

CAUSES OF LOSS - SPECIAL FORM

Words and phrases that appear in quotation marks have special meaning. Refer to Section F. Definitions.

A. COVERED CAUSES OF LOSS

When Special is shown in the Declarations, Covered Causes of Loss means RISKS OF DIRECT PHYSICAL LOSS unless the loss is:

1. Excluded in **Section B., Exclusions**; or
2. Limited in **Section C., Limitations** that follow.

B. EXCLUSIONS

1. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

a. Ordinance or Law

The enforcement of any ordinance or law:

- (1) Regulating the construction, use, or repair of any property; or
- (2) Requiring the tearing down of any property, including the cost of removing its debris.

This exclusion, **Ordinance or Law**, applies whether the loss results from:

- (1) An ordinance or law that is enforced even if the property has not been damaged; or
- (2) The increased costs incurred to comply with an ordinance or law in the course of construction, repair, renovation, remodeling or demolition of property, or removal of its debris, following a physical loss to that property.

b. Earth Movement

- (1) Earth sinking (other than sinkhole collapse), rising or shifting including soil conditions which cause settling, cracking or other disarrangement of foundations or other parts of realty. Soil conditions include contraction, expansion, freezing, thawing, erosion, improperly compacted soil and the action of water under the ground surface. But if loss or damage by fire or explosion results we will pay for that resulting loss or damage.
- (2) Earthquake, including any earth sinking, rising or shifting related to such event.
- (3) Landslide, including any earth sinking, rising or shifting related to such event.
- (4) Mine subsidence, meaning subsidence of a man-made mine, whether or not mining activity has ceased.
- (5) Volcanic eruption, explosion, or effusion. But if loss or damage by fire, building glass breakage, or volcanic action results, we will pay for that resulting loss or damage.

Volcanic action means direct loss or damage resulting from the eruption of a volcano when the loss or damage is caused by:

- (a) Airborne volcanic blast or airborne shock waves;
- (b) Ash, dust, or particulate matter; or
- (c) Lava flow.

All volcanic eruptions that occur within any 72 hour period will constitute a single occurrence.

Volcanic action does not include the cost to remove ash, dust, or particulate matter that does not cause direct physical loss or damage to the described property.

c. Governmental Action

Seizure or destruction of property by order of government authority. But we will pay for acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread, if the fire would be covered under this Coverage Part.

d. Nuclear Hazard

Nuclear reaction or radiation, or radioactive contamination, however caused. But if loss or damage results, we will pay for that resulting loss or damage.

e. Power Failure

The failure of power or other utility service supplied to the described premises, however caused, if the failure occurs away from the described premises. Failure includes lack of sufficient capacity and reduction in supply. But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

f. War and Military Action

- (1) War, including undeclared or civil war;
- (2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
- (3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or

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defending against any of these.

g. Water

- (1) Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;
- (2) Mudslide or mudflow;
- (3) Water that backs up from a sewer, drain or sump pump; or
- (4) Water under the ground surface pressing on, or flowing, or seeping through;
 - (a) Foundations, walls, floors or paved surfaces;
 - (b) Basements, whether paved or not; or
 - (c) Doors, windows, or other openings.

But if loss or damage by fire, explosion, or sprinkler leakage results, we will pay for that resulting loss or damage.

h. "Fungus", Wet Rot, Dry Rot and Bacteria

- (1) EXCEPT as provided for in Additional Coverage (h) in the **Building and Personal Property Coverage form**, we will not pay for loss or damage caused directly or indirectly by the presence, growth, proliferation, spread or any activity of "fungus", wet or dry rot or bacteria. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss. But if "fungus", wet or dry rot, or bacteria results in a "specified cause of loss", we will pay for the loss or damage caused by the "specified cause of loss".

This exclusion does not apply:

- (a) When "fungus", wet or dry rot, or bacteria results from fire or lightning; or
- (b) To the extent that coverage is provided in the **Additional Coverage - Limited Coverage For "Fungus", Wet Rot, Dry Rot, and Bacteria** with respect to loss or damage by a cause of loss other than fire or lightning.
- (2) The following exclusion replaces any exclusion pertaining to continuous or repeated seepage or leakage of water; and supersedes any other exclusion, preclusion of coverage or exception to an exclusion pertaining to leakage or discharge of water or steam from a system or appliance.

