

IRFFNC BUILDING AND PERSONAL PROPERTY COVERAGE FORM

V. COMMERCIAL PROPERTY - EXTRA EXPENSE

A. COVERAGE

We will pay the actual and necessary Extra Expense you sustain due to direct physical loss of or damage to covered property at the premises shown on the property schedule. The loss or damage must be caused by or result from a Covered Cause of Loss. With respect to loss of or damage to personal property in the open or personal property in a vehicle, the described premises include the area within 500 feet of the site at which the described premises are located.

With respect to the requirements set forth in the preceding paragraph, if you occupy only part on the site at which the described premises are located, your premises means:

- a. The portion of the building which you rent, lease or occupy; and
- b. Any area within the building or on the site at which the described premises are located, if that area services, or is used to gain access to, the described premises.

1. Extra Expense

Extra Expense means the necessary expenses you incur during the "period of restoration" that you would not have incurred if there had been no direct physical loss or damage to property:

- a. To avoid or minimize the suspension of business and to continue "operations":
 - (1) At the described premises; or
 - (2) At replacement premises or at temporary locations, including:
 - (a) Relocation expenses; and
 - (b) Costs to equip and operate the replacement or temporary locations;
- b. To minimize the suspension of business if you cannot continue "operations"; or
- c. (1) To repair or replace any property; or
 - (2) To research, replace or restore the lost information on damaged valuable papers and records; to the extent it reduces the amount of loss that would otherwise have been payable under this Coverage Form.

2. Covered Cause of Loss

See Section III, Commercial Property - Causes of Loss.

3. Additional Coverages

a. Alterations to New Buildings

We will pay for the actual and necessary Extra Expense you incur due to direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss to:

- (1) New buildings or structures, whether complete or under construction;
- (2) Alterations or additions to existing buildings or structures; and
- (3) Machinery, equipment, supplies or building materials located on or within 100 feet of the described premises and:
 - (a) Used in the construction, alterations or additions; or
 - (b) Incidental to the occupancy of new buildings.

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b. Civil Authority

We will pay for the actual and necessary Extra Expense you incur caused by action of civil authority that prohibits access to the described premises due to direct physical loss of or damage to property, other than at the described premises, caused by or resulting from any Covered Cause of Loss. This coverage will apply for a period of up to three consecutive weeks from the date of that action.

4. Coverage Extension

You may extend the coverage provided by this Coverage Part as follows:

Newly Acquired Locations

- a. You may extend your Extra Expense Coverage to apply to property at any location you acquire other than fairs or exhibitions.
- b. The most we will pay for loss under this Extension is \$5000.
- c. Coverage under this extension for each newly acquired location will end when any of the following first occurs:
 - (1) This policy expires.
 - (2) 90 days expire after you acquire the property; or
 - (3) You notify us of how you want this coverage to apply to that location.

We will charge you additional premium from the date you acquire the property.

This Extension is additional insurance.

B. EXCLUSIONS

See Section III, Commercial Property - Causes of Loss.

C. LIMITS OF INSURANCE

The most we will pay for loss in any one occurrence is \$50,000.

The limit applicable to the Coverage Extension is in addition to the Limits of Insurance.

Payments under the following Additional Coverages will not increase the applicable Limit of Insurance:

1. Alterations and New Building; or
2. Civil Authority.

D. LOSS CONDITIONS

The following conditions apply in addition to the IRRFNC Common Coverage Conditions and the Commercial Property - Conditions.

1. Appraisal

If we and you disagree on the amount of loss either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately 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 be binding. Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expense of the appraisal and umpire equally.

If we submit to an appraisal, we will still retain our right to deny the claim.

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2. Duties If You Incur Extra Expense

a. You must see that the following are done if you incur Extra Expense:

- (1) Notify the police if a law may have been broken.
- (2) Give us prompt notice of the direct physical loss or damage. Include a description of the property involved.
- (3) As soon as possible, give us a description of how, when and where the direct physical loss or damage occurred.
- (4) Take all reasonable steps to protect the Covered Property from further damage, and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the Limit of Insurance. However, we will not pay for any subsequent loss or damage resulting from a cause of loss that is not a Covered Cause of Loss. Also, if feasible, set the damaged property aside and in the best possible order for examination.
- (5) As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records. Also, permit us to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.
- (6) Send us a signed, sworn statement of loss containing the information we request to settle the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.
- (7) Cooperate with us in the investigation or settlement of the claim.
- (8) Resume all or any part of your "operations" as quickly as possible.

b. We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required, about any matter relating to this insurance or the claim, including your books and records. In the event of an examination, your answers must be signed.

3. Limits on Loss Payment

We will not pay more for Extra Expense than the following percentages: 40% - 80% - 100% times the Limit of Insurance.

When the "period of restoration" is:

- a. 30 days or less, the first percentage applies.
- b. 60 days or less, but more than 30 days, the second percentage applies.
- c. More than 60 days, the third percentage applies.

Example:

The Limit of Insurance is \$50,000.

The percentages are 40% - 80% - 100%.

The "period of restoration" is 45 days.

The amount of Extra Expenses incurred is \$45,000.

We will not pay more than \$50,000 times 80% (the percentage applicable for a "period of restoration" of 31-60 days), or \$40,000. The remaining \$5,000 is not covered.

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4. Loss Determination

- a. The amount of Extra Expense will be determined based on:
 - (1). All expenses that exceed the normal operating expenses that would have been incurred by "operations" during the "period of restoration" if no direct physical loss or damage had occurred. We will deduct from the total of such expenses:
 - (a) The salvage value that remains of any property bought for temporary use during the "period of restoration" once "operations" are resumed; and
 - (b) Any Extra Expense that is paid for by other insurance, except for insurance that is written subject to the same plan, terms, conditions and provisions as this insurance; and
 - (2) All necessary expenses that reduce the Extra Expense otherwise incurred.
- b. We will reduce the amount of your Extra Expense loss to the extent you can return "operations" to normal and discontinue such Extra Expense.
- c. If you do not resume "operations", or do not resume "operations" as quickly as possible, we will pay based on the length of time it would have taken to resume "operations" as quickly as possible.

5. Loss Payment

We will pay for any loss within 30 days after we receive the statement of loss, if you have complied with all of the terms of this Coverage Part; and

- (a) We reach agreement with you on the amount of loss; or
- (b) An appraisal award has been made.

E. DEFINITIONS

1. **"Operations"** means the type of your business activities occurring at the described premises.
2. **"Period of Restoration"** means the period of time that:
 - a. Begins with the date of direct physical loss of damage caused by or resulting from any Covered Caused of Loss at the described premises; and
 - b. Ends on the earlier of:
 - (1) The date when the property at the described premises should be repaired, rebuilt or replaced with reasonable speed and similar quality; or
 - (2) the date when business is resumed at a new permanent location.

"Period of restoration" does not include any increased period required due to the enforcement of any ordinance or law that

- (1) Regulates the construction, use or repair, or requires the tearing down of any property; or
- (2) 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".

