflect how amounts were determined, e.g. # of adults / children in the residence, etc.

## **KATRINA EXPEDITED CLAIM HANDLING PROCESSES**

### **# 2 - APPLIES TO STRUCTURES WASHED OFF THEIR FOUNDATIONS**

This process is to be used in handling of losses without a site visit, where the covered damages appear to exceed policy limits, where only a slab or pilings remain or where the company can obtain its own flood depth data.

#### **BUILDING – DWELLING FORM**

- If known, Insurer will obtain the square foot area of the building from their underwriting records to determine the replacement cost, utilizing the square foot cost determined for the specific geographic area.
- If square footage is unavailable from the underwriting record, ask insured for the square footage of the property. If the information provided appears incorrect, advise insured a site inspection will be needed. File needs to be documented as to how square footage was determined.
- If RCV or ACV, as appropriate, is more than the limit of liability, pay the limit.
- If the risk is not insured to 80% of value, a detailed discussion will take place with the insureds to determine appropriate depreciation to be applied to the building component categories.

#### **CONTENTS – DWELLING FORM\***

- Assist the insured to list major categories of contents (e.g. Appliances, electronics, furniture, clothing, etc.).
- If ACV of the contents exceeds policy limits, issue payment of policy limits.
- If ACV does not exceed policy limits, issue amount agreed upon with insured.
- Serial and Model numbers for appliances are not required.
- File documentation by the adjuster must reflect how amounts were determined, e.g. # of adults / children in the residence, etc.

#### **BUILDING – GENERAL PROPERTY FORM**

- If known, Insurer will obtain the square foot area of the building from the underwriting records to determine the replacement cost, utilizing the square foot cost determined for the specific geographic area.
- If square footage is unavailable from the underwriting record, ask the insured for the square footage of the property. If the information provided appears incorrect, advise insured a site inspection will be needed. File needs to be documented as to how square footage was determined.

**KATRINA EXPEDITED CLAIM HANDLING PROCESSES**

- Determine the age of the building and apply depreciation.
- If ACV of building is more than the limit of liability, pay the limit.

**CONTENTS – GENERAL PROPERTY FORM\***

- Assist insured to list major categories of contents.
- If ACV of contents exceeds policy limits, issue payment of policy limits.
- If ACV does not exceed policy limits, issue amount agreed upon with insured.
- Serial and Model numbers for appliances are not required.
- File documentation by the adjuster must reflect how amounts were determined, e.g. # of adults / children in the residence, etc.

**# 3 – APPLIES TO ALL OTHER CLAIMS**

**BUILDING**

If the claim requires a site visit it will be handled using the company's normal claim procedures.

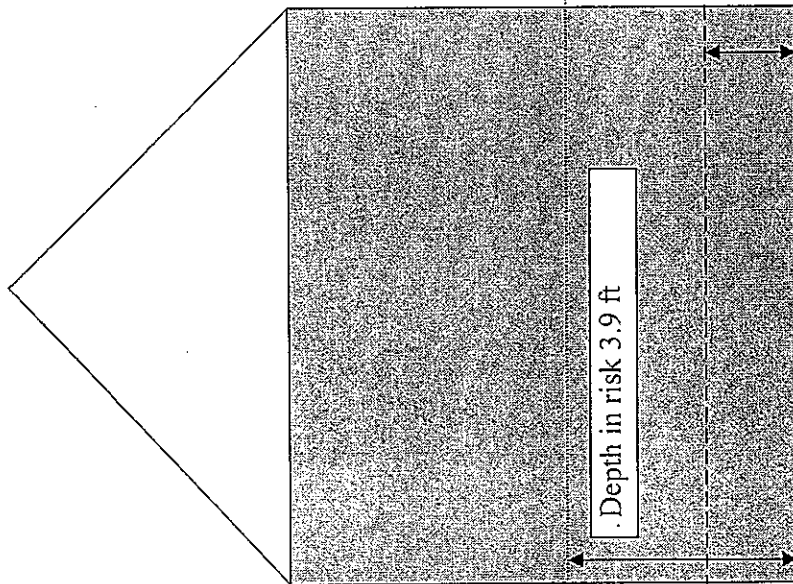
**CONTENTS\***

- Assist insured to list major categories of contents.
- If ACV of the contents exceeds policy limits, issue payment of policy limits.
- If ACV does not exceed policy limits, issue amount agreed upon with insured.
- Serial and Model numbers for appliances are not required.
- File documentation by the adjuster must reflect how amounts were determined, e.g. # of adults / children in the residence, etc.

**\* The contents portion of a claim file must reflect the basis for the adjuster's determination of the quantity, quality and value of the insured's personal property.**

**Elevation Rated**

FEMA provides flood elevation = 2.7 ft NGVD29  
Adjuster determines low floor elevation = -1.2 ft NGVD29  
Depth in risk = flood elevation - low floor elevation  
Depth in risk = 2.7 ft NGVD29 - (-1.2 ft NGVD29)  
Depth in risk = 3.9 ft

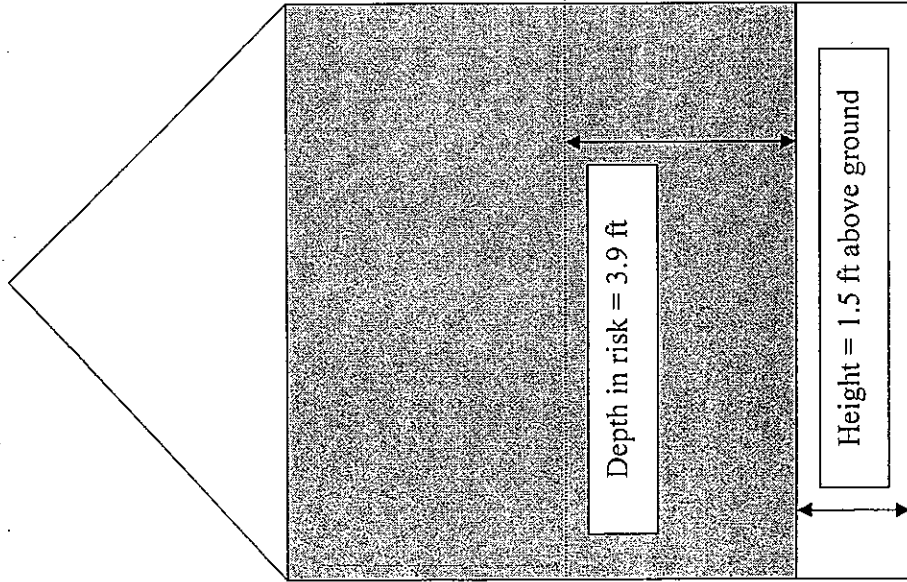


Flood elevation = 2.7 ft NGVD29

0.0 NGVD29

Low Floor elevation = -1.2 ft NGVD29

**Non-Elevation Rated**  
FEMA provides depth relative to ground = 5.4 ft  
Adjuster determines low floor height above ground = 1.5 ft  
Depth in risk = FEMA provided depth = low floor height above ground  
Depth in risk = 5.4ft - 1.5 ft  
Depth in risk = 3.9 ft



Depth provided by FEMA = 5.4 ft above ground

Prevailing ground elevation



**FILE DOCUMENTATION**

**# 1**

- Insured and coverage information
- Activity log
- Adjuster's narrative report
- NFIP final report
- Water Depth data or equivalent
- Valuation worksheet – including square footage
- Contents information – listed by major categories
- Letter to insured including ICC language

**#2**

- Insured and coverage information
- Activity log
- Adjuster's narrative report
- NFIP final report
- Company obtained data such as water depths, aerial photographs or the equivalent
- Valuation worksheet – including square footage
- Contents information – listed by major categories
- Letter to insured including ICC language

**# 3**

- Normal Claim Handling Procedure (with the exception that personal property may be grouped)
- Letter to insured including ICC language

**VALUATION WORKSHEET**  
**- EXAMPLE -**

**Policyholder Structure**

**Policy Number:** 1-2345-6789-0  
**Name:** Donald Waters  
**Property Address:** 1234 Main Street  
 Hammond, LA 70402

**Date of Loss:** 08/29/2005  
**Date Assigned:** 09/05/2005

---

**Structure Type**

**Configuration:** 100% - 1 Story  
**Style:** Ranch  
**Built In:** 1988  
**Purpose:** Single Family  
**Sq. Feet:** 1,500  
**Roof Type:** 70% Gable  
 30% Hip  
**Overall Quality:** Average

**Foundation**

**Shape:** L Shape  
**Construction:** 100 % Basement  
**Lot Slope:** None/Moderate  
**Foundation:** 100% Concrete

**Room Information**

**Living Space:** 1 Hallway  
 1 Living Room  
 1 Nook

**Bedrooms:** 3 Bedrooms

**Kitchen:** 1 Kitchen

**Bathrooms:** 2 Full Baths

**Utility/Closets:** 1 Laundry Room  
 1 Linen Closet  
 1 Pantry  
 1 Utility Room  
 1 Walk-in Closet

**Garage:** 1 Two-Car Garage

**VALUATION WORKSHEET**  
**- EXAMPLE -**

<b>Room Finishes and Features</b>	
<b>Wall Materials</b>	100 % 1/2" Drywall over Wood or Steel Framing - Ready to Paint
<b>Wall Finishes</b>	75% Paint 10% Open – No wall or included in home's exterior wall finish 15% Wallpaper
<b>Ceiling Finishes</b>	100% Paint
<b>Floor Covering</b>	70% Carpet 30% Ceramic Tile/Slate
<b>Room Features</b>	1 Cathedral/Vaulted Ceiling 2 Ceiling Fan 3 Corner or Crown Molding 3 Chair Rail 8 Recessed Lights 1 Chandelier
<b>Avg. Interior Wall Height</b>	8'0"
<b>Kitchen and Bathroom</b>	
<b>Kitchen Appliances</b>	1 Garbage Disposal 1 Dishwasher 1 Range Hood
<b>Bath Fixtures &amp; Features</b>	1 Acrylic/Fiberglass Tub or Shower Surround 1 Ceramic Tile tub or Shower Surround 1 Extra sink (one sink is included w/each bathroom)
<b>Counter/Vanity Tops</b>	50% Plastic Laminate Countertop 50% Tile Countertop
<b>Cabinet/Vanity Features</b>	1 Peninsula Bar (enter the number in all selected rooms) 1 Island
<b>HVAC</b>	
<b>Heating, AC, and Fireplace</b>	1 Forced Air Heating System 1 Central Air Conditioning 1 Masonry Fireplace
<b>Home Specialty</b>	1 Intercom System

**VALUATION WORKSHEET**  
**- EXAMPLE -**

**Appurtenant Private Structures - Garage**

**Interior Wall Material**            **100% 1/2" Drywall over wood or steel framing, ready for paint**

**Interior Wall Finishes**        **100% Paint**

**Ceiling Finishes**            **100% Paint**

**Floor Covering**            **100 % Paint/Epoxy Finish on Concrete**

**Ext. Wall Finishes**        **25% Brick Veneer**

**75 % Stucco**

**Roof Covering**            **100 % Tile**

**Exterior Finishes and Features**

**Exterior Wall Finish**        **25% Brick Veneer**

**75 % Stucco over Framing**

**Exterior Feature**            **2 Exterior Doors**

**1 Patio Door**

**1 Double Garage Door**

**User Defined**            **Redwood Deck**

**VALUATION WORKSHEET**  
**- EXAMPLE -**

**Cost Breakdown**

Appliances	\$ 6,711.86	
Electrical	\$ 5,707.87	
Exterior Finish	\$ 18,547.45	
Flooring Covering	\$ 5,679.71	
Foundation	\$ 13,417.25	
Heating A/C	\$ 4,521.89	
Interior Finish	\$ 30,340.40	
Roofing	\$ 12,641.20	
Rough Framing	\$ 20,409.52	
Windows	\$ 4,353.20	
Special Features	\$ 1,503.18	
Additional Features	\$ 4,200.00	
<b>Sub Total</b>	<b><u>\$128,033.53</u></b>	
Permits & Fees	\$ 0.00	
Overhead & Profit	\$ 26,485.54	
Sales Tax	\$ 4,394.15	(If not already included in pricing)

**Estimated Replacement Cost**

**\$158,913.22**

Cost per SF Finished Living Area	\$105.94 (The Replacement Cost/SF of finished Living Area only)
Cost per SF Total Structure	\$ 45.66 (The Replacement Cost/SF of Finished and Unfinished Areas)
<b>Dwelling Replacement Cost</b>	<b><u>\$158,913.22</u></b>

The Replacement Cost Figure represents the estimated reconstruction cost for the above described residence and includes such things as labor and materials and contractor profit and overhead.