We will not pay for loss or damage caused by or resulting from continuous or repeated seepage or leakage of water, or the presence or condensation of humidity, moisture or vapor, that occurs over a period of 14 days or more.

i. Detrimental Code Exclusion

- (1) This insurance does not apply to any loss, damage, expense, injury, economic loss, economic detriment, liability, or claim, directly or indirectly, arising out of, caused by, resulting from, happening through, or in consequence of detrimental code, notwithstanding any other provision of this policy to the contrary.
- (2) Such loss, damage, expense, injury, economic loss, economic detriment, liability, or claim is excluded regardless of any other such cause, condition, or event that contributes concurrently or in any sequence to the loss, damage, expense, injury, economic loss, economic detriment, liability, or claim.
- (3) This exclusion applies regardless of who introduced the detrimental code, even if the detrimental code was introduced by your employees.

2. We will not pay for loss or damage caused by or resulting from any of the following:

- a. Artificially generated electric current, including electric arcing, that disturbs electrical devices, appliances, or wires. But if loss or damage by fire results, we will pay for that resulting loss or damage.
- b. Delay, loss of use, or loss of market.
- c. Smoke, vapor, or gas from agricultural smudging or industrial operations.
- d.
 - (1) Wear and tear;
 - (2) Rust, corrosion, fungus, decay, deterioration, hidden or latent defect or any quality in property that causes it to damage or destroy itself;
 - (3) Smog;
 - (4) Release, discharge, or dispersal of contaminants or pollutants;
 - (5) Settling, cracking, shrinking, or expansion;
 - (6) Insects, birds, rodents, or other animals;
 - (7) Mechanical breakdown, including rupture or bursting caused by centrifugal force; or
 - (8) The following causes of loss to personal property:
 - (a) Dampness or dryness of atmosphere;
 - (b) Changes in or extremes of temperature; or
 - (c) Marring or scratching

But if loss or damage by the "specified causes of loss" or building glass breakage results, we will pay for that resulting loss or damage.

- e. Explosion of steam boilers, steam pipes, steam engines, or steam turbines owned or leased by you, or operated under your control. But if loss or damage by fire or combustion explosion results, we will pay for that resulting loss or damage. We will also pay for loss or damage caused by or resulting from the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passage through which the gases of combustion pass.
- f. Continuous or repeated seepage or leakage of water that occurs over a period of 14 days or more.
- g. Water that leaks or flows from plumbing, heating, air conditioning, or other equipment (except fire protective systems) caused by or resulting from freezing, unless:

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- (1) You do your best to maintain heat in the building or structure; or
 - (2) You drain the equipment and shut off the water supply if the heat is not maintained.
 - h. Dishonest or criminal act by you, any of your partners, employees, directors, trustees, authorized representatives, or anyone to whom you entrust the property for any purpose:
 - (1) Acting alone or in collusion with others; or
 - (2) Whether or not occurring during the hours of employment.This exclusion does not apply to acts of destruction by your employees; but theft by employees is not covered.
 - i. Voluntary parting with any property by you or anyone else to whom you have entrusted the property if induced to do so by any fraudulent scheme, trick, device, or false pretense.
 - j. Rain, snow, ice, or sleet to personal property in the open.
 - k. Collapse, except as provided below in the Additional Coverage for Collapse. But if loss or damage by a Covered Cause of Loss results at the described premises, we will pay for that resulting loss or damage.
 - l. (1) We will not pay for loss or damage arising out of any act committed:
 - (a) by or at the direction of any insured; and
 - (b) with the intent to cause a loss.(2) However, this exclusion will not apply to deny payment to a co-insured who did not cooperate in or contribute to the creation of the loss if the loss arose out of domestic violence.
(3) If we pay a claim pursuant to Paragraph A.2., our payment to the insured is limited to that insured's insurable interest in the property. In no event will we pay more than the Limit of Insurance.
 - m. Neglect of an insured to use all reasonable means to save and preserve property from further damage at and after the time of loss.
3. We will not pay for loss or damage caused by or resulting from any of the following. But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.
- a. Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in paragraph 1. above to produce the loss or damage.
 - b. Acts or decisions, including the failure to act or decide, of any person, group, organization, or governmental body.
 - c. Faulty, inadequate, or defective:
 - (1) Planning, zoning, development, surveying, siting;
 - (2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
 - (3) Materials used in repair, construction, renovation, or remodeling; or
 - (4) Maintenance; of part or all of any property on or off the described premises.