The expiration date of this policy will not cut short the "period of restoration."

3. **"Pollutants"** means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.
4. **"Suspension"** means the slowdown or cessation of your business activities.

BUILDING & PERSONAL PROPERTY COVERAGE FORM ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EXCLUSION OF CERTAIN COMPUTER-RELATED LOSSES

This endorsement modifies coverage provided under the following:

IRFFNC BUILDING AND PERSONAL PROPERTY COVERAGE FORM

- A.** We will not pay for loss (“loss”) or damage caused directly or indirectly by the following. Such loss (“loss”) or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss (“loss”) or damage.
- 1.** The failure, malfunction or inadequacy of:
 - a.** Any of the following, whether belonging to any insured or to others:
 - (1)** Computer hardware, including microprocessors;
 - (2)** Computer application software;
 - (3)** Computer operating systems and related software;
 - (4)** Computer networks;
 - (5)** Microprocessors (computer chips) not part of any computer system; or
 - (6)** Any other computerized or electronic equipment or components; or
 - b.** Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed in Paragraph **A.1.a.** of this endorsement;
due to the inability to correctly recognize, process, distinguish, interpret or accept one or more dates or times. An example is the inability of computer software to recognize the year 2000.
 - 2.** Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to determine, rectify or test for, any potential or actual problems described in Paragraph **A.1.** of this endorsement.
- B.** If an excluded Cause of Loss as described in Paragraph **A.** of this endorsement results:
- 1.** In a Covered Cause of Loss under the IRFFNC BOND/Crime Coverage Form, the IRFFNC Public Officials Bond Coverage Form or the IRFFNC Building and Personal Property Coverage Form; or
 - 2.** Under the IRFFNC Building & Personal Property Coverage Form in a “Specified Cause of Loss”;
- we will pay only for the loss (“loss”) or damage caused by such “Specified Cause of Loss” or Covered Cause of Loss.
- C.** We will not pay for repair, replacement or modification of any items in Paragraph **A.1.a.** and **A.1.b.** of this endorsement to correct any deficiencies or change any features.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

FLOOD COVERAGE ENDORSEMENT

This endorsement modifies insurance provided under the following:

IRFFNC BUILDING AND PERSONAL PROPERTY COVERAGE FORM
IRFFNC BUILDERS RISK COVERAGE FORM
IRFFNC COMPUTER EQUIPMENT AND MEDIA COVERAGE FORM
IRFFNC FINE ARTS COVERAGE FORM

FLOOD COVERAGE SCHEDULE

Inception Date of Flood Coverage Endorsement: refer to Declarations

Note: There is no coverage for a Flood that begins before or within 72 hours after this date.
Refer to Section **D.5.a.** for additional information.

Flood Deductible: Refer to section H. Deductible

No-Coinsurance Option: Yes, applicable

Flood Limit of Insurance – Single Occurrence: \$5,000,000

Note: Refer to the Limit of Insurance provision for an explanation

Annual Aggregate Limit: \$5,000,000

Note: Refer to the Limit of Insurance provision for an explanation

- A.** When this endorsement is attached to the Standard Property Policy, the terms Coverage Part and Coverage Form in this endorsement are replaced by the term Policy.
- B.** This endorsement applies to the Covered Property and Coverages that are listed on the property schedule, builders risk schedule, fine arts schedule, or the computer equipment and media schedule.
- C. Additional Covered Cause Of Loss**

The following is added to the Covered Causes Of Loss:

Flood means:

1. Flood, surface water, rising water, waves, tidal waves, tsunamis, tides, tidal water, storm surge, overflow of any body of water, or spray from any of these, all whether or not driven by wind (including storm surge);
2. Mudslides or mudflows which are caused by flooding. For the purpose of this Covered Cause of Loss, a mudslide or mudflow involves a river of liquid and flowing mud on the surface of normally dry land areas as when earth is carried by a current of water and deposited along the path of the current;
3. Water that backs up or overflows or is otherwise discharged from a sewer, drain, sump, sump pump or related equipment;
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; or

5. Waterborne material carried or otherwise moved by any of the water referred to in Paragraph 1.,3. or 4., or material carried or otherwise moved by mudslide or mudflow;
6. The rising, overflowing or breaking of boundaries of natural or man-made bodies of water;
7. The release of water held by a dam, levee or dike by a water or flood control device;
8. The release of water caused by the Acts, Errors or Omissions by you or others in the design, specifications, workmanship, repair, construction, or renovation of all or any part of a water or flood control device, levee, dam or dike; or
9. Inundation of normally dry land by natural or man-made cause of at least two or more acres.

All flooding in a continuous or protracted event will constitute a single flood.

D. Exclusions, Limitations And Related Provisions

1. The Exclusions and Limitation(s) sections of the Causes Of Loss Form apply to coverage provided under this endorsement except as provided in **D.2.** and **D.3.** below.
2. To the extent that a part of the Water Exclusion might conflict with coverage provided under this endorsement, that part of the Water Exclusion does not apply.
3. To the extent that a tsunami causes the overflow of tidal waters, the exclusion of earthquake, in the Earth Movement Exclusion, does not apply.
4. The Ordinance Or Law Exclusion in this Coverage Part continues to apply with respect to any loss under this Coverage Part including any loss under this endorsement, unless Ordinance Or Law Coverage is added by endorsement
5. The following exclusions and limitations are added and apply to coverage under this endorsement:
 - a. We will not pay for any loss or damage caused by or resulting from any Flood that begins before or within 72 hours after the inception date of this endorsement. If you request and we provide an increase in the stated Limit of Insurance for Flood, the increase will not apply to loss or damage from any Flood that begins before or within 72 hours after your request was made.

If the Flood is due to the overflow of inland or tidal waters, then the Flood is considered to begin when the water first overflows its banks.
 - b. We will not pay for loss or damage caused by or resulting from destabilization of land arising from the accumulation of water in subsurface land areas.
 - c. We will not pay for loss or damage to any building, structure or personal property in a building that is not listed on the Property Schedule or the Builders' Risk Schedule. We will not pay for loss or damage to any Fine Arts or Computer Equipment and Media that is not listed on the Inland Marine Schedule.
 - d. We will not pay for loss or damage to any covered property (building, structure or personal property) that is not located in flood zones B, C or X. Therefore, we will not pay for loss or damage to any covered property (building, structure, personal property, computer equipment and media or fine art) located in any location either wholly or partially in flood zones A, V, or a one hundred (100) year Flood Plain, which includes but is not limited to flood zones A, AE, AH, AO, A1-A30, A99, AR, V, V1-V30 and VE as designated by the Federal Emergency Management Agency (FEMA) or National Flood Insurance Program (NFIP) at the time of loss. We will not pay for loss or damage to any covered property (building, structure, personal property, computer equipment and media or fine art) located in flood zone D or any undesignated area as published by FEMA or NFIP at the time of loss.