# State Farm Insurance Companies®



Winter Haven Operations Center  
7401 Cypress Gardens Boulevard  
Winter Haven, Florida 33888-0007

Date: July 1, 2006

I, the undersigned, do hereby certify that I am custodian of the records pertaining to the issuance of policies by the Flood Division of State Farm Fire and Casualty of Bloomington, Illinois.

I further certify that the attached policy, number 24-RA-1656-3 is a copy of the policy issued to Pontius, William F & Mollie J, of 1320 Hellmers Ln Ocean Springs MS based on our available records.

Rocky Bryan, Underwriting Section Manager

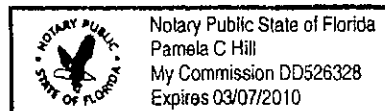
State of Florida  
County of Polk

Subscribed and sworn to me before this 1st day of July, 2006.

Notary Public

My commission Expires:

03-07-2010



**EXHIBIT**

Arnkle #20  
11-1-06 Sm

PONTIUS-749  
000119



**STATE FARM FIRE AND CASUALTY COMPANY**  
 A Stock Company With Home Offices in Bloomington Illinois

7401 CYPRESS GARDENS BLVD  
 WINTER HAVEN FL 33888-0007

**Named Insured** 1246-F292  
 PONTIUS, WILLIAM F & MOLLIE J  
 PO BOX 250  
 OCEAN SPRINGS MS 39566-0250

**DECLARATIONS PAGE** CERTIFIED TRUE COPY

<b>Policy Number</b>	24-RA-1656-3	
<b>REPLACES NO:</b>		
<b>Policy Period:</b>	<b>Effective Date</b>	<b>Expiration Date</b>
12 MONTHS	JUN 24 2005	JUN 24 2006
The policy period begins and ends at 12:01 AM standard time at the residence premises.		

**FLOOD POLICY - DWELLING FORM**

Requested By:

Issued pursuant to the National Flood Insurance Act of 1968 as amended and so administered by the Federal Emergency Management Agency.

**Location of Residence Premises**  
 1320 HELLMERS LN  
 OCEAN SPRINGS MS 39564-4938

FLOOD HAZARD ZONE A11

Coverages & Property	Limits of Liability
A DWELLING	\$ 250,000
B PERSONAL PROPERTY	\$ 100,000
C	\$
D Increased Cost of Compliance	\$ *

\*See policy booklet for explanation of coverage.

Deductibles	
DWELLING	\$ 500
PERS PROPERTY	\$ 500

In case of loss under this policy, we cover only that part of the loss over the deductible stated.

Forms, Options, and Endorsements	
FLOOD POLICY DWELLING FORM	FP-7920.4
INCREASE COST OF COMPLIANCE	FE-8746

Coverage A - Inflation Coverage Index: 168.9
Coverage B - Consumer Price Index: 193.3
<b>POLICY PREMIUM</b> \$ 441.00
Discount Applied: Community Rating 10%

\*INCLUDES \$ 30 FEDERAL POLICY FEE

Your policy consists of this page, any endorsements and the policy form. PLEASE KEEP THESE TOGETHER.

FP-7060.1C

NJH

Prepared JUL 1 2006

EFFINGER, ROBERT G  
 228 875 1212

PONTIUS-749  
 000120

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ CAREFULLY.

## STANDARD FLOOD INSURANCE POLICY

### INCREASED COST OF COMPLIANCE ENDORSEMENT

This Endorsement replaces Paragraph 2, Coverage D - Increased Cost of Compliance, III - Property Covered of the Dwelling, General Property, and Residential Condominium Building Association Policies with the following paragraph.

2. Limit of Liability

We will pay you up to \$30,000 under this Coverage **D** - Increased Cost of Compliance, which only applies to **policies** with **building** coverage (Coverage **A**). Our payment of claims under Coverage **D** is in addition to the amount of coverage which you selected on the **application** and which appears on the **Declarations Page**.

But the maximum you can collect under this **policy** for both Coverage **A** - Building Property and Coverage **D** - Increased Cost of Compliance cannot exceed the maximum permitted under the **Act**. We do not charge a separate deductible for a claim under Coverage **D**.

FE-8746



# **Standard Flood Insurance Policy**

## ***Dwelling Form***

**Issued Pursuant to the National Flood Insurance Act of 1968, or  
Any Acts Amendatory Thereof, and Applicable Federal Regulations  
in Title 44 of the Code of Federal Regulations, Subchapter B**

## STANDARD FLOOD INSURANCE POLICY

### DWELLING FORM

PLEASE READ THE POLICY CAREFULLY. THE FLOOD INSURANCE PROVIDED IS SUBJECT TO LIMITATIONS, RESTRICTIONS, AND EXCLUSIONS.

THIS POLICY COVERS ONLY:

1. A NON-CONDOMINIUM RESIDENTIAL BUILDING DESIGNED FOR PRINCIPAL USE AS A DWELLING PLACE FOR ONE TO FOUR FAMILIES, OR
2. A SINGLE-FAMILY DWELLING UNIT IN A CONDOMINIUM BUILDING.

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#### I. AGREEMENT

State Farm Fire and Casualty Company provides flood insurance under the terms of the National Flood Insurance Act of 1968 and its amendments, and Title 44 of the Code of Federal Regulations (CFR).

We will pay you for **direct physical loss by or from flood** to your insured property if you:

1. Have paid the correct premium;

2. Comply with all terms and conditions of this policy; and
3. Have furnished accurate information and statements.

We have the right to review the information you give us at any time and to revise your **policy** based on our review.

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#### II. DEFINITIONS

A. In this policy, "you" and "your" refer to the insured(s) shown on the **Declarations Page** of this policy and your spouse, if a resident of the same household. "Insured(s)" includes: Any mortgagee and loss payee named in the **Application and Declarations Page**, as well as any other mortgagee or loss payee determined to exist at the time of loss in the order of precedence. "We," "us," and "our" refer to the insurer.

Some definitions are complex because they are provided as they appear in the law or regulations, or result from court cases. The precise definitions are intended to protect you.

**Flood**, as used in this flood insurance policy, means:

1. A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is your property) from:
  - a. Overflow of inland or tidal waters;
  - b. Unusual and rapid accumulation or runoff of surface waters from any source;
  - c. Mudflow.

2. Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a **flood** as defined in A.1.a. above.

B. The following are the other key definitions that we use in this **policy**:

1. **Act.** The National Flood Insurance Act of 1968 and any amendments to it.
2. **Actual Cash Value.** The cost to replace an insured item of property at the time of loss, less the value of its physical depreciation.
3. **Application.** The statement made and signed by you or your agent in applying for this policy. The **application** gives information we use to determine the eligibility of the risk, the kind of **policy** to be issued, and the correct premium payment. The **application** is part of this flood insurance policy. For us to issue you a **policy**, the correct premium payment must accompany the application.
4. **Base Flood.** A flood having a one percent chance of being equaled or exceeded in any given year.

5. **Basement.** Any area of the building, including any sunken room or sunken portion of a room, having its floor below ground level (subgrade) on all sides.

6. **Building.**

- a. A structure with two or more outside rigid walls and a fully secured roof, that is affixed to a permanent site;
- b. A manufactured home (a "manufactured home," also known as a mobile home, is a structure: built on a permanent chassis, transported to its site in one or more sections, and affixed to a permanent foundation); or
- c. A travel trailer without wheels, built on a chassis and affixed to a permanent foundation, that is regulated under the community's floodplain management and building ordinances or laws.

**Building** does not mean a gas or liquid storage tank or a recreational vehicle, park trailer, or other similar vehicle, except as described in B.6.c. above.

7. **Cancellation.** The ending of the insurance coverage provided by this policy before the expiration date.

8. **Condominium.** That form of ownership of real property in which each unit owner has an undivided interest in common elements.

9. **Condominium Association.** The entity made up of the unit owners responsible for the maintenance and operation of:

- a. Common elements owned in undivided shares by unit owners; and
- b. Other real property in which the unit owners have use rights;

where membership in the entity is a required condition of unit ownership.

10. **Declarations Page.** A computer-generated summary of information you provided in the application for insurance. The **Declarations Page** also describes the term of the policy, limits of coverage, and displays the premium and our name. The **Declarations Page** is a part of this flood insurance policy.

11. **Described Location.** The location where the insured building(s) or personal property are found. The **described location** is shown on the **Declarations Page**.

12. **Direct Physical Loss By or From Flood.** Loss or damage to insured property, directly caused by a flood. There must be evidence of physical changes to the property.

13. **Dwelling.** A building designed for use as a residence for no more than four families or a single-family unit

in a building under a condominium form of ownership.

14. **Elevated Building.** A building that has no basement and that has its lowest elevated floor raised above ground level by foundation walls, shear walls, posts, piers, pilings, or columns.

15. **Emergency Program.** The initial phase of a community's participation in the **National Flood Insurance Program**. During this phase, only limited amounts of insurance are available under the Act.

16. **Expense Constant.** A flat charge you must pay on each new or renewal policy to defray the expenses of the Federal Government related to flood insurance.

17. **Federal Policy Fee.** A flat charge you must pay on each new or renewal policy to defray certain administrative expenses incurred in carrying out the **National Flood Insurance Program**. This fee covers expenses not covered by the **expense constant**.

18. **Improvements.** Fixtures, alterations, installations, or additions comprising a part of the insured dwelling or the apartment in which you reside.

19. **Mudflow.** A river of liquid and flowing mud on the surfaces of normally dry land areas, as when earth is carried by a current of water. Other earth movements, such as landslide, slope failure, or a saturated soil mass moving by liquidity down a slope, are not **mudflows**.

20. **National Flood Insurance Program (NFIP).** The program of flood insurance coverage and floodplain management administered under the Act and applicable Federal regulations in Title 44 of the Code of Federal Regulations, Subchapter B.

21. **Policy.** The entire written contract between you and us. It includes:

- a. This printed form;
- b. The application and **Declarations Page**;
- c. Any endorsement(s) that may be issued; and
- d. Any renewal certificate indicating that coverage has been instituted for a new policy and new policy term.

Only one **dwelling**, which you specifically described in the application, may be insured under this policy.

22. **Pollutants.** Substances that include, but are not limited to, any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, and waste. "Waste" includes, but is not limited to, materials to be recycled, reconditioned, or reclaimed.

23. **Post-FIRM Building.** A building for which construction or substantial improvement occurred after December 31, 1974, or on or after the effective date of an initial Flood Insurance Rate Map (FIRM), whichever is later.
24. **Probation Premium.** A flat charge you must pay on each new or renewal policy issued covering property in a community that the NFIP has placed on probation under the provisions of 44 CFR 59.24.
25. **Regular Program.** The final phase of a community's participation in the **National Flood Insurance Program**. In this phase, a Flood Insurance Rate Map is in effect and full limits of coverage are available under the **Act**.
26. **Special Flood Hazard Area.** An area having special flood, or mudflow, and/or flood-related erosion hazards, and shown on a Flood Hazard Boundary Map or Flood Insurance Rate Map as Zone A, AO, A1-A30, AE, A99, AH, AR, AR/A, AR/AE, AR/AH, AR/AO, AR/A1-A30, V1-V30, VE, or V.
27. **Unit.** A single-family unit you own in a condominium building.
28. **Valued Policy.** A policy in which the insured and the insurer agree on the value of the property insured, that value being payable in the event of a total loss. The Standard Flood Insurance Policy is not a **valued policy**.