4. Special Exclusions

The following provisions apply only to the specified Coverages.

a. Business Income or Extra Expense

We will not pay for:

- (1) Any loss caused by or resulting from:
 - (a) Damage or destruction of "*finished stock*"; or
 - (b) The time required to reproduce "*finished stock*".This exclusion does not apply to Extra Expense.
- (2) Any loss caused by or resulting from direct physical loss or damage to radio or television antennas, including their lead-in wiring, masts, or towers.
- (3) Any increase of loss caused by or resulting from:
 - (a) Delay in rebuilding, repairing, or replacing the property or resuming "*operations*," due to interference at the location of the rebuilding, repair, or replacement by strikers or other persons; or
 - (b) Suspension, lapse, or cancellation of any license, lease, or contract. But if the suspension, lapse, or cancellation is directly caused by the suspension of "*operations*," we will cover such loss that affects your Business Income during the "*period of restoration*."
- (4) Any Extra Expense caused by or resulting from suspension, lapse, or cancellation of any license, lease, or contract beyond the "*period of restoration*."
- (5) Any other consequential loss.

b. Leasehold Interest

- (1) Paragraph B.1.a., **Ordinance or Law**, does not apply to insurance under this Coverage.
- (2) We will not pay for any loss caused by:
 - (a) Your cancelling the lease;
 - (b) The suspension, lapse, or cancellation of any license; or
 - (c) Any other consequential loss.

c. Legal Liability

- (1) The following Exclusions do not apply to insurance under this Coverage.
 - (a) Paragraph B.1.a., **Ordinance or Law**;
 - (b) Paragraph B.1.c., **Governmental Action**;
 - (c) Paragraph B.1.d., **Nuclear Hazard**;
 - (d) Paragraph B.1.e., **Power Failure**; and

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- (e) Paragraph B.1.f., War and Military Action
- (2) Contractual Liability
We will not defend any claim or "suit" or pay damages that you are legally liable to pay, solely by reason of your assumption of liability in a contract or agreement.
- (3) Nuclear Hazard
We will not defend any claim or "suit" or pay any damages, loss expense, or obligation, resulting from nuclear reaction or radiation, or radioactive contamination, however caused.

C. LIMITATIONS

1. We will not pay for loss of or damage to:
 - a. Steam boilers, steam pipes, steam engines, or steam turbines caused by or resulting from any condition or event inside such equipment. But we will pay for loss of or damage to such equipment caused by or resulting from an explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.
 - b. Hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment, other than an explosion.
 - c. The interior of any building or structure caused by or resulting from rain, snow, sleet, ice, sand, or dust, whether driven by wind or not, unless:
 - (1) The building or structure first sustains damage by a Covered Cause of Loss to its roof or walls through the rain, snow, sleet, ice, sand, or dust enters; or
 - (2) The loss or damage is caused by or results from thawing of snow, sleet, or ice on the building or structure.
 - d. Building materials and supplies not attached as part of the building or structure caused by or resulting from theft.
 - e. Property that is missing, but there is no physical evidence to show what happened to it, such as shortage disclosed on taking inventory, or other instances where there is no physical evidence to show what happened to the property.
 - f. Property that has been transferred to a person or to a place outside the described premises on the basis of unauthorized instructions.
2. We will not pay more for loss of or damage to glass that is part of a building or structure than \$100 for each plate, pane, multiple plate insulating unit, radiant or solar heating panel, jalousie, louver, or shutter. We will not pay more than \$500 for all loss of or damage to building glass that occurs at any one time.
This Limitation does not apply to loss or damage by the "specified causes of loss," except vandalism.
3. We will not pay for loss of or damage to the following types of property unless caused by the "specified causes of loss" or building glass breakage:
 - a. Animals, and then only if they are killed or their destruction is made necessary.
 - b. Fragile articles such as glassware, statuary, marbles, chinaware, and porcelains, if broken.
This restriction does not apply to:
 - (1) Glass that is part of a building or structure;
 - (2) Containers of property held for sale; or
 - (3) Photographic or scientific instrument lenses.
 - c. Builders' machinery, tools, and equipment you own or that are entrusted to you, unless held for sale by you.
4. For loss or damage by theft, the following types of property are covered only up to the limits shown:
 - a. \$2,500 for furs, fur garments and garments trimmed with fur.
 - b. \$2,500 for jewelry, watches, watch movements, jewels, pearls, precious and semi precious stones, bullion, gold, silver, platinum and other precious alloys or metals. This limit does not apply to jewelry and watches worth \$100 or less per item.
 - c. \$2,500 for patterns, dies, molds, and forms.
 - d. \$250 for stamps, tickets, and letters of credit.

These special limits are part of, not in addition to, the limit of insurance applicable to the covered property.

D. ADDITIONAL COVERAGE - COLLAPSE

The term Covered Cause of Loss includes the **Additional Coverage - Collapse** as described and limited in D.1 through D.5 below.

1. With respect to buildings:
 - a. Collapse means an abrupt falling down or caving in of a building or any part of a building with the result that the building or part of the building cannot be occupied for its intended purpose;
 - b. A building or any part of a building that is in danger of falling down or caving in is not considered to be in a state of collapse;
 - c. A part of a building that is standing is not considered to be in a state of collapse even if it has separated from another part of the building;
 - d. A building that is standing or any part of a building that is standing is not considered to be in a state of collapse even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage, expansion.