- e. Under this Coverage Part, as set forth under Property Not Covered in the Coverage Form to which this endorsement is attached, land is not covered property, nor is the cost of excavations, grading, backfilling or filling. Therefore, coverage under this endorsement does not include the cost of restoring or remediating land due to the collapse or sinking of land caused by or resulting from Flood. However, coverage under this endorsement includes damage to the covered portions of the building and to covered personal property, caused by collapse or sinking of land along the shore of a body of water as the result of erosion or undermining caused by waves or currents of water which exceed the cyclical levels and cause Flood.
- f. Property Not Covered, in the Coverage Form to which this endorsement is attached, is amended and supplemented as follows with respect to Flood Coverage:
 - (1) Property Not Covered includes any building or other property that is not eligible for flood insurance pursuant to the provisions of the Coastal Barrier Resources Act, 16 U.S.C. 3501 et seq. and the Coastal Barrier Improvement Act of 1990, Pub. L. 101-591, 16 U.S.C. 3501 et seq.
 - (2) Property Not Covered includes boat houses and open structures, and any property in or on the foregoing, if the structure is located on or over a body of water.
 - (3) If bulkheads, pilings, piers, wharves, docks, or retaining walls that are not part of a building, have been removed from Property Not Covered and added as Covered Property by separate endorsement, this Flood Coverage Endorsement does not apply to such property.
 - (4) If bridges, walks, boardwalks, piers, pilings, docks or any structures located on bridges, walks, boardwalks, piers, pilings or docks are listed on the Property Schedule, this Flood Coverage Endorsement does not apply to such property.
- g. We will not pay for loss or damage caused by sewer back-up or overflow unless such back-up or overflow results from Flood and occurs within 72 hours after the flood recedes.

E. Additional Coverages And Coverage Extensions

- 1. With respect to Flood Coverage, the Debris Removal Additional Coverage (and any additional limit for Debris Removal under a Limit Of Insurance clause or an endorsement) is not applicable and is replaced by the following:

DEBRIS REMOVAL

- a. We will pay your expense to remove debris of Covered Property and other debris that is on the described premises, when such debris is caused by or results from Flood. However, we will not pay to remove deposits of mud or earth from the grounds of the described premises.
 - b. We will also pay the expense to remove debris of Covered Property that has floated or been hurled off the described premises by Flood.
 - c. This coverage for Debris Removal, as set forth in **E.1.a.** and **E.1.b.** above, does not increase the applicable Limit of Insurance for Flood. Therefore, the most we will pay for the total of debris removal and loss or damage to Covered Property is the Limit of Insurance for Flood that applies to the Covered Property at the affected described premises covered under this endorsement.
- 2. With respect to Flood Coverage, the Coverage Extension for Newly Acquired or Constructed Property is amended by adding the following:
 - a. With respect to Flood Coverage, this Coverage Extension does not apply to any building or structure that is not fully enclosed by walls and roof
 - b. With respect to a building or structure covered under this Coverage Extension, the amounts of coverage stated in the Coverage Extension do not apply to Flood Coverage. Instead, the most we will pay for all loss or damage to property covered under this Coverage Extension is 10% of the total of all Limits of Insurance for Flood Coverage as provided under this endorsement. Such coverage does not increase the Limit of Insurance for Flood.

3. With respect to any applicable Additional Coverages and Coverage Extensions in the Coverage Form to which this endorsement is attached, other than those addressed in **E.1.** and **E.2.** above, amounts payable under such other provisions, as set forth therein, do not increase the Limit of Insurance for Flood.

F. Coinsurance

1. The Coinsurance Condition, if any, in the applicable Coverage Form applies to the coverage provided under this endorsement, unless the No-Coinsurance Option, in the Flood Coverage Schedule, is specified as being applicable.
2. Various Coverage Extensions, in the Coverage Form to which this endorsement is attached, require coinsurance. If the No-Coinsurance Option applies, then the coinsurance requirement for such Coverage Extensions is eliminated.

G. Limit Of Insurance

1. General Information

The Limit of Insurance for Flood is shown in the Flood Coverage Schedule. The limits provided by this endorsement do not act in any way to increase the overall Limit of Insurance as stated on the Declarations of Coverage for Real and Personal Property.

2. Application Of Limit And Aggregate

The Limit of Insurance for Flood is the most we will pay in a single occurrence of Flood for loss or damage caused by the Flood. If there is more than one Flood within the coverage period, the most we will pay for the total of all loss or damage sustained during the coverage period and caused by Flood is the amount that is identified as the Annual Aggregate Limit for Flood as shown in the Flood Coverage Schedule.

If the Limit of Insurance and the Annual Aggregate amount are the same, then the Limit of Insurance is the most we will pay for the total of all loss or damage that is caused by Flood during the coverage period, even if there is more than one occurrence of Flood during that period of time. Thus, if the first Flood does not exhaust the applicable Limit of Insurance, then the balance of that Limit is available for a subsequent Flood(s).

If a single occurrence of Flood begins during one coverage period and ends during the following coverage period, any Limit of Insurance or Annual Aggregate applicable to the following annual policy period will **not** apply to that Flood.

3. Ensuing Loss

In the event of covered ensuing loss, for example, loss caused by Fire, Explosion and/or Sprinkler Leakage which results from the Flood, the most we will pay, for the total of all loss or damage caused by flood, fire, explosion and sprinkler leakage is the Limit of Insurance applicable to Fire. We will **not** pay the sum of the Fire and Flood Limits.

H. Deductible

1. For all buildings and contents located in the National Flood Insurance Program (NFIP) flood zones B, C or X, the flood deductible is \$50,000 per occurrence. There is no flood coverage for buildings or contents not located in flood zones B, C or X.
2. Where coverage for loss or damage to Covered Property, caused by a single occurrence, is provided under the IRFFNC Building and Personal Property Coverage Form, IRFFNC Computer Equipment and Media Coverage Form and/or IRFFNC Fine Arts Coverage Form, a single deductible shall apply to the entire covered loss and it shall be the greater of the applicable deductibles under all of the aforementioned forms.
3. We will not pay that part of the loss that is attributable to any Deductible(s) in the National Flood Insurance Program policy.