### III. PROPERTY COVERED

#### A. COVERAGE A - BUILDING PROPERTY

We insure against direct physical loss by or from flood to:

1. The **dwelling** at the **described location**, or for a period of 45 days at another location as set forth in III.C.2.b., Property Removed to Safety.
2. Additions and extensions attached to and in contact with the **dwelling** by means of a rigid exterior wall, a solid load-bearing interior wall, a stairway, an elevated walkway, or a roof. At your option, additions and extensions connected by any of these methods may be separately insured. Additions and extensions attached to and in contact with the **building** by means of a common interior wall that is not a solid load-bearing wall are always considered part of the **dwelling** and cannot be separately insured.
3. A detached garage at the **described location**. Coverage is limited to no more than 10 percent of the limit of liability on the **dwelling**. Use of this insurance is at your option but reduces the **building** limit of liability. We do not cover any detached garage used or held for use for residential (i.e., **dwelling**), business, or farming purposes.
4. Materials and supplies to be used for construction, alteration, or repair of the **dwelling** or a detached garage while the materials and supplies are stored in a fully enclosed **building** at the **described location** or on an adjacent property.
5. A **building** under construction, alteration, or repair at the **described location**.
  - a. If the structure is not yet walled or roofed as described in the definition for **building** (see II.B.6.a.) then coverage applies:
    - (1) Only while such work is in progress; or
    - (2) If such work is halted, only for a period of up to 90 continuous days thereafter.
  - b. However, coverage does not apply until the **building** is walled and roofed if the lowest floor, including the **basement** floor, of a non-elevated **building** or the lowest elevated floor of an elevated **building** is:
    - (1) Below the **base flood** elevation in Zones AH, AE, A1-A30, AR, AR/AE, AR/AH, AR/A1-A30, AR/A, AR/AO; or
    - (2) Below the **base flood** elevation adjusted to include the effect of wave action in Zones VE or V1-V30.

The lowest floor levels are based on the bottom of the lowest horizontal structural member of the floor in Zones VE or V1-V30 and the top of the floor in Zones AH, AE, A1-A30, AR, AR/AE, AR/AH, AR/A1-A30, AR/A, AR/AO.
6. A manufactured home or a travel trailer as described in the Definitions section (see II.B.6.b. and II.B.6.c.).
 

If the manufactured home or travel trailer is in a **special flood hazard area**, it must be anchored in the following manner at the time of the loss:

  - a. By over-the-top or frame ties to ground anchors; or
  - b. In accordance with the manufacturer's specifications; or
  - c. In compliance with the community's floodplain management requirements;

unless it has been continuously insured by the NFIP at the same described location since September 30, 1982.

7. The following items of property which are covered under Coverage A only:

- a. Awnings and canopies;
- b. Blinds;
- c. Built-in dishwashers;
- d. Built-in microwave ovens;
- e. Carpet permanently installed over unfinished flooring;
- f. Central air conditioners;
- g. Elevator equipment;
- h. Fire sprinkler systems;
- i. Walk-in freezers;
- j. Furnaces and radiators;
- k. Garbage disposal units;
- l. Hot water heaters, including solar water heaters;
- m. Light fixtures;
- n. Outdoor antennas and aerials fastened to buildings;
- o. Permanently installed cupboards, bookcases, cabinets, paneling, and wallpaper;
- p. Plumbing fixtures;
- q. Pumps and machinery for operating pumps;
- r. Ranges, cooking stoves, and ovens;
- s. Refrigerators; and
- t. Wall mirrors, permanently installed.

8. Items of property in a building enclosure below the lowest elevated floor of an elevated post-FIRM building located in Zones A1-A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1-A30, V1-V30, or VE, or in a basement, regardless of the zone. Coverage is limited to the following:

- a. Any of the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source:
  - (1) Central air conditioners;
  - (2) Cisterns and the water in them;
  - (3) Drywall for walls and ceilings in a basement and the cost of labor to nail it, unfinished and unflashed and not taped, to the framing;
  - (4) Electrical junction and circuit breaker boxes;
  - (5) Electrical outlets and switches;
  - (6) Elevators, dumbwaiters, and related equipment, except for related equipment installed below the base flood elevation after September 30, 1987;
  - (7) Fuel tanks and the fuel in them;
  - (8) Furnaces and hot water heaters;
  - (9) Heat pumps;
  - (10) Nonflammable insulation in a basement;
  - (11) Pumps and tanks used in solar energy systems;
  - (12) Stairways and staircases attached to the building, not separated from it by elevated walkways;
  - (13) Sump pumps;

(14) Water softeners and the chemicals in them, water filters, and faucets installed as an integral part of the plumbing system;

(15) Well water tanks and pumps;

(16) Required utility connections for any item in this list; and

(17) Footings, foundations, posts, pilings, piers, or other foundation walls and anchorage systems required to support a building.

b. Clean-up.

B. COVERAGE B - PERSONAL PROPERTY

1. If you have purchased personal property coverage, we insure against **direct physical loss by or from flood** to personal property inside a **building** at the described location, if:

a. The property is owned by you or your household family members; and

b. At your option, the property is owned by guests or servants.

Personal property is also covered for a period of 45 days at another location as set forth in III.C.2.b., Property Removed to Safety.

Personal property in a **building** that is not fully enclosed must be secured to prevent flotation out of the **building**. If the personal property does float out during a **flood**, it will be conclusively presumed that it was not reasonably secured. In that case there is no coverage for such property.

2. Coverage for personal property includes the following property, subject to B.1. above, which is covered under Coverage B only:

- a. Air conditioning units, portable or window type;
- b. Carpets, not permanently installed, over unfinished flooring;
- c. Carpets over finished flooring;
- d. Clothes washers and dryers;
- e. "Cook-out" grills;
- f. Food freezers, other than walk-in, and food in any freezer; and
- g. Portable microwave ovens and portable dishwashers.

3. Coverage for items of property in a building enclosure below the lowest elevated floor of an elevated post-FIRM building located in Zones A1-A30, AE, AH, AR, AR/A, AR/AE, AR/AH, AR/A1-A30, V1-V30, or VE, or in a basement, regardless of the zone, is limited to the following items, if installed in their functioning locations and, if necessary for operation, connected to a power source:

- a. Air conditioning units, portable or window type;
- b. Clothes washers and dryers; and
- c. Food freezers, other than walk-in, and food in any freezer.

4. If you are a tenant and have insured personal property under Coverage B in this policy, we will cover such property, including your cooking stove or range and refrigerator. The policy will also cover improvements made or acquired solely at your expense in the dwelling or apartment in which you reside, but for not more than 10 percent of the limit of liability shown for personal property on the **Declarations Page**. Use of this insurance is at your option but reduces the personal property limit of liability.
5. If you are the owner of a unit and have insured personal property under Coverage B in this policy, we will also cover your interior walls, floor, and ceiling (not otherwise covered under a flood insurance policy purchased by your condominium association) for not more than 10 percent of the limit of liability shown for personal property on the **Declarations Page**. Use of this insurance is at your option but reduces the personal property limit of liability.
6. **Special Limits.** We will pay no more than \$2,500 for any one loss to one or more of the following kinds of personal property:
  - a. Artwork, photographs, collectibles, or memorabilia, including but not limited to, porcelain or other figures, and sports cards;
  - b. Rare books or autographed items;
  - c. Jewelry, watches, precious and semiprecious stones, or articles of gold, silver, or platinum;
  - d. Furs or any article containing fur which represents its principal value; or
  - e. Personal property used in any business.
7. We will pay only for the functional value of antiques.

**C. COVERAGE C - OTHER COVERAGES**

**1. Debris Removal**

- a. We will pay the expense to remove non-owned debris on or in insured property and owned debris anywhere.
- b. If you or a member of your household perform the removal work, the value of your work will be based on the Federal minimum wage.
- c. This coverage does not increase the Coverage A or Coverage B limit of liability.

**2. Loss Avoidance Measures**

**a. Sandbags, Supplies, and Labor**

- (1) We will pay up to \$1,000 for costs you incur to protect the insured building from a flood or imminent danger of flood, for the following:
  - (a) Your reasonable expenses to buy:
    - (i) Sandbags, including sand to fill them;
    - (ii) Fill for temporary levees;
    - (iii) Pumps; and
    - (iv) Plastic sheeting and lumber used in connection with these items.
  - (b) The value of work, at the Federal minimum wage, that you or a member of your household perform.
- (2) This coverage for Sandbags, Supplies, and Labor applies only if damage to insured property by or from flood is imminent, and the threat of flood damage is apparent enough to lead a person of common prudence to anticipate flood damage. One of the following must also occur:
  - (a) A general and temporary condition of flooding in the area near the described location must occur, even if the flood does not reach the insured building; or
  - (b) A legally authorized official must issue an evacuation order or other civil order for the community in which the insured building is located calling for measures to preserve life and property from the peril of flood.

This coverage does not increase the Coverage A or Coverage B limit of liability.

**b. Property Removed to Safety**

- (1) We will pay up to \$1,000 for the reasonable expenses you incur to move insured property to a place other than the described location that contains the property in order to protect it from flood or the imminent danger of flood.

Reasonable expenses include the value of work, at the Federal minimum wage, that you or a member of your household perform.

- (2) If you move insured property to a location other than the described location that contains the property, in order to protect it from flood or the imminent danger of flood, we will cover such property while at that location for a period of 45 consecutive days from the date you begin to move it there. The personal property that is moved must be placed in a fully enclosed building or otherwise reasonably protected from the elements.

Any property removed, including a moveable home described in II.B.6.b. and c., must be placed above ground level or outside of the special flood hazard area.

This coverage does not increase the Coverage A or Coverage B limit of liability.

### 3. Condominium Loss Assessments

- a. If this policy insures a unit, we will pay, up to the Coverage A limit of liability, your share of loss assessments charged against you by the condominium association in accordance with the condominium association's articles of association, declarations and your deed.

The assessment must be made as a result of direct physical loss by or from flood during the policy term, to the building's common elements.

- b. We will not pay any loss assessment charged against you:
  - (1) And the condominium association by any governmental body;
  - (2) That results from a deductible under the insurance purchased by the condominium association insuring common elements;
  - (3) That results from a loss to personal property, including contents of a condominium building;
  - (4) That results from a loss sustained by the condominium association that was not reimbursed under a flood insurance policy written in the name of the association under the Act because the building was not, at the time of loss, insured for an amount equal to the lesser of:

- (a) 80 percent or more of its full replacement cost; or

- (b) The maximum amount of insurance permitted under the Act;

- (5) To the extent that payment under this policy for a condominium building loss, in combination with payments under any other NFIP policies for the same building loss, exceeds the maximum amount of insurance permitted under the Act for that kind of building; or

- (6) To the extent that payment under this policy for a condominium building loss, in combination with any recovery available to you as a tenant in common under any NFIP condominium association policies for the same building loss, exceeds the amount of insurance permitted under the Act for a single-family dwelling.

Loss assessment coverage does not increase the Coverage A limit of liability.

### D. COVERAGE D - INCREASED COST OF COMPLIANCE

#### 1. General

This policy pays you to comply with a State or local floodplain management law or ordinance affecting repair or reconstruction of a structure suffering flood damage. Compliance activities eligible for payment are: elevation, floodproofing, relocation, or demolition (or any combination of these activities) of your structure. Eligible floodproofing activities are limited to:

- a. Nonresidential structures.
- b. Residential structures with basements that satisfy the Federal Emergency Management Agency's (FEMA's) standards published in the Code of Federal Regulations [44 CFR 60.6 (b) or (c)].

#### 2. Limit of Liability

We will pay you up to \$20,000 under this Coverage D - Increased Cost of Compliance, which only applies to policies with building coverage (Coverage A). Our payment of claims under Coverage D is in addition to the amount of coverage which you selected on the application and which appears on the Declarations Page. But the maximum you can collect under this policy for both Coverage A - Building Property and Coverage D - Increased Cost of Compliance cannot exceed the maximum permitted under the Act. We do not charge a separate deductible for a claim under Coverage D.

### 3. Eligibility

- a. A structure covered under Coverage A - Building Property sustaining a loss caused by a flood as defined by this policy must:

(1) Be a "repetitive loss structure." A repetitive loss structure is one that meets the following conditions:

- (a) The structure is covered by a contract of flood insurance issued under the NFIP.
- (b) The structure has suffered flood damage on two occasions during a 10-year period which ends on the date of the second loss.
- (c) The cost to repair the flood damage, on average, equaled or exceeded 25 percent of the market value of the structure at the time of each flood loss.
- (d) In addition to the current claim, the NFIP must have paid the previous qualifying claim, and the State or community must have a cumulative, substantial damage provision or repetitive loss provision in its floodplain management law or ordinance being enforced against the structure; or

(2) Be a structure that has had flood damage in which the cost to repair equals or exceeds 50 percent of the market value of the structure at the time of the flood. The State or community must have a substantial damage provision in its floodplain management law or ordinance being enforced against the structure

- b. This Coverage D pays you to comply with State or local floodplain management laws or ordinances that meet the minimum standards of the National Flood Insurance Program found in the Code of Federal Regulations at 44 CFR 60.3. We pay for compliance activities that exceed those standards under these conditions:

(1) 3.a.(1) above.