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2. We will pay for direct physical loss or damage to Covered Property, caused by collapse of a building or any part of a building that is insured under this Coverage Form or that contains Covered Property insured under this Coverage Form, if the collapse is caused by one or more of the following:

- a. The "specified causes of loss" or breakage of building glass, all only as insured against in this Coverage Part;
- b. Decay that is hidden from view, unless the presence of such damage is known to an insured prior to collapse;
- c. Insect or vermin damage that is hidden from view, unless the presence of such damage is known to an insured prior to collapse;
- d. Weight of people or personal property;
- e. Weight of rain that collects on a roof;
- f. Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation. However, if the collapse occurs after construction, remodeling or renovation is complete and is caused in part by a cause of loss listed in 2.a. through 2.e we will pay for the loss or damage even if use of defective material or methods, in construction, remodeling or renovation, contributes to the collapse.

The criteria set forth in 1.a through 1.d do not limit the coverage otherwise provided under this Causes of Loss Form for the causes of loss listed in 2.a., 2.d., and 2.e.

3. With respect to the following property:

- a. Outdoor radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers;
- b. Awnings, gutters and downspouts;
- c. Yard fixtures;
- d. Outdoor swimming pools;
- e. Fences;
- f. Piers, wharves, and docks;
- g. Beach or diving platforms or appurtenances;
- h. Retaining walls;
- i. Walks, roadways and other paved surfaces; if the collapse is caused by a cause of loss listed in 2.b through 2.f, we will pay for loss or damage to that property only if:
 - a. Such loss or damage is a direct result of the collapse of a building insured under this Coverage Form; and
 - b. The property is Covered Property under this Coverage Form.

4. If personal property abruptly falls down or caves in and such collapse is not the result of collapse of a building, we will pay for loss or damage to Covered Property caused by such collapse of personal property only if:

- a. The collapse was caused by a Cause of Loss listed in 2.a. through 2.f. above;
- b. The personal property which collapses is inside a building; and
- c. The property which collapses is not of a kind listed in 3. above, regardless of whether that kind of property is considered to be personal property or real property. The coverage stated in Paragraph 4. does not apply to personal property if marring and/or scratching is the only damage to that personal property caused by the collapse.
Collapse of personal property does not mean cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

5. This Additional Coverage, Collapse, will not increase the Limits of Insurance provided in this Coverage Part.

E. ADDITIONAL COVERAGE EXTENSIONS

1. Water Damage

If loss or damage caused by or resulting from a covered water damage loss occurs, we will also pay the cost to tear out and replace any part of the building or structure to repair damage to the system or appliance from which the water or steam escapes.

We will not pay the cost of repairing or replacing the system or appliance itself; but we will pay the cost to repair or replace damaged parts of fire extinguishing equipment if the damage:

- a. Results in sprinkler leakage; or
- b. Is directly caused by freezing.

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F. DEFINITIONS

"Detrimental Code" means any computer virus, program, routine, sub-routine, Trojan horse, worm, script or other code string that destroys, alters or corrupts Covered Property, Property Insured or property of others for which you are liable, regardless of how the "detrimental code" was introduced or acquired.

"Finished Stock" means merchandise held in storage or for sale, raw materials, and in-process or finished goods, including supplies used in their packing or shipping.

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

"Operations" means your business activities occurring at the described premises.

"Period of Restoration" means the period of time that:

- (1) Begins 72 hours after the time of direct physical loss or damage caused by or resulting from any Covered Cause of Loss at the described premises; and
- (2) Ends on the date when the property at the described premises should be repaired, rebuilt or replaced with reasonable speed and similar quality. "Period of Restoration" does not include any increased period required due to the enforcement of any law that regulates the construction use, or repair, or requires the tearing down of any property. The expiration date of this policy will not cut short the "Period of Restoration".

"Specified Causes of Loss" means the following: fire; lightning; explosion; windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; falling objects; weight of snow, ice, or sleet; water damage.

1. Sinkhole collapse means the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or similar rock formations. It does not include the cost of filling sinkholes.
2. Falling objects does not include loss or damage to:
 - a. Personal property in the open; or
 - b. The interior of a building or structure, or property inside a building or structure, unless the roof or an outside wall of the building or structure is first damaged by a falling object.
3. Water damage means accidental discharge or leakage of water or steam as the direct result of the breaking or cracking of any part of a system or appliance containing water or steam.

"Suit" means a civil proceeding in which damages because of "bodily injury", "property damage", "personal injury", or "advertising injury", to which this insurance applies, are alleged. "Suit" includes an arbitration proceeding alleging such damages to which you must submit or submit with our consent.