I. Other Insurance

The Other Insurance Commercial Property Condition is replaced by the following with respect to the coverage provided under this endorsement:

1. If the loss is also covered under a National Flood Insurance Program (NFIP) policy, then we will pay only for the amount of loss in excess of the limit that is insured under that policy. We will not, under any circumstances, pay more than the applicable Limit of Insurance for Flood as stated in the Flood Coverage Schedule or the Declarations of this Coverage Part.
2. If there is other insurance covering the loss, other than that described in **I.1.** above, we will pay our share of the loss. Our share is the proportion that the applicable Limit of Insurance under this endorsement bears to the total of the applicable Limits of Insurance under all other such insurance. But we will not pay more than the applicable Limit of Insurance stated in the Flood Coverage Schedule of this Coverage Part.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EARTHQUAKE AND VOLCANIC ERUPTION ENDORSEMENT

This endorsement modifies insurance provided under the following:

IRFFNC BUILDING AND PERSONAL PROPERTY COVERAGE FORM
IRFFNC BUILDERS RISK COVERAGE FORM
IRFFNC FINE ARTS COVERAGE FORM
IRFFNC COMPUTER EQUIPMENT AND MEDIA COVERAGE FORM

Earthquake – Volcanic Eruption Coverage Schedule

"Including Masonry Veneer" Option Yes, applicable

Earthquake Deductible: \$25,000

Earthquake Limit of Insurance – Single Occurrence: \$5,000,000

Note: Refer to the Limit of Insurance provision for an explanation.

Earthquake Limit of Insurance – Annual Aggregate: \$5,000,000

Note: Refer to the Limit of Insurance provision for an explanation.

- A. When this endorsement is attached to the Standard Property Policy, the terms Coverage Part and Coverage Form in this endorsement are replaced by the term Policy.
- B. This endorsement applies to the Covered Property and Coverages that are listed on the property schedule, builders risk schedule, fine arts schedule or the computer equipment and media schedule.

C. Additional Covered Causes of Loss

The following are added to the Covered Causes of Loss:

- a. Earthquake.
- b. Volcanic Eruption, meaning the eruption, explosion or effusion of a volcano.

All Earthquake shocks or Volcanic Eruptions that occur within any 168-hour period will constitute a single Earthquake or Volcanic Eruption. The expiration of this policy will not reduce the 168 hour period.

D. Exclusion, Limitation And Related Provisions

1. The Exclusions and Limitation(s) sections of the Causes of Loss Form apply to coverage provided under this endorsement, except as provided in D.2. and D.3. below.
2. To the extent that the Earth Movement Exclusion might conflict with coverage provided under this endorsement, the Earth Movement Exclusion does not apply
3. The exclusion of collapse, in the Causes of Loss Special Form does not apply to collapse caused by Earthquake or Volcanic Eruption.
4. The Additional Coverage - Collapse, in the Causes of Loss - Special Form does not apply to the coverage provided under this endorsement. This endorsement includes coverage for collapse caused by Earthquake or Volcanic Eruption.

5. We will not pay for loss or damage caused directly or indirectly by tidal wave or tsunami, even if attributable to an Earthquake or Volcanic Eruption.
6. We will not pay for loss or damage caused by or resulting from any Earthquake or Volcanic Eruption that begins before the inception of this insurance.
7. The Ordinance Or Law Exclusion in this Coverage Part continues to apply with respect to any loss under this Coverage Part including any loss under this endorsement, unless Ordinance Or Law Coverage is added by endorsement
8. We will not pay for loss of or damage to exterior masonry veneer (except stucco) on wood frame walls caused by or resulting from Earthquake or Volcanic Eruption. The value of such veneer will not be included in the value of Covered Property or the amount of loss when applying the Property Damage Deductible applicable to this endorsement.
This limitation, D.8., does not apply if:
 - a. The Earthquake - Volcanic Eruption Coverage Schedule indicates that the "Including Masonry Veneer" option applies; or
 - b. Less than 10% of the total outside wall area is faced with masonry veneer (excluding stucco).
9. Under this Coverage Part, as set forth under Property Not Covered in the Coverage Form to which this endorsement is attached, land is not covered property, nor is the cost of excavations, grading, backfilling or filling. Therefore, coverage under this endorsement does not include the cost of restoring or remediating land.
10. We will not pay for loss or damage to any building, structure or personal property in a building that is not listed on the Real and Personal Property schedule.

E. Limit of Insurance

1. General Information

The term Limit of Insurance means the Limit of Insurance applicable to Earthquake – Volcanic Eruption for the Covered Property or Coverage under which loss or damage is sustained. The limits provided by this endorsement do not act in any way to increase the overall Limit of Insurance as stated on the Declarations of Coverage for Real and Personal Property, Fine Arts schedule and Computer and Media schedule.

The Earthquake - Volcanic Eruption Coverage Schedule provides information on the Limit of Insurance applicable to Covered Property and Coverages for Earthquake - Volcanic Eruption.

2. Annual Aggregate Limit

The Limit of Insurance for Earthquake - Volcanic Eruption is an annual aggregate limit and as such is the most we will pay for the total of all loss or damage that is caused by Earthquake or Volcanic Eruption in the coverage period, even if there is more than one Earthquake or Volcanic Eruption during that period of time. Thus, if the first Earthquake or Volcanic Eruption does not exhaust the Limit of Insurance, then the balance of that limit is available for a subsequent Earthquake(s) or Volcanic Eruption(s).

If a single Earthquake or Volcanic Eruption (as defined in Section C. of this endorsement) begins during one coverage period and ends during the following coverage period, any Limit of Insurance applicable to the following coverage period will **not** apply to such Earthquake or Volcanic Eruption.

3. Additional Coverages And Coverage Extensions

Amounts payable under an Additional Coverage or Coverage Extension, as set forth in the applicable Coverage Form, do not increase the Limit of Insurance for Earthquake - Volcanic Eruption.

4. Ensuing Loss

If a Cause of Loss (such as fire) is covered by means of an exception to the Earth Movement Exclusion, in the Causes of Loss Form, we will also pay for the loss or damage caused by that other Covered Cause of Loss. But the most we will pay, for the total of all loss or damage caused by the Earthquake, Volcanic Eruption and other Covered Cause of Loss, is the Limit of Insurance applicable to such other Covered Cause of Loss. We will not pay the sum of the two Limits.

F. Property Damage Deductible

Regardless of any other cause or event that contributes concurrently or in any sequence to the loss or damage, a separate and additional deductible applies, in addition to the Building and Personal Property Deductible, for any claim covered under the Earthquake and Volcanic Eruption Endorsement.

We will pay the amount of the loss or damage in excess of the separate and additional Earthquake Deductible shown on the Earthquake – Volcanic Eruption Coverage Schedule, up to the applicable Limit of Insurance. Under the Earthquake and Volcanic Endorsement, we will not pay for loss or damage until the amount of loss or damage exceeds the applicable Earthquake Deductible.

In determining the amount, if any, that we will pay for loss or damage, we will deduct the Earthquake Deductible as shown in the Earthquake - Volcanic Eruption Coverage Schedule from the value of the property that has sustained loss or damage. The value to be used is that shown in the Building and Personal Property schedule.

BUILDING & PERSONAL PROPERTY COVERAGE FORM ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EXCLUSION – ELECTRONIC PROPERTY AND VIRUS

This endorsement modifies insurance provided under the following:

IRFFNC BUILDING AND PERSONAL PROPERTY COVERAGE FORM
IRFFNC BUILDERS RISK COVERAGE FORM

A. It is agreed the following definitions apply:

"Electronic Data" means information, facts or "Computer Programs" stored, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy discs, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment.