(2) Elevation or floodproofing in any risk zone to preliminary or advisory base flood elevations provided by FEMA which the State or local government has adopted and is enforcing for flood-damaged structures in such areas. (This includes compliance activities in B, C, X, or D zones which are being changed to zones with base flood elevations. This also includes compliance activities in zones where base flood

elevations are being increased, and a flood-damaged structure must comply with the higher advisory base flood elevation.) Increased Cost of Compliance coverage does not apply to situations in B, C, X, or D zones where the community has derived its own elevations and is enforcing elevation or floodproofing requirements for flood-damaged structures to elevations derived solely by the community.

(3) Elevation or floodproofing above the base flood elevation to meet State or local "freeboard" requirements, i.e., that a structure must be elevated above the base flood elevation.

c. Under the minimum NFIP criteria at 44 CFR 60.3 (b)(4). States and communities must require the elevation or floodproofing of structures in unnumbered A zones to the base flood elevation where elevation data is obtained from a Federal, State, or other source. Such compliance activities are also eligible for Coverage D.

d. This coverage will also pay for the incremental cost, after demolition or relocation, of elevating or floodproofing a structure during its rebuilding at the same or another site to meet State or local floodplain management laws or ordinances, subject to Exclusion D.5.g. below.

e. This coverage will also pay to bring a flood-damaged structure into compliance with State or local floodplain management laws or ordinances even if the structure had received a variance before the present loss from the applicable floodplain management requirements

### 4. Conditions

a. When a structure covered under Coverage A - Building Property sustains a loss caused by a flood, our payment for the loss under this Coverage D will be for the increased cost to elevate, floodproof, relocate, or demolish (or any combination of these activities) caused by the enforcement of current State or local floodplain management ordinances or laws. Our payment for eligible demolition activities will be for the cost to demolish and clear the site of the building debris or a portion thereof caused by the enforcement of current State or local floodplain management ordinances or laws. Eligible activities for the cost of clearing the site will include those necessary to discontinue utility service to the site and ensure proper abandonment of on-site utilities.

b. When the building is repaired or rebuilt, it must be intended for the same occupancy as the present building unless otherwise required by current floodplain management ordinances or laws.



## 5. Exclusions

Under this Coverage D - Increased Cost of Compliance, we will not pay for:

- a. The cost to comply with any floodplain management law or ordinance in communities participating in the Emergency Program.
- b. The cost associated with enforcement of any ordinance or law that requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of pollutants.
- c. The loss in value to any insured **building** or other structure due to the requirements of any ordinance or law.
- d. The loss in residual value of the undamaged portion of a **building** demolished as a consequence of enforcement of any State or local floodplain management law or ordinance.
- e. Any Increased Cost of Compliance under this Coverage D:
  - (1) Until the **building** is elevated, floodproofed, demolished, or relocated on the same or to another premises; and
  - (2) Unless the **building** is elevated, floodproofed, demolished, or relocated as soon as reasonably possible after the loss, not to exceed 2 years (see 3.b.).
- f. Any code upgrade requirements, e.g., plumbing or electrical wiring, not specifically related to the State or local floodplain management law or ordinance.
- g. Any compliance activities needed to bring additions or improvements made after the loss occurred into compliance with State or local floodplain management laws or ordinances.
- h. Loss due to any ordinance or law that you were required to comply with before the current loss.
- i. Any rebuilding activity to standards that do not meet the NFIP's minimum requirements. This includes any situation where you have received from the State or community a variance in connection with the current flood loss to rebuild the property to an elevation below the base flood elevation.
- j. Increased Cost of Compliance for a garage or carport.
- k. Any structure insured under an NFIP Group Flood Insurance Policy.
- l. Assessments made by a **condominium association** on individual **condominium unit** owners to pay increased costs of repairing commonly owned **buildings** after a **flood** in compliance with State or local floodplain management ordinances or laws.

## 6. Other Provisions

- a. Increased Cost of Compliance coverage will not be included in the calculation to determine whether coverage meets the 80 percent insurance-to-value requirement for replacement cost coverage as set forth in VII. General Conditions, V. Loss Settlement.
- b. All other conditions and provisions of this policy apply.

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## IV. PROPERTY NOT COVERED

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We do not cover any of the following property:

1. Personal property not inside the fully enclosed **building**;
2. A **building**, and personal property in it, located entirely in, on, or over water or seaward of mean high tide if it was constructed or substantially improved after September 30, 1982;
3. Open structures, including a **building** used as a boathouse or any structure or **building** into which boats are floated, and personal property located in, on, or over water;
4. Recreational vehicles other than travel trailers described in II.B.6.c., whether affixed to a permanent foundation or on wheels;
5. Self-propelled vehicles or machines, including their parts and equipment. However, we do cover self-propelled vehicles or machines not licensed for use on public roads that are:
  - a. Used mainly to service the described location, or
  - b. Designed and used to assist handicapped persons,while the vehicles or machines are inside a **building** at the described location;
6. Land, land values, lawns, trees, shrubs, plants, growing crops, or animals;
7. Accounts, bills, coins, currency, deeds, evidences of debt, medals, money, scrip, stored value cards, postage stamps, securities, bullion, manuscripts, or other valuable papers;

8. Underground structures and equipment, including wells, septic tanks, and septic systems;
9. Those portions of walks, walkways, decks, driveways, patios, and other surfaces, all whether protected by a roof or not, located outside the perimeter, exterior walls of the insured **building** or the **building** in which the insured **unit** is located;
10. Containers, including related equipment, such as, but not limited to, tanks containing gases or liquids;
11. **Buildings** or **units** and all their contents if more than 49 percent of the **actual cash value** of the **building** or **unit** is below ground, unless the lowest level is at or above the **base flood** elevation and is below ground by reason of earth having been used as insulation material in conjunction with energy efficient building techniques;
12. Fences, retaining walls, seawalls, bulkheads, wharves, piers, bridges, and docks;
13. Aircraft or watercraft, or their furnishings and equipment;
14. Hot tubs and spas that are not bathroom fixtures, and swimming pools, and their equipment such as, but not limited to, heaters, filters, pumps, and pipes, wherever located;
15. Property not eligible for flood insurance pursuant to the provisions of the Coastal Barrier Resources Act and the Coastal Barrier Improvement Act and amendments to these acts;
16. Personal property you own in common with other **unit** owners comprising the membership of a **condominium association**.

#### V. EXCLUSIONS

- A. We only provide coverage for **direct physical loss by or from flood**, which means that we do not pay you for:
  1. Loss of revenue or profits;
  2. Loss of access to the insured property or **described location**;
  3. Loss of use of the insured property or **described location**;
  4. Loss from interruption of business or production;
  5. Any additional living expenses incurred while the insured **building** is being repaired or is unable to be occupied for any reason;
  6. The cost of complying with any ordinance or law requiring or regulating the construction, demolition, remodeling, renovation, or repair of property, including removal of any resulting debris. This exclusion does not apply to any eligible activities that we describe in Coverage D - Increased Cost of Compliance; or
  7. Any other economic loss.
- B. We do not insure a loss directly or indirectly caused by a **flood** that is already in progress at the time and date:
  1. The policy term begins; or
  2. Coverage is added at your request.
- C. We do not insure for loss to property caused directly by earth movement even if the earth movement is caused by **flood**. Some examples of earth movement that we do not cover are:
  1. Earthquake;
  2. Landslide;
  3. Land subsidence;
  4. Sinkholes;
  5. Destabilization or movement of land that results from accumulation of water in subsurface land area; or
  6. Gradual erosion.

We do, however, pay for losses from **mudflow** and land subsidence as a result of erosion that are specifically covered under our definition of **flood** (see II.A.1.c. and II.A.2.).
- D. We do not insure for direct physical loss caused directly or indirectly by any of the following:
  1. The pressure or weight of ice;
  2. Freezing or thawing;
  3. Rain, snow, sleet, hail, or water spray;
  4. Water, moisture, mildew, or mold damage that results primarily from any condition:
    - a. Substantially confined to the **dwelling**; or
    - b. That is within your control, including but not limited to:
      - (1) Design, structural, or mechanical defects;

- (2) Failure, stoppage, or breakage of water or sewer lines, drains, pumps, fixtures, or equipment; or
  - (3) Failure to inspect and maintain the property after a **flood** recedes;
5. Water or waterborne material that:
- a. Backs up through sewers or drains;
  - b. Discharges or overflows from a sump, sump pump, or related equipment; or
  - c. Seeps or leaks on or through the covered property;
- unless there is a **flood** in the area and the **flood** is the proximate cause of the sewer or drain backup, sump pump discharge or overflow, or seepage of water;
6. The pressure or weight of water unless there is a **flood** in the area and the **flood** is the proximate cause of the damage from the pressure or weight of water;
- 7. Power, heating, or cooling failure unless the failure results from **direct physical loss by or from flood** to power, heating, or cooling equipment on the **described location**;
  - 8. Theft, fire, explosion, wind, or windstorm;
  - 9. Anything you or any member of your household do or conspire to do to cause loss by **flood** deliberately; or
  - 10. Alteration of the insured property that significantly increases the risk of flooding.
- E. We do not insure for loss to any **building** or personal property located on land leased from the Federal Government, arising from or incident to the **flood** of the land by the Federal Government, where the lease expressly holds the Federal Government harmless under flood insurance issued under any Federal Government program.
- F. We do not pay for the testing for or monitoring of **pollutants** unless required by law or ordinance.

#### VI. DEDUCTIBLES

- A. When a loss is covered under this policy, we will pay only that part of the loss that exceeds your deductible amount, subject to the limit of liability that applies. The deductible amount is shown on the **Declarations Page**.  
  
However, when a **building** under construction, alteration, or repair does not have at least two rigid exterior walls and a fully secured roof at the time of loss, your deductible amount will be two times the deductible that would otherwise apply to a completed **building**.
- B. In each loss from **flood**, separate deductibles apply to the **building** and personal property insured by this **policy**.
- C. The deductible does not apply to:
  - 1. III.C.2. Loss Avoidance Measures;
  - 2. III.C.3. Condominium Loss Assessments; or
  - 3. III.D. Increased Cost of Compliance.

#### VII. GENERAL CONDITIONS

- A. **Pairs and Sets**  
  
In case of loss to an article that is part of a pair or set, we will have the option of paying you:
  - 1. An amount equal to the cost of replacing the lost, damaged, or destroyed article, minus its depreciation; or
  - 2. The amount that represents the fair proportion of the total value of the pair or set that the lost, damaged, or destroyed article bears to the pair or set.
- B. **Concealment or Fraud and Policy Voidance**
  - 1. With respect to all insureds under this **policy**, this **policy**:
    - a. Is void;
    - b. Has no legal force or effect;
    - c. Cannot be renewed; and
    - d. Cannot be replaced by a new NFIP **policy**;

if, before or after a loss, you or any other insured or your agent have at any time:

- (1) Intentionally concealed or misrepresented any material fact or circumstance;
- (2) Engaged in fraudulent conduct; or
- (3) Made false statements;

relating to this policy or any other NFIP insurance.

2. This policy will be void as of the date the wrongful acts described in B.1. above were committed.
3. Fines, civil penalties, and imprisonment under applicable Federal laws may also apply to the acts of fraud or concealment described above.
4. This policy is also void for reasons other than fraud, misrepresentation, or wrongful act. This policy is void from its inception and has no legal force under the following conditions:
  - a. If the property is located in a community that was not participating in the NFIP on the policy's inception date and did not join or reenter the program during the policy term and before the loss occurred; or
  - b. If the property listed on the application is otherwise not eligible for coverage under the NFIP.

#### C. Other Insurance

1. If a loss covered by this policy is also covered by other insurance that includes flood coverage not issued under the Act, we will not pay more than the amount of insurance that you are entitled to for lost, damaged, or destroyed property insured under this policy subject to the following:
  - a. We will pay only the proportion of the loss that the amount of insurance that applies under this policy bears to the total amount of insurance covering the loss, unless C.1.b. or c. immediately below applies.
  - b. If the other policy has a provision stating that it is excess insurance, this policy will be primary.
  - c. This policy will be primary (but subject to its own deductible) up to the deductible in the other flood policy (except another policy as described in C.1.b. above). When the other deductible amount is reached, this policy will participate in the same proportion that the amount of insurance under this policy bears to the total amount of both policies, for the remainder of the loss.