"Computer Programs" means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data.

"Virus" means a harmful code or similar instructions introduced into or enacted on a computer system (including electronic data) or a network to which it is connected, designed to damage or destroy any part of the system or disrupt normal operations.

B. The following exclusion applies:

Damage to Electronic Data

Damage to "Electronic Data", including any cost to replace or restore such "Electronic Data" that is caused by a "Virus" is not covered.

Damage to "Electronic Data" caused by the willful or malicious alteration, manipulation or destruction of such "Electronic Data" by any employee, including a temporary or leased employee, or by an entity retained by you or for you to inspect, design, install, modify, maintain, repair or replace your computer systems or any part of those systems, is not covered.

However, this exclusion does not apply to damage to "Electronic Data" arising from the following specified causes of loss, if these causes of loss are not otherwise excluded: 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 ice, snow or sleet, or water damage.

C. The following is added to the Business Income (and Extra Expense) Coverage Form, if it applies:

Additional Limitation – Interruption of Computer Operations

Business Income loss incurred when a "suspension" of "operations" is caused by destruction or corruption of "Electronic Data" or any loss or damage to "Electronic Data", caused by a "Virus" is not covered.

Extra Expense loss incurred when action is taken to avoid or minimize a "suspension" of "operations" caused by destruction or corruption of "Electronic Data" or any loss or damage to "Electronic Data", caused by a "Virus" is not covered.

However, this limitation will not apply to destruction, corruption, loss or damage to "Electronic Data" arising from the following specified causes of loss, if these causes of loss are not otherwise excluded: 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 ice, snow or sleet, or water damage.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EQUIPMENT BREAKDOWN COVERAGE

This Endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM

Equipment Breakdown Schedule	
Equipment Breakdown Limits of Insurance:	
Total Limit Per Breakdown	\$5,000,000
Perishable Goods	included in Total Limit Per Breakdown
Expediting Expenses	included in Total Limit Per Breakdown
Pollution Clean Up and Removal	\$2,000,000
Data and Media	\$500,000
Demolition and Increased Cost of Construction	\$2,000,000
Business Income	Coverage Not Provided
Extra Expense including Utility Interruption	included in Total Limit Per Breakdown
Water Damage	included in Total Limit Per Breakdown
Deductibles:	
Direct Damage	\$5,000
Business Income and Extra Expense	Included with Direct Damage Deductible
Perishable Goods	\$5,000
Utility Interruption – Waiting Period	24 hours
Other:	

The following is added to Section I paragraph A. 4. Additional Coverages in the applicable Building and Personal Property Coverage Form:

A. Equipment Breakdown Coverage

1. We will pay for direct physical loss to Covered Property caused by or resulting from a "breakdown" to "covered equipment".
2. **"Breakdown"**
 - a. "Breakdown" means:
 - (1) Failure of pressure or vacuum equipment;
 - (2) Mechanical failure including rupture or bursting caused by centrifugal force; or
 - (3) Electrical failure including arcing;
 that causes direct physical loss or damage to "covered equipment" and necessitates its repair or replacement.

- b. "Breakdown" does not mean:
- (1) Cracking of any part on an internal combustion gas turbine exposed to the products of combustion;
 - (2) Damage to any structure or foundation supporting the "covered equipment" or any of its parts;
 - (3) Damage to any vacuum tube, gas tube, or brush;
 - (4) Defects, erasures, errors, limitations or viruses in "computer equipment", data, "media" and/or programs including the inability to recognize and process any date or time or provide instructions to "covered equipment". However, if a "breakdown" ensues, we will pay the ensuing loss or damage not otherwise excluded;
 - (5) Leakage at any valve, fitting, shaft seal, gland packing, joint or connection;
 - (6) Malfunction including but not limited to adjustment, alignment, calibration, cleaning or modification; or
 - (7) The functioning of any safety or protective device.
- c. If an initial "breakdown" causes other "breakdowns", all will be considered one "breakdown". All "breakdowns" that manifest themselves at the same time and are the result of the same cause will also be considered one "breakdown".

3. "Covered Equipment"

- a. "Covered equipment" means any Covered Property that is:
- (1) Equipment designed and built to operate under internal pressure or vacuum other than weight of contents. For any boiler or fired vessel, the furnace of the "covered equipment" and the gas passages from there to the atmosphere will be considered as outside the "covered equipment";
 - (2) Communication equipment and "computer equipment";
 - (3) Fiber optic cable; or
 - (4) Any other electrical or mechanical equipment that is used in the generation, transmission or utilization of energy.
- b. "Covered equipment" does not mean any:
- (1) Astronomical telescope, cyclotron, nuclear reactor, particle accelerator, satellites and/or spacecraft (including satellite or spacecraft contents and/or their launch sites);
 - (2) Catalyst;
 - (3) Dragline, power shovel, excavation or construction equipment including any "covered equipment" mounted on or used solely with any dragline, power shovel, excavation or construction equipment;
 - (4) Elevator or escalator, but not excluding any electrical machine or apparatus mounted on or used with this equipment;
 - (5) Equipment or any part of equipment manufactured by you for sale;
 - (6) Felt, wire, screen, mold, form, pattern, die, extrusion plate, swing hammer, grinding disc, cutting blade, non-electrical cable, chain, belt, rope, clutch plate, brake pad, non-metal part or any part or tool subject to periodic replacement;
 - (7) Insulating or refractory material, but not excluding the glass lining of any "Covered Equipment";
 - (8) Non-metallic pressure or vacuum equipment, unless it is constructed and used in accordance with the American Society of Mechanical Engineers (A.S.M.E.) code or a Code that has been accepted by the National Board of Boiler and Pressure Vessel Inspectors;
 - (9) Part of pressure or vacuum equipment that is not under internal pressure of its contents or internal vacuum;
 - (10) Pressure vessels and piping that are buried below ground and require the excavation of materials to inspect, remove, repair or replace;
 - (11) Structure, foundation, cabinet or compartment supporting or containing the "covered equipment" or part of the "covered equipment" including penstock, draft tube or well casing;
 - (12) Vehicle, aircraft, self-propelled equipment or floating vessel, including any "covered equipment" mounted on or used solely with any vehicle, aircraft, self-propelled equipment or floating vessel;
 - (13) "Media";
 - (14) Hydroelectric generating equipment, control panels, monitoring devices and other equipment that supports the hydroelectric generating equipment; or
 - (15) Transformers located on poles and electric distribution lines located on poles or in the ground.

4. **Property Not Covered.**

With regard to the coverage provided by this Endorsement only, SECTION I A.2.b. in the Coverage Form to which this Endorsement applies is deleted and replaced by the following:

b. Animals.