2. If there is other insurance in the name of your condominium association covering the same property covered by this policy, then this policy will be in excess over the other insurance.

#### D. Amendments, Waivers, Assignment

This policy cannot be changed nor can any of its provisions be waived without the express written consent of the Federal Insurance Administrator. No action that we take under the terms of this policy constitutes a waiver of any of our rights. You may assign this policy in writing when you transfer title of your property to someone else, except under these conditions:

1. When this policy covers only personal property; or
2. When this policy covers a structure during the course of construction.

#### E. Cancellation of Policy by You

1. You may cancel this policy in accordance with the applicable rules and regulations of the NFIP.
2. If you cancel this policy, you may be entitled to a full or partial refund of premium also under the applicable rules and regulations of the NFIP.

#### F. Nonrenewal of the Policy by Us

Your policy will not be renewed:

1. If the community where your covered property is located stops participating in the NFIP; or
2. If your building has been declared ineligible under Section 1316 of the Act.

#### G. Reduction and Reformation of Coverage

1. If the premium we received from you was not enough to buy the kind and amount of coverage you requested, we will provide only the amount of coverage that can be purchased for the premium payment we received.
2. The policy can be reformed to increase the amount of coverage resulting from the reduction described in G.1. above to the amount you requested as follows:
  - a. Discovery of insufficient premium or incomplete rating information before a loss.

- (1) If we discover before you have a flood loss that your premium payment was not enough to buy the requested amount of coverage, we will send you and any mortgagee or trustee known to us a bill for the required additional premium for the current policy term (or that portion of the current policy term following any endorsement changing

the amount of coverage). If you or the mortgagee or trustee pay the additional premium within 30 days from the date of our bill, we will reform the policy to increase the amount of coverage to the originally requested amount effective to the beginning of the current policy term (or subsequent date of any endorsement changing the amount of coverage).

- (2) If we determine before you have a flood loss that the rating information we have is incomplete and prevents us from calculating the additional premium, we will ask you to send the required information. You must submit the information within 60 days of our request. Once we determine the amount of additional premium for the current policy term, we will follow the procedure in G.2.a.(1) above.
  - (3) If we do not receive the additional premium (or additional information) by the date it is due, the amount of coverage can only be increased by endorsement subject to any appropriate waiting period.
- b. Discovery of insufficient premium or incomplete rating information after a loss.
- (1) If we discover after you have a flood loss that your premium payment was not enough to buy the requested amount of coverage, we will send you and any mortgagee or trustee known to us a bill for the required additional premium for the current and the prior policy terms. If you or the mortgagee or trustee pay the additional premium within 30 days from the date of our bill, we will reform the policy to increase the amount of coverage to the originally requested amount effective to the beginning of the prior policy term.
  - (2) If we discover after you have a flood loss that the rating information we have is incomplete and prevents us from calculating the additional premium, we will ask you to send the required information. You must submit the information before your claim can be paid. Once we determine the amount of additional premium for the current and prior policy terms, we will follow the procedure in G.2.b.(1) above.
  - (3) If we do not receive the additional premium by the date it is due, your flood insurance claim will be settled based on the reduced amount of coverage. The amount of coverage can only be increased by endorsement subject to any appropriate waiting period.

3. However, if we find that you or your agent intentionally did not tell us, or falsified, any important fact or circumstance or did anything fraudulent relating to this insurance, the provisions of Condition B. Concealment or Fraud and Policy Voidance apply.

#### H. Policy Renewal

1. This policy will expire at 12:01 a.m. on the last day of the policy term.
2. We must receive the payment of the appropriate renewal premium within 30 days of the expiration date.
3. If we find, however, that we did not place your renewal notice into the U.S. Postal Service, or if we did mail it, we made a mistake, e.g., we used an incorrect, incomplete, or illegible address, which delayed its delivery to you before the due date for the renewal premium, then we will follow these procedures:
  - a. If you or your agent notified us, not later than 1 year after the date on which the payment of the renewal premium was due, of nonreceipt of a renewal notice before the due date for the renewal premium, and we determine that the circumstances in the preceding paragraph apply, we will mail a second bill providing a revised due date, which will be 30 days after the date on which the bill is mailed.
  - b. If we do not receive the premium requested in the second bill by the revised due date, then we will not renew the policy. In that case, the policy will remain an expired policy as of the expiration date shown on the Declarations Page.
4. In connection with the renewal of this policy, we may ask you during the policy term to recertify, on a Recertification Questionnaire we will provide to you, the rating information used to rate your most recent application for or renewal of insurance.

#### I. Conditions Suspending or Restricting Insurance

We are not liable for loss that occurs while there is a hazard that is increased by any means within your control or knowledge.

#### J. Requirements in Case of Loss

In case of a flood loss to insured property, you must:

1. Give prompt written notice to us;
2. As soon as reasonably possible, separate the damaged and undamaged property, putting it in the best possible order so that we may examine it;
3. Prepare an inventory of damaged property showing the quantity, description, actual cash value, and amount of loss. Attach all bills, receipts, and related documents;

4. Within 60 days after the loss, send us a proof of loss, which is your statement of the amount you are claiming under the policy signed and sworn to by you, and which furnishes us with the following information:
    - a. The date and time of loss;
    - b. A brief explanation of how the loss happened;
    - c. Your interest (for example, "owner") and the interest, if any, of others in the damaged property;
    - d. Details of any other insurance that may cover the loss;
    - e. Changes in title or occupancy of the covered property during the term of the policy;
    - f. Specifications of damaged buildings and detailed repair estimates;
    - g. Names of mortgagees or anyone else having a lien, charge, or claim against the covered property;
    - h. Details about who occupied any insured building at the time of loss and for what purpose; and
    - i. The inventory of damaged personal property described in J.3. above.
  5. In completing the proof of loss, you must use your own judgment concerning the amount of loss and justify that amount.
  6. You must cooperate with the adjuster or representative in the investigation of the claim.
  7. The insurance adjuster whom we hire to investigate your claim may furnish you with a proof of loss form, and she or he may help you complete it. However, this is a matter of courtesy only, and you must still send us a proof of loss within 60 days after the loss even if the adjuster does not furnish the form or help you complete it.
  8. We have not authorized the adjuster to approve or disapprove claims or to tell you whether we will approve your claim.
  9. At our option, we may accept the adjuster's report of the loss instead of your proof of loss. The adjuster's report will include information about your loss and the damages you sustained. You must sign the adjuster's report. At our option, we may require you to swear to the report.
1. At such reasonable times and places that we may designate, you must:
    - a. Show us or our representative the damaged property;
    - b. Submit to examination under oath, while not in the presence of another insured, and sign the same; and
    - c. Permit us to examine and make extracts and copies of:
      - (1) Any policies of property insurance insuring you against loss and the deed establishing your ownership of the insured real property;
      - (2) **Condominium association** documents including the Declarations of the condominium, its Articles of Association or Incorporation, Bylaws, rules and regulations, and other relevant documents if you are a unit owner in a condominium building; and
      - (3) All books of accounts, bills, invoices and other vouchers, or certified copies pertaining to the damaged property if the originals are lost.
  2. We may request, in writing, that you furnish us with a complete inventory of the lost, damaged, or destroyed property, including:
    - a. Quantities and costs;
    - b. **Actual cash values** or replacement cost (whichever is appropriate);
    - c. Amounts of loss claimed;
    - d. Any written plans and specifications for repair of the damaged property that you can reasonably make available to us; and
    - e. Evidence that prior flood damage has been repaired.
  3. If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may:
    - a. Repair, rebuild, or replace any part of the lost, damaged, or destroyed property with material or property of like kind and quality or its functional equivalent; and
    - b. Take all or any part of the damaged property at the value we agree upon or its appraised value.

#### K. Our Options After a Loss

Options we may, in our sole discretion, exercise after loss include the following:

#### L. No Benefit to Bailee

No person or organization, other than you, having custody of covered property will benefit from this insurance.

#### M. Loss Payment

1. We will adjust all losses with you. We will pay you unless some other person or entity is named in the policy or is legally entitled to receive payment. Loss will be payable 60 days after we receive your proof of loss (or within 90 days after the insurance adjuster files an adjuster's report signed and sworn to by you in lieu of a proof of loss) and:
  - a. We reach an agreement with you;
  - b. There is an entry of a final judgment; or
  - c. There is a filing of an appraisal award with us, as provided in VII.P.
2. If we reject your proof of loss in whole or in part you may:
  - a. Accept our denial of your claim;
  - b. Exercise your rights under this policy; or
  - c. File an amended proof of loss, as long as it is filed within 60 days of the date of the loss.

#### N. Abandonment

You may not abandon to us damaged or undamaged property insured under this policy.

#### O. Salvage

We may permit you to keep damaged insured property after a loss, and we will reduce the amount of the loss proceeds payable to you under the policy by the value of the salvage.

#### P. Appraisal

If you and we fail to agree on the **actual cash value** or, if applicable, replacement cost of your damaged property to settle upon the amount of loss, then either may demand an appraisal of the loss. In this event, you and we will each choose a competent and impartial appraiser within 20 days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the State where the covered property is located. The appraisers will separately state the **actual cash value**, the replacement cost, and the amount of loss to each item. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of **actual cash value** and loss, or if it applies, the replacement cost and loss.

Each party will:

1. Pay its own appraiser; and

2. Bear the other expenses of the appraisal and umpire equally.

#### Q. Mortgage Clause

The word "mortgagee" includes trustee.

Any loss payable under Coverage A - Building Property will be paid to any mortgagee of whom we have actual notice as well as any other mortgagee or loss payee determined to exist at the time of loss, and you, as interests appear. If more than one mortgagee is named, the order of payment will be the same as the order of precedence of the mortgages.

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

1. Notifies us of any change in the ownership or occupancy, or substantial change in risk of which the mortgagee is aware;
2. Pays any premium due under this policy on demand if you have neglected to pay the premium; and
3. Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so.

All of the terms of this policy apply to the mortgagee.

The mortgagee has the right to receive loss payment even if the mortgagee has started foreclosure or similar action on the building.

If we decide to cancel or not renew this policy, it will continue in effect for the benefit of the mortgagee only for 30 days after we notify the mortgagee of the cancellation or nonrenewal.

If we pay the mortgagee for any loss and deny payment to you, we are subrogated to all the rights of the mortgagee granted under the mortgage on the property. Subrogation will not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.

#### R. Suit Against Us

You may not sue us to recover money under this policy unless you have complied with all the requirements of the policy. If you do sue, you must start the suit within 1 year after the date of the written denial of all or part of the claim, and you must file the suit in the United States District Court of the district in which the insured property was located at the time of loss. This requirement applies to any claim that you may have under this policy and to any dispute that you may have arising out of the handling of any claim under the policy.

#### S. Subrogation

Whenever we make a payment for a loss under this policy, we are subrogated to your right to recover for that loss from any other person. That means that your right to

recover for a loss that was partly or totally caused by someone else is automatically transferred to us, to the extent that we have paid you for the loss. We may require you to acknowledge this transfer in writing. After the loss, you may not give up our right to recover this money or do anything that would prevent us from recovering it. If you make any claim against any person who caused your loss and recover any money, you must pay us back first before you may keep any of that money.

#### T. Continuous Lake Flooding

1. If your insured **building** has been flooded by rising lake waters continuously for 90 days or more and it appears reasonably certain that a continuation of this flooding will result in a covered loss to the insured **building** equal to or greater than the **building** policy limits plus the deductible or the maximum payable under the **policy** for any one **building** loss, we will pay you the lesser of these two amounts without waiting for the further damage to occur if you sign a release agreeing:

- a. To make no further claim under this **policy**;
- b. Not to seek renewal of this **policy**;
- c. Not to apply for any flood insurance under the **Act** for property at the **described** location; and
- d. Not to seek a premium refund for current or prior terms.

If the **policy** term ends before the insured **building** has been flooded continuously for 90 days, the provisions of this paragraph T.1. will apply when the insured **building** suffers a covered loss before the **policy** term ends.