5. **Equipment Breakdown Coverage Extensions.** The following coverages also apply to loss or damage caused by or resulting from a "breakdown" to "covered equipment". These Equipment Breakdown Coverage Extensions do not provide additional amounts of insurance. The limits provided are part of, not in addition to, the Total Limit per Breakdown shown in the Equipment Breakdown Schedule.

a. **Perishable Goods.**

(1) We will pay for:

(a) Your loss of "perishable goods" due to spoilage;

(b) Your loss of "perishable goods" due to spoilage that is caused by or results from an interruption in utility services that is the direct result of a "breakdown" to "covered equipment" that is owned by a utility, landlord, or other supplier with whom you have a contract to provide you with any of the following services: electrical power, communications, waste disposal, air conditioning, refrigeration, heating, gas, air, water or steam. Coverage for such loss will begin 24 hours after the time the "breakdown" causes the interruption of the utility service; or

(c) Your loss of "perishable goods" due to contamination from the release of refrigerant, including but not limited to ammonia.

We will also pay any necessary expense you incur to reduce the amount of loss under this coverage. We will pay such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage.

(2) If you are unable to replace the "perishable goods" before its anticipated sale, the amount of our payment will be determined on the basis of the sales price of the "perishable goods" at the time of the "breakdown", less discounts and expenses you otherwise would have had. Otherwise our payment will be determined in accordance with the Loss Payment Condition.

(3) The most we will pay for any loss or expense under this Equipment Breakdown Coverage Extension is the Limit of Insurance for Perishable Goods shown on the Equipment Breakdown Schedule.

b. **Expediting Expenses.**

(1) With respect to your damaged Covered Property, we will pay the reasonable extra cost to make temporary repairs and expedite permanent repairs or permanent replacement.

(2) Expediting expenses include overtime wages and the extra cost of express or other rapid means of transportation.

(3) The most we will pay for Expediting Expenses is the Limit of Insurance for Expediting Expenses shown on the Equipment Breakdown Schedule.

c. **Utility Interruption.** The insurance provided for Business Income and/or Extra Expense - Extra

Expense, if covered elsewhere in the policy, is extended to apply to loss caused by or resulting from an interruption in utility services that is a direct result of a "breakdown" to "covered equipment" that is owned, operated or controlled by the local private or public utility or distributor to provide you with any of the following services: electrical power, communications, waste disposal, air conditioning, refrigeration, heating, gas, air, water or steam.

Coverage for Utility Interruption will begin 24 hours, or the time shown for Utility Interruption-Waiting Period in the Equipment Breakdown Schedule, after the time the "breakdown" causes the interruption of the utility service.

d. **Pollution Clean Up and Removal.** With regard to coverage provided under this Endorsement only, SECTION I Additional Coverage A.4.d. in the Coverage Form to which this Endorsement applies is deleted and replaced by the following:

d. We will pay your expense to extract "pollutants" from land or water at the described premises and the cost for clean-up, repair, replacement or disposal of Covered Property at the described premises if the discharge, dispersal, seepage, migration, release or escape of such "pollutants" is caused by or results from a "breakdown" to "covered equipment" that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the date on which such "breakdown" occurs.

This Additional Coverage does not apply to costs to test for, monitor or assess the existence, concentration or effects of "pollutants". But we will pay for testing which is performed in the course of extracting the "pollutants" from the land, water or the clean-up, repair, replacement, or disposal of Covered Property.

The most we will pay under this Additional Coverage, including any loss covered under any applicable Business Income or Extra Expense coverage, for the sum of all covered expenses is the Limit of Insurance for Pollution Clean Up and Removal shown on the Equipment Breakdown Schedule.

The coverage provided by this Additional Coverage does not include loss to "perishable goods" due to contamination from the release of a refrigerant.

e. **Data and Media.** We will pay your cost to research, replace and restore data, including programs and operating systems that are lost or corrupted due to a "breakdown". We will also pay for loss or damage to "media" caused by a "breakdown". The most we will pay under this Coverage Extension for the sum of all covered expenses, including any loss covered under any applicable Business Income and Extra Expense coverage is the Limit of Insurance for Data and Media shown on the Equipment Breakdown Schedule.

f. **Demolition and Increased Cost of Construction.**

The following applies despite the Ordinance or Law Exclusion and provided these increases in loss are necessitated by the enforcement of any laws or ordinances of any laws or ordinances that are in force at the time of the "Breakdown", which regulate the demolition, construction, repair or use of the building or structure. With respect to the building or structure that was damaged as a result of a "breakdown", if a "breakdown" to "covered equipment" damages a building that is Covered Property, and the loss is increased by the enforcement of any laws or ordinances that are in force at the time of the "breakdown" and which regulate the demolition, construction, repair or use of the building or structure the following apply:

(1) We will pay for:

(a) The loss in value of the undamaged portion of the building or structure as a consequence of enforcement of an ordinance or law that requires the demolition of undamaged parts of the same building or structure;

(b) Your actual cost to demolish and clear the site of the undamaged parts of the same building or structure as a consequence of enforcement of an ordinance or law that requires the demolition of such undamaged property; and

(c) The increased cost actually and necessarily expended to:

(i) Repair or reconstruct the damaged or destroyed portions of the building or structures; and

(ii) Reconstruct or remodel the undamaged portion of that building or structure with buildings or structures of like materials, height, floor area, and style for like occupancy, whether or not demolition is required on:

i. The same premises or on another premises if you so elect. However, if you rebuild at another premises, the most we will pay is the increased cost of construction that we would have paid to rebuild at the same premises; or

ii. Another premises if the relocation is required by the ordinance or law. The most we will pay is the increased cost of construction at the new premises.

(2) With regard to otherwise covered Business Income and Extra Expense coverage, the "period of restoration" is extended to include the additional period of time required for demolition and to meet the minimum requirement of any ordinance or law enforcement at the time of the "breakdown".

- (3) We will not pay for any:
- (a) Fine;
 - (b) Liability to a third party;
 - (c) Increase in loss due to a "pollutant"; or
 - (d) Demolition cost until the undamaged portions of the building are actually demolished;
 - (e) Increased construction costs until the building is actually rebuilt and replaced;
 - (f) Increases in loss, excess of the amount required to meet the minimum requirement of any ordinance or law enforcement at the time of the "breakdown"; or
 - (g) Loss due to any ordinance or law that you were required to comply with before the "breakdown", even if the building was undamaged, and with which you failed to comply.

The most we will pay under this Coverage Extension for the sum of all covered expenses, including any loss covered under any applicable Business Income and Extra Expense coverage is \$50,000 or the Limit of Insurance for Demolition and Increased Cost of Construction shown on the Equipment Breakdown Schedule, whichever is greater.

g. Business Income

- (1) We will pay for actual loss of "Business Income" you sustain due to the necessary "suspension" of your "operations" during the "period of restoration". The "suspension" must be direct physical loss of or damage to property at premises which are described in the Declarations and for which a Business Income Limit of Insurance is shown in the Declarations. The loss or damage must be caused by or result from a "breakdown" to "Covered Equipment" as covered by this Endorsement.
- (2) With respect to the requirements set forth in the preceding paragraph, if you occupy only part of the site at which the described premises are located, you premises means:
 - (a) The portion of the building which you rent, lease or occupy; and
 - (b) Any area within the building or the site at which the describe premises are located, if that area services, or is used to gain access to, the described premises.
- (3) The most we will pay under this Coverage Extension, is the Limit of Insurance for Business Income shown on the Equipment Breakdown Schedule.

h. Extra Expense

The Coverage provided by Commercial Property – Extra Expense is extended to included loss covered by a "breakdown" to "covered equipment" as covered by this Endorsement. The most we will pay under this Coverage Extension is the Limit of Insurance for Extra Expense shown on the Equipment Breakdown Schedule.

- i. Water Damage Limitation.** The most we will pay for water damage that results from a "breakdown" to "covered equipment" is the Limit of Insurance for Water Damage shown on the Equipment Breakdown Schedule.

6. Equipment Breakdown Exclusions. With regard to coverage provided under this Endorsement only, the following changes are made:

- a. The following Exclusions are deleted from the SECTION III Commercial Property Causes of Loss – Special form: B.2.a.; B.2.d.(6); and B.2.e.
- b. Exclusion B.2.m. from the SECTION III Commercial Property Causes of Loss – Special form, is deleted and replaced by the following:
 - 1. Discharge, dispersal, seepage, migration, release or escape of "pollutants". But if the discharge, dispersal, seepage, migration, release or escape of "pollutants" results in a "breakdown" to "covered equipment", we will pay for the loss or damage caused by that "breakdown".
- c. The last paragraph of Exclusion B.2.d. from the Causes of Loss – Special form is deleted and replaced by the following:

But if an excluded cause of loss that is listed in **2.d.(1)** through **(7)** results in a "breakdown", we will pay the resulting loss or damage not otherwise excluded.

- d. The following exclusions apply to the coverage provided under this Endorsement in addition to the other exclusions, except as deleted in SECTION III A.6.a. above, in the SECTION III COMMERCIAL PROPERTY – CAUSES OF LOSS – SPECIAL FORM Coverage Form to which this Endorsement applies.

We will not pay under this Endorsement for loss or damage caused directly or indirectly by any of the following:

- (1) Any of the following tests:
 - (a) A hydrostatic, pneumatic or gas pressure test of any boiler or pressure vessel; or
 - (b) An insulation breakdown test of any type of electrical equipment;
- (2) Fire including fire resulting from a "breakdown";
- (3) Combustion explosion;
- (4) 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;
- (5) An explosion. However, we will pay for direct loss or damage caused by an explosion of "covered equipment" of a kind specified in a. through f. below, if not otherwise excluded:
 - (a) Steam boiler;
 - (b) Electric steam generator;
 - (c) Steam piping;
 - (d) Steam turbine;
 - (e) Steam engine; or
 - (f) Gas turbine or any other moving or rotating machinery when such explosion is caused by centrifugal force or mechanical breakdown.
- (6) Lightning; However, we will pay for a "breakdown" to "covered equipment" if lightning strikes away from the location described in the Commercial Property Schedule and causes transient voltage or other electrical disturbance that comes through utility transmission lines, if such lightning is not covered elsewhere in the Coverage Form to which this Endorsement applies. The most we will pay for this type of loss is the Total Limit Per Breakdown shown in the Equipment Breakdown Schedule subject to the Direct Damage deductible.
- (7) Weight of snow, ice or sleet; aircraft or vehicles.
- (8) Windstorm or hail; smoke; riot or civil commotion; vandalism; falling objects; water damage caused by the discharge or leakage of sprinkler system, sewer piping or domestic water piping; water or other means used to extinguish a fire, even when the attempt is unsuccessful; freezing due to cold weather; molten material; or collapse. However, we will pay for a "breakdown" to "covered equipment" if one of the perils excluded in (8) occurs away from premise described in the Commercial Property Schedule and causes an electrical surge or other electrical disturbance that comes through utility transmission lines. The most we will pay for this type of loss is the Total Limit Per Breakdown shown in the Equipment Breakdown Schedule subject to the Direct Damage deductible.
- (9) The following is added to paragraph B.1.e.(1) of Section III:
However if flood, waves, tides, tidal waves, or overflow of any body of water or their spray, even if driven by wind results in electrical arching to "covered equipment", we will pay the resulting loss or damage to "covered equipment". This type of loss is subject to a deductible of \$50,000 per location.

7. Equipment Breakdown Limitations.

With regard to this Endorsement only, the following Limitations are deleted from the SECTION III Commercial Property Causes of Loss – Special Form: C.1.a. and C.1.b.

8. Limits of Insurance

The most we will pay for loss or damage under any and all Coverage, Coverage Extensions and Limitations from any one "breakdown" is the applicable Total Limit per Breakdown Limit of Insurance shown in the Equipment Breakdown Schedule. The Limit of Insurance for Property Damage and the Equipment Breakdown Coverage Extensions are part of, not in addition to, the Total Limit per Breakdown shown in the Equipment Breakdown Schedule.

9. Deductible

If an amount is shown in the Deductible section of the Equipment Breakdown Schedule, the following will apply; otherwise the deductible shown in the Declaration for the applicable coverage will apply unless specifically noted elsewhere in this Endorsement.

Paragraph D. – Deductibles of Section I of the applicable coverage form is deleted and replaced by:

- a. In any one "breakdown", we will first reduce the amount of loss if required by the Coinsurance Condition or the Agreed Value Optional Coverage. If the adjusted amount of loss is less than or equal to the Deductible, we will not pay for that loss. If the adjusted amount of loss exceeds the Deductible, we will then subtract the Deductible from the adjusted amount of loss, and will pay the resulting amount or the Limit of Insurance, whichever is less.

The deductibles listed in the Equipment Breakdown Schedule shall be applied separately to the applicable coverage as follows:

(1) **Dollar Deductible**

If a dollar deductible is shown in the above schedule, we will first subtract the deductible amount from any loss we would otherwise pay.

(2) **Multiple per Unit Deductible**

If a multiple of units is shown in the above schedule, the deductible will be calculated as the sum of the multiplier times the number of units specified. (For example: if the deductible is specified as \$25/hp for air conditioning units, and a covered 500 hp air conditioning unit suffered a "Breakdown", the deductible will be \$25 times 500 hp which equals \$12,500.)

(3) **Time Deductible**

If a time deductible is shown in the above schedule, we will not be liable for any loss under that coverage that occurs during that specified time period immediately following a "Breakdown". If a time deductible is shown in days, each day shall mean twenty-four consecutive hours.