2. If your insured **building** is subject to continuous lake flooding from a closed basin lake, you may elect to file a claim under either paragraph T.1. above or paragraph T.2. (A "closed basin lake" is a natural lake from which water leaves primarily through evaporation and whose surface area now exceeds or has exceeded 1 square mile at any time in the recorded past. Most of the nation's closed basin lakes are in the western half of the United States, where annual evaporation exceeds annual precipitation and where lake levels and surface areas are subject to considerable fluctuation due to wide variations in the climate. These lakes may overtop their basins on rare occasions.) Under this paragraph T.2. we will pay your claim as if the **building** is a total loss even though it has not been continuously inundated for 90 days, subject to the following conditions:

- a. Lake flood waters must damage or imminently threaten to damage your **building**.
- b. Before approval of your claim, you must:

(1) Agree to a claim payment that reflects your buying back the salvage on a negotiated basis; and

(2) Grant the conservation easement described in FEMA's "Policy Guidance for Closed Basin Lakes," to be recorded in the office of the local recorder of deeds. FEMA, in consultation with the community in which the property is located, will identify on a map an area or areas of special consideration (ASC) in which there is a potential for flood damage from continuous lake flooding. FEMA will give the community the agreed-upon map showing the ASC. This easement will only apply to that portion of the property in the ASC. It will allow certain agricultural and recreational uses of the land. The only structures that it will allow on any portion of the property within the ASC are certain simple agricultural and recreational structures. If any of these allowable structures are insurable buildings under the **NFIP** and are insured under the **NFIP**, they will not be eligible for the benefits of this paragraph T.2. If a U.S. Army Corps of Engineers certified flood control project or otherwise certified flood control project later protects the property, FEMA will, upon request, amend the ASC to remove areas protected by those projects. The restrictions of the easement will then no longer apply to any portion of the property removed from the ASC; and

(3) Comply with paragraphs T.1.a. through T.1.d. above.

c. Within 90 days of approval of your claim, you must move your **building** to a new location outside the ASC. FEMA will give you an additional 30 days to move if you show that there is sufficient reason to extend the time.

d. Before the final payment of your claim, you must acquire an elevation certificate and a floodplain development permit from the local floodplain administrator for the new location of your **building**.

e. Before the approval of your claim, the community having jurisdiction over your **building** must:

(1) Adopt a permanent land use ordinance, or a temporary moratorium for a period not to exceed 6 months to be followed immediately by a permanent land use ordinance, that is consistent with the provisions specified in the easement required in paragraph T.2.b. above.

(2) Agree to declare and report any violations of this ordinance to FEMA so that under Section 1316 of the National Flood Insurance Act of 1968, as amended, flood insurance to the **building** can be denied; and



(3) Agree to maintain as deed-restricted, for purposes compatible with open space or agricultural or recreational use only, any affected property the community acquires an interest in. These deed restrictions must be consistent with the provisions of paragraph T.2.b. above, except that, even if a certified project protects the property, the land use restrictions continue to apply if the property was acquired under the Hazard Mitigation Grant Program or the Flood Mitigation Assistance Program. If a nonprofit land trust organization receives the property as a donation, that organization must maintain the property as deed-restricted, consistent with the provisions of paragraph T.2.b. above.

f. Before the approval of your claim, the affected State must take all action set forth in FEMA's "Policy Guidance for Closed Basin Lakes."

g. You must have NFIP flood insurance coverage continuously in effect from a date established by FEMA until you file a claim under paragraph T.2. If a subsequent owner buys NFIP insurance that goes into effect within 60 days of the date of transfer of title, any gap in coverage during that 60-day period will not be a violation of this continuous coverage requirement. For the purpose of honoring a claim under this paragraph T.2., we will not consider to be in effect any increased coverage that became effective after the date established by FEMA. The exception to this is any increased coverage in the amount suggested by your insurer as an inflation adjustment.

h. This paragraph T.2. will be in effect for a community when the FEMA Regional Director for the affected region provides to the community, in writing, the following:

(1) Confirmation that the community and the State are in compliance with the conditions in paragraphs T.2.e. and T.2.f. above; and

(2) The date by which you must have flood insurance in effect.

#### U. Duplicate Policies Not Allowed

1. We will not insure your property under more than one NFIP policy.

If we find that the duplication was not knowingly created, we will give you written notice. The notice will advise you that you may choose one of several options under the following procedures:

a. If you choose to keep in effect the policy with the earlier effective date, you may also choose to add the coverage limits of the later policy to the limits of the earlier policy. The change will become effective as of the effective date of the later policy.

b. If you choose to keep in effect the policy with the later effective date, you may also choose to add the coverage limits of the earlier policy to the limits of the later policy. The change will be effective as of the effective date of the later policy.

In either case, you must pay the pro rata premium for the increased coverage limits within 30 days of the written notice. In no event will the resulting coverage limits exceed the permissible limits of coverage under the Act or your insurable interest, whichever is less.

We will make a refund to you, according to applicable NFIP rules, of the premium for the policy not being kept in effect.

2. Your option under Condition U. Duplicate Policies Not Allowed to elect which NFIP policy to keep in effect does not apply when duplicates have been knowingly created. Losses occurring under such circumstances will be adjusted according to the terms and conditions of the earlier policy. The policy with the later effective date will be canceled.

#### V. Loss Settlement

##### 1. Introduction

This policy provides three methods of settling losses: Replacement Cost, Special Loss Settlement, and Actual Cash Value. Each method is used for a different type of property, as explained in a.-c. below.

a. Replacement Cost loss settlement, described in V.2. below, applies to a single-family dwelling provided:

(1) It is your principal residence, which means that, at the time of loss, you or your spouse lived there for at least 80 percent of:

(a) The 365 days immediately preceding the loss; or

(b) The period of your ownership, if you owned the dwelling for less than 365 days; and

(2) At the time of loss, the amount of insurance in this policy that applies to the dwelling is 80 percent or more of its full replacement cost immediately before the loss, or is the maximum amount of insurance available under the NFIP.

b. Special loss settlement, described in V.3. below, applies to a single-family dwelling that is a manufactured or mobile home or a travel trailer.

c. Actual Cash Value loss settlement applies to a single-family dwelling not subject to replacement cost or special loss settlement, and to the property listed in V.4. below.

## 2. Replacement Cost Loss Settlement

The following loss settlement conditions apply to a single-family dwelling described in V.1.a. above:

- a. We will pay to repair or replace the damaged dwelling after application of the deductible and without deduction for depreciation, but not more than the least of the following amounts:

- (1) The building limit of liability shown on your Declarations Page;
- (2) The replacement cost of that part of the dwelling damaged, with materials of like kind and quality, and for like use; or
- (3) The necessary amount actually spent to repair or replace the damaged part of the dwelling for like use.

- b. If the dwelling is rebuilt at a new location, the cost described above is limited to the cost that would have been incurred if the dwelling had been rebuilt at its former location.

- c. When the full cost of repair or replacement is more than \$1,000 or more than 5 percent of the whole amount of insurance that applies to the dwelling, we will not be liable for any loss under V.2.a. above or V.4.a.(2) below unless and until actual repair or replacement is completed.

- d. You may disregard the replacement cost conditions above and make claim under this policy for loss to dwellings on an actual cash value basis. You may then make claim for any additional liability according to V.2.a., b., and c. above, provided you notify us of your intent to do so within 180 days after the date of loss.

- e. If the community in which your dwelling is located has been converted from the Emergency Program to the Regular Program during the current policy term, then we will consider the maximum amount of available NFIP insurance to be the amount that was available at the beginning of the current policy term.

## 3. Special Loss Settlement

- a. The following loss settlement conditions apply to a single-family dwelling that:

- (1) Is a manufactured or mobile home or a travel trailer, as defined in II.B.6.b. and II.B.6.c.;
- (2) Is at least 16 feet wide when fully assembled and has an area of at least 600 square feet within its perimeter walls when fully assembled; and

- (3) Is your principal residence, as specified in V.1.a.(1) above.

- b. If such a dwelling is totally destroyed or damaged to such an extent that, in our judgment, it is not economically feasible to repair, at least to its predamage condition, we will, at our discretion, pay the least of the following amounts:

- (1) The lesser of the replacement cost of the dwelling or 1.5 times the actual cash value, or

- (2) The building limit of liability shown on your Declarations Page.

- c. If such a dwelling is partially damaged and, in our judgment, it is economically feasible to repair it to its predamage condition, we will settle the loss according to the Replacement Cost conditions in paragraph V.2. above.

## 4. Actual Cash Value Loss Settlement

The types of property noted below are subject to actual cash value [or in the case of V.4.a.(2) below, proportional] loss settlement.

- a. A dwelling, at the time of loss, when the amount of insurance on the dwelling is both less than 80 percent of its full replacement cost immediately before the loss and less than the maximum amount of insurance available under the NFIP. In that case, we will pay the greater of the following amounts, but not more than the amount of insurance that applies to that dwelling:

- (1) The actual cash value, as defined in II.B.2., of the damaged part of the dwelling; or

- (2) A proportion of the cost to repair or replace the damaged part of the dwelling, without deduction for physical depreciation and after application of the deductible.

This proportion is determined as follows: If 80 percent of the full replacement cost of the dwelling is less than the maximum amount of insurance available under the NFIP, then the proportion is determined by dividing the actual amount of insurance on the dwelling by the amount of insurance that represents 80 percent of its full replacement cost. But if 80 percent of the full replacement cost of the dwelling is greater than the maximum amount of insurance available under the NFIP, then the proportion is determined by dividing the actual amount of insurance on the dwelling by the maximum amount of insurance available under the NFIP.

- b. A two-, three-, or four-family dwelling.

- c. A unit that is not used exclusively for single-family dwelling purposes.

- d. Detached garages.
- e. Personal property.
- f. Appliances, carpets, and carpet pads.
- g. Outdoor awnings, outdoor antennas or aerials of any type, and other outdoor equipment.
- h. Any property covered under this policy that is abandoned after a loss and remains as debris anywhere on the described location.
- i. A dwelling that is not your principal residence.

- a. Footings, foundations, piers, or any other structures or devices that are below the undersurface of the lowest basement floor and support all or part of the dwelling;
- b. Those supports listed in V.5.a. above that are below the surface of the ground inside the foundation walls if there is no basement; and
- c. Excavations and underground flues, pipes, wiring, and drains.

The Coverage D - Increased Cost of Compliance limit of liability is not included in the determination of the amount of insurance required.

5. Amount of Insurance Required

To determine the amount of insurance required for a dwelling immediately before the loss, do not include the value of:

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VIII. LIBERALIZATION CLAUSE

If we make a change that broadens your coverage under this edition of our policy, but does not require any additional premium, then that change will automatically apply to your insurance as of the date we implement the

change, provided that this implementation date falls within 60 days before, or during, the policy term stated on the Declarations Page.

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IX. WHAT LAW GOVERNS

This policy and all disputes arising from the handling of any claim under the policy are governed exclusively by the flood insurance regulations issued by FEMA, the

National Flood Insurance Act of 1968, as amended (42 U.S.C. 4001, et seq.), and Federal common law.

IN WITNESS WHEREOF, we have signed this policy below and hereby enter into this Insurance Agreement.

*Laura P. Sullivan*

Secretary

*Edward B. Rust, Jr.*

President

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## CLAIM GUIDELINES IN CASE OF A FLOOD

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For the protection of you and your family, the following claim guidelines are provided by the National Flood Insurance Program (NFIP). If you are ever in doubt as to what action is needed, consult your insurance representative.

Know your insurance representative's name and telephone number. List them here for fast reference:

Insurance Representative \_\_\_\_\_

Representative's Phone Number \_\_\_\_\_

- Notify your insurance representative, in writing, as soon as possible after the flood.
- Determine the independent claims adjuster assigned to your claim and contact him or her if you have not been contacted within 24 hours after you reported the claim to your insurance representative.
- As soon as possible, separate damaged property from undamaged property so that damage can be inspected and evaluated.
- Discuss with the claims adjuster any need you may have for an advance or partial payment for your loss.
- To help the claims adjuster, try to take photographs of the outside of the premises showing the flooding and the damage and photographs of the inside of the premises showing the height of the water and the damaged property.
- Place all account books, financial records, receipts, and other loss verification material in a safe place for examination and evaluation by the claims adjuster.
- Work cooperatively and promptly with the claims adjuster to determine and document all claim items. Be prepared to advise the claims adjuster of the cause and responsible party(ies), if the flooding resulted from other than natural cause.
- Make sure that the claims adjuster fully explains, and that you fully understand, all allowances and procedures for processing claim payments on the basis of your proof of loss. This policy requires you to send us detailed proof of loss within 60 days after the loss.
- Any and all coverage problems and claim allowance restrictions must be communicated directly from the Company. Claims adjusters are not authorized to approve or deny claims; their job is to report to the Company on the elements of flood cause and damage.

At our option, we may accept an adjuster's report of the loss instead of your proof of loss. The adjuster's report will include information about your loss and the damages to your insured property. You must sign the adjuster's report. At our option, we may require you to swear to the report.

EXHIBIT C-1  
to First Amended Complaint  
filed 08/14/06 in Pontius v. State Farm



**EXHIBIT**

Ex. C-1 ~~has~~ C-13 as  
designated 10-31-06  
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EXHIBIT C-2  
to First Amended Complaint  
filed 08/14/06 in Pontius v. State Farm

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EXHIBIT C-3  
to First Amended Complaint  
filed 08/14/06 in Pontius v. State Farm

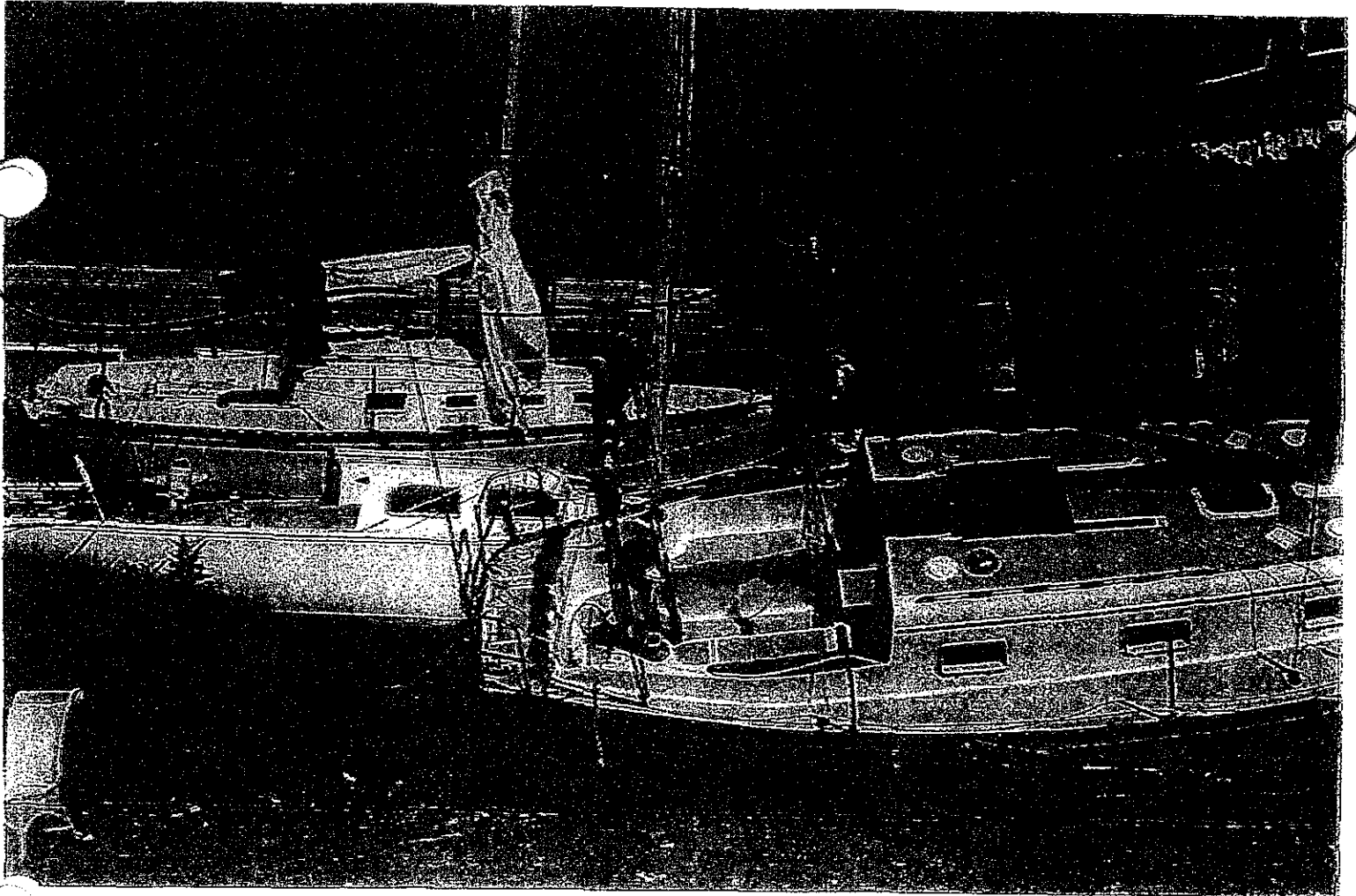


EXHIBIT C-4  
re First Amended Complaint  
filed 08/14/06 in Portius v. State Farm

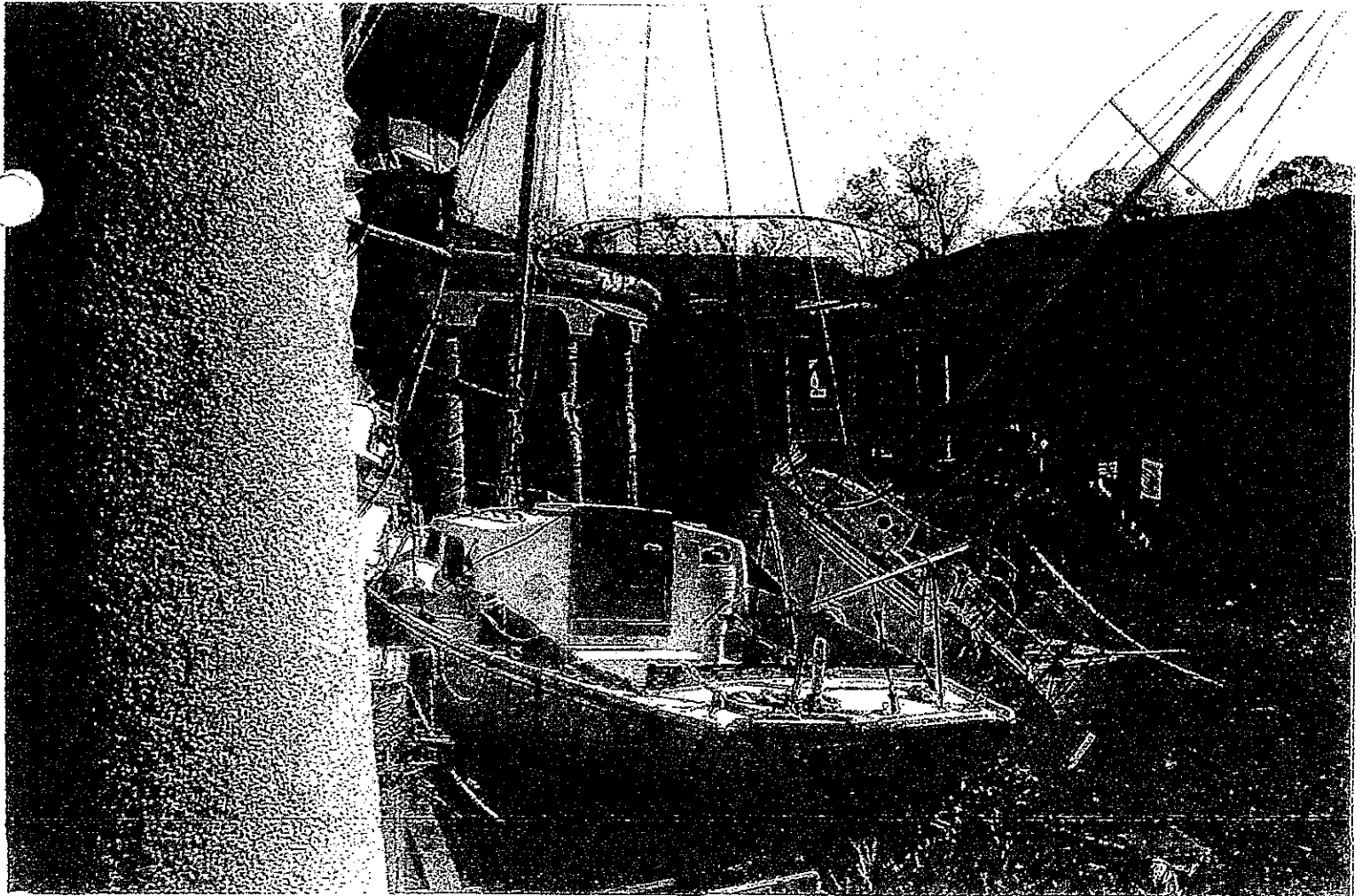




EXHIBIT C-5  
to First Amended Complaint  
filed 08/14/06 in Pontius v. State Farm

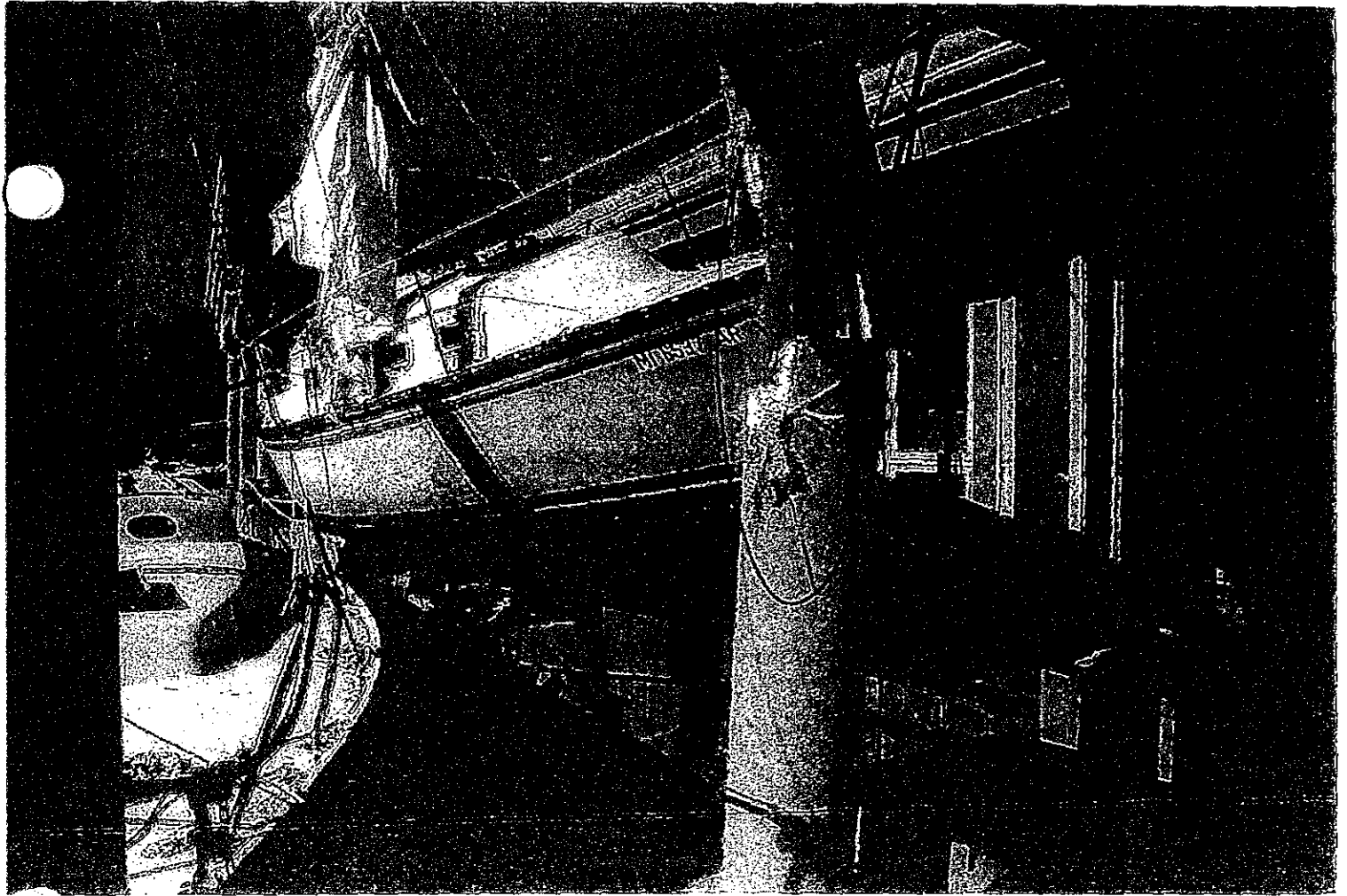


EXHIBIT C-6  
to First Amended Complaint  
filed 08/14/06 in Pontius v. State Farm

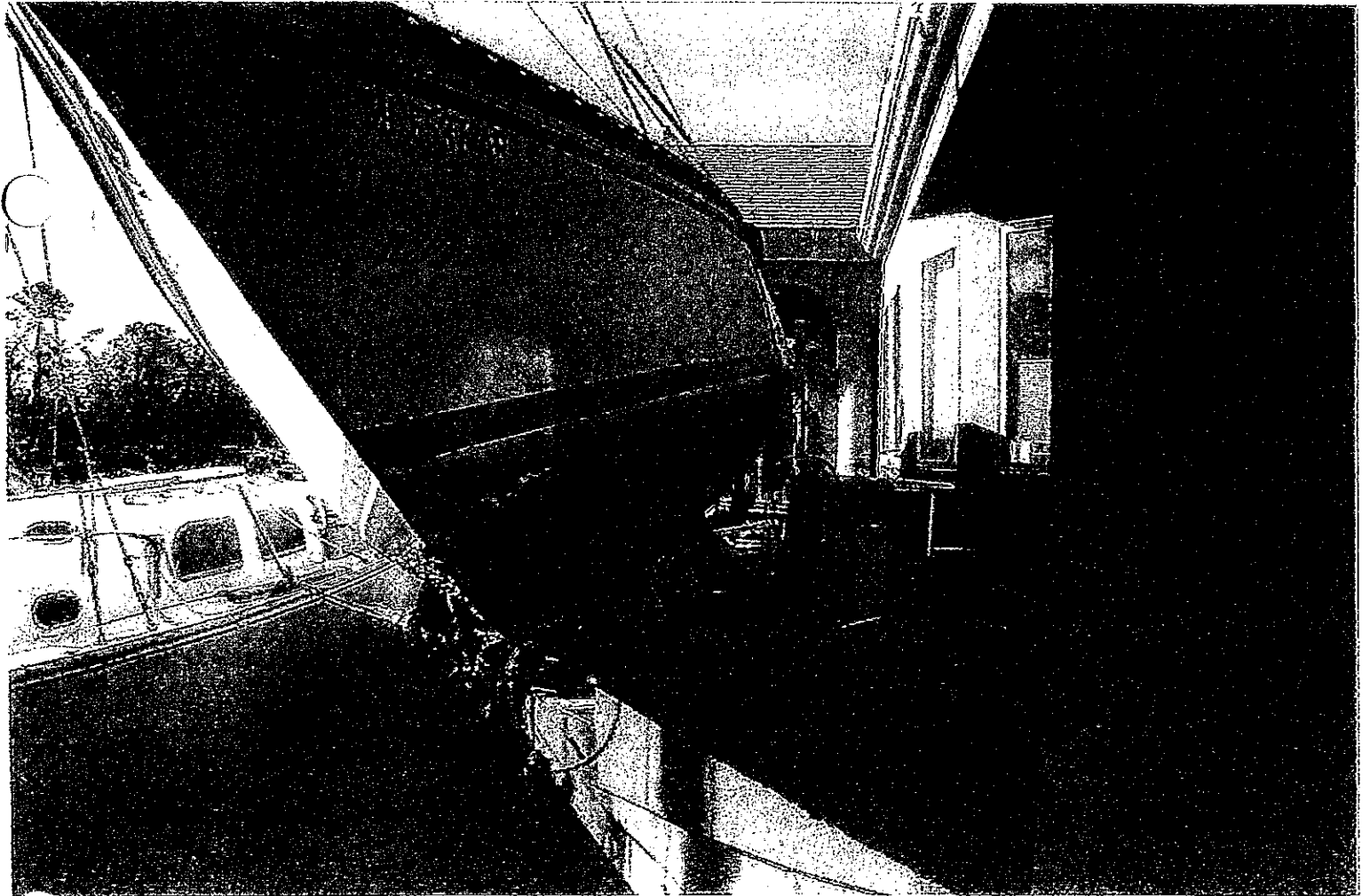


EXHIBIT C-8  
to First Amended Complaint  
filed 08/14/06 in Pontius v. State Farm

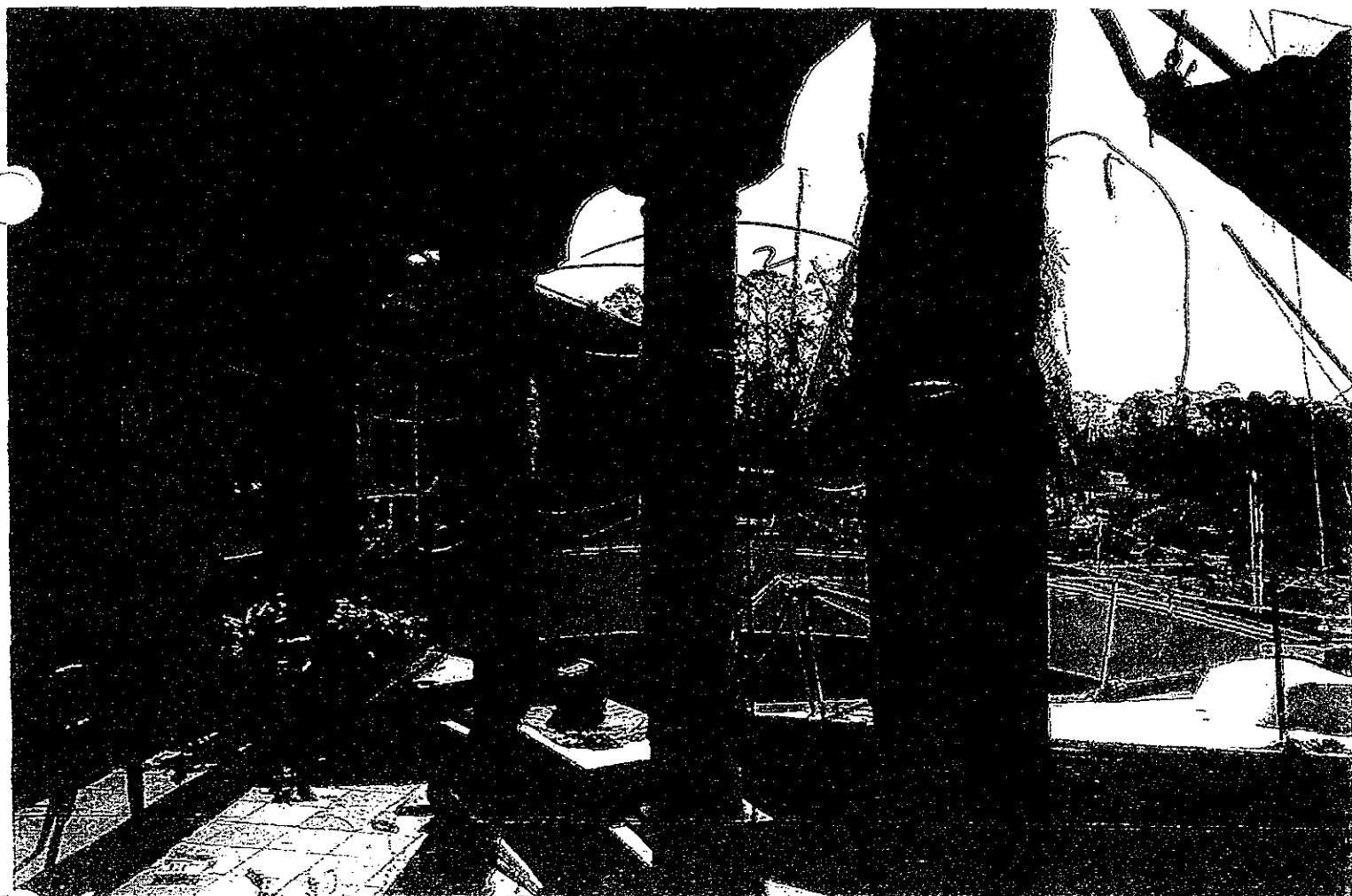


EXHIBIT C-9  
to First Amended Complaint  
filed 08/14/06 in Pontius v. State Farm

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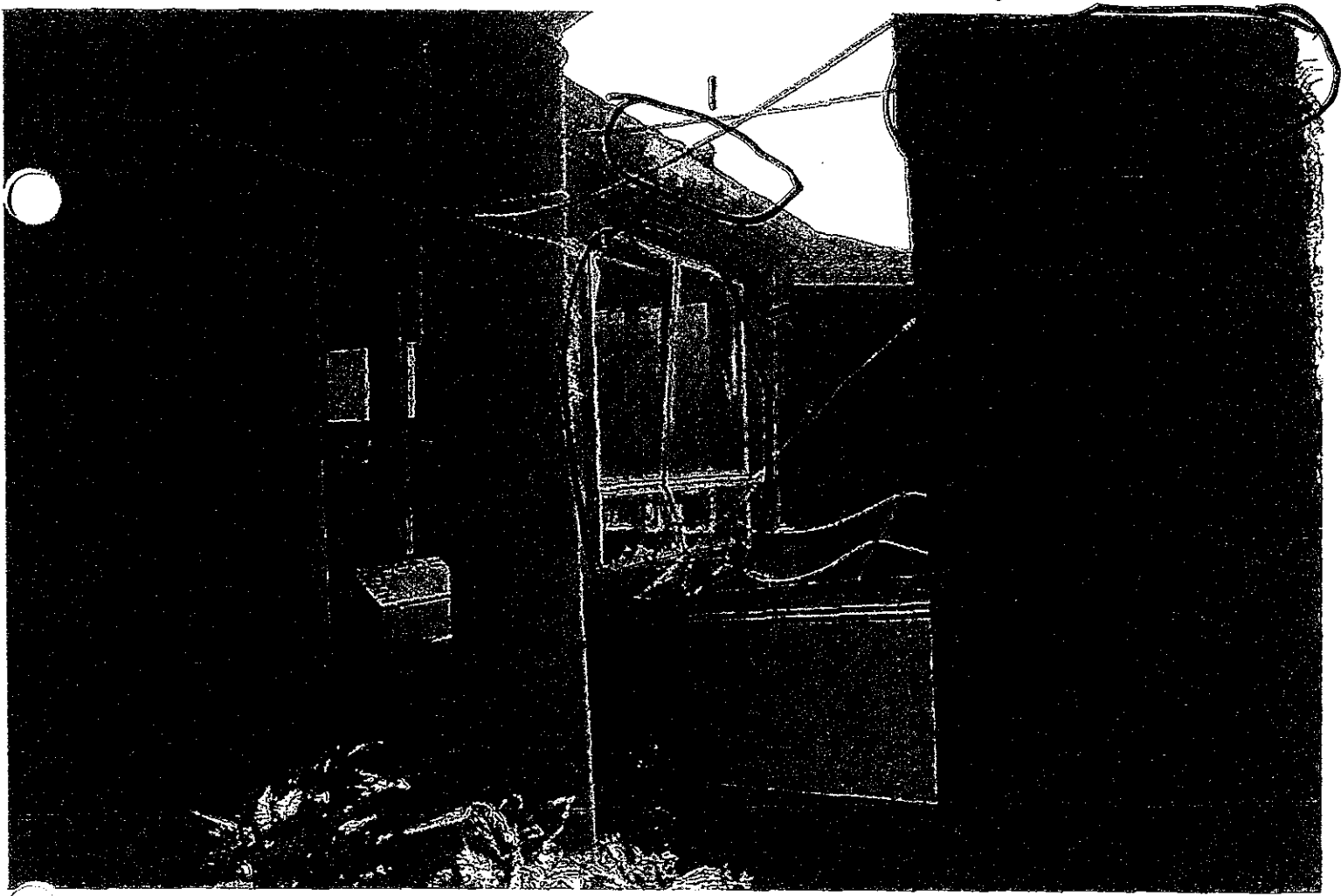


EXHIBIT C-10  
to First Amended Complaint  
filed 08/14/06 in Pontius v. State Farm