(4) **Multiple of Daily Value Deductible**

If a multiple of daily value is shown in the above schedule, this deductible will be calculated as follows:

- (a) For the entire premise described in the Declarations where the loss occurred, determine the total amount of Business Income that would have been earned during the "Period of Restoration" had no "Breakdown" taken place.
- (b) Divide the result in Paragraph (1) by the number of days the business would have been open during the "Period of Restoration". The result is the daily value.
- (c) Multiply the daily value in Paragraph (2) by the number of daily value multiples shown in the above schedule. We will first subtract this deductible amount from any loss we would otherwise pay. We will then pay the amount of loss or damage in excess of the deductible, up to the applicable Limit of Insurance.

(5) **Percentage of Loss Deductible**

If a deductible is expressed as a percentage of loss in the above schedule, we will not be liable for the indicated percentage of the gross amount of loss or damage insured under the applicable coverage.

(6) **Minimum Or Maximum Deductible**

- (a) If:
 - (i) A minimum dollar amount deductible is shown in the above schedule; and
 - (ii) The dollar amount of the Multiple per Unit, Multiple of Daily Value or the Percentage of Loss Deductible is less than the Minimum Deductible:
then the Minimum Deductible amount shown in the above schedule will be the applicable deductible.
- (b) If:
 - (i) A maximum dollar amount deductible is shown in the above schedule; and
 - (ii) The dollar amount of the Multiple per Unit, Multiple of Daily Value or the Percentage of Loss Deductible is greater than the Maximum Deductible;
then the Maximum Deductible amount shown in the above schedule will be the applicable deductible.

- b. If more than one deductible applies to a single coverage, then only one deductible, the highest, will apply to that coverage.

10. The following provision applies to the coverage provided by this Endorsement only and in addition to the provisions in the Loss Payment section of the Coverage Form to which this Endorsement applies:

New Generation. You may replace damaged "Covered Equipment" with a newer generation "Covered Equipment" of the same capacity which improves the environment, increases efficiency or enhances safety. We will pay up to an additional 25% of the covered property damage amount for the "Covered Equipment". This additional amount is included in, not in addition to, the applicable Limit of Insurance for Covered Property.

11. With respect to the coverage provided under this Endorsement, the following are added to the Additional Conditions section of the Coverage Form to which this Endorsement applies:

a. **Jurisdictional Inspections**

- (1) We agree to provide pressure vessel certificate-of-operation engineering services where:
 - (a) The certificate-of-operation is required by state, city or provincial law; and
 - (b) The state, city or provincial law permits inspections by insurance company employees.
- (2) Certificate-of-operation engineering services will not be provided for any location, other than in the United States of America, Puerto Rico or Canada.

b. **Suspension**

- (1) Whenever "covered equipment" is found to be in, or exposed to, a dangerous condition, any of our representatives may immediately suspend the coverage provided by this Endorsement. We will deliver or mail a written notice of suspension to your last known address or the address where the "covered equipment" is located.
- (2) Once suspended in this way, your coverage can be reinstated only by an Endorsement for that "covered equipment".

12. With regard to the coverage provided by this Endorsement, the following definitions apply in addition to the definitions provided in the Coverage Form to which this Endorsement applies:

a. **"Business Income"** means the:

- (a) Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; and
- (b) Continuing normal operating expense incurred, including payroll.

b. **"Computer equipment"** means your programmable electronic equipment that is used to store, retrieve and process data; and associated peripheral equipment that provides communication including input and output functions such as printing or auxiliary functions such as data transmission. It does not include data or "media".

c. **"Media"** means electronic data processing or storage material such as films, tapes, discs, drums or cells.

d. **"Perishable goods"** means personal property maintained under controlled conditions for its preservation and susceptible to loss or damage if the controlled conditions change.

IRFFNC COMPUTER EQUIPMENT AND MEDIA COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy, the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Interlocal Risk Financing Fund of North Carolina, hereinafter referred to as "IRFFNC." Other words and phrases that appear in quotation marks have special meaning. Refer to Section F - DEFINITIONS.

A. COVERAGE

We will pay for "loss" to Covered Property from any of the Covered Causes of Loss.

1. **COVERED PROPERTY**, as used in this Coverage Form, means the following type property that is owned, leased or rented to you and similar property of others for which you are liable that is in your care, custody and control, for which a Limit of Insurance is shown on the Inland Marine Schedule under the Computer Equipment coverage:

- a. "Equipment"; and
- b. "Data" and "Media".

Covered Property is covered while:

- a. at your premises; or
- b. in transit and away from your premises, while in your possession or in the possession of an employee or a carrier for hire.

2. PROPERTY NOT COVERED

Covered Property does not include:

- a. Property you loan, rent or lease to others while it is away from your premises;
- b. Any "Media" or "Data" that cannot be replaced with substantially identical property
- c. Program support documentation, flowcharts, record formats, or narrative descriptions, unless this property has been converted to "media" form.
- d. Accounts, bills, evidences of debt, valuable papers, records, abstracts, deeds, manuscripts or other documents unless they are converted into data processing media form, and then only in that form; or
- e. Contraband or property in the course of illegal transportation or trade.
- f. Overhead or underground transmission lines
- g. Satellites, microwave towers and dishes, earth stations, telephone switching stations.

3. COVERED CAUSES OF LOSS

Covered Causes of Loss means RISKS OF DIRECT PHYSICAL "LOSS" to Covered Property except those causes of "loss" listed in the Exclusions.

IRFFNC COMPUTER EQUIPMENT AND MEDIA COVERAGE FORM

4. ADDITIONAL COVERAGE – COLLAPSE

The term Covered Cause of Loss includes the Additional Coverage - Collapse as described and limited below.

a. With respect to buildings:

- (1) 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;
- (2) 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;
- (3) 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;
- (4) 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 or expansion.

b. 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 the IRFFNC Building and Personal Property Coverage Form or that contains Covered Property insured under this Coverage Form, if the collapse is caused by one or more of the following:

- (1) Fire; lightning; windstorm or hail; explosion; smoke; aircraft or vehicles; riot or civil commotion; vandalism; breakage of building glass; falling objects; weight of snow, ice or sleet; water damage; all only as insured against in this Coverage Form;
- (2) Decay that is hidden from view, unless the presence of such decay is known to an insured prior to collapse;
- (3) Insect or vermin damage that is hidden from view, unless the presence of such damage is known to an insured prior to collapse;
- (4) Weight of people or personal property;
- (5) Weight of rain that collects on a roof;
- (6) Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation.

c. This Additional Coverage - Collapse, does not increase the Limits of Insurance provided in this Coverage Form.

4. COVERAGE EXTENSIONS

a. Newly Acquired "Equipment"

If during the policy period you acquire additional "equipment", we will cover this "equipment" for up to 90 days, but not beyond the end of the policy period.

You will report such "equipment" within 90 days from the date acquired and pay any additional premium that is due. If you do not report that "equipment" to us, coverage will end automatically 90 days after the date you acquire the "equipment," or at the end of the policy period, whichever occurs first.

IRFFNC COMPUTER EQUIPMENT AND MEDIA COVERAGE FORM

b. Newly Acquired Premises

If during the policy period you acquire additional premises, we will cover "equipment" at the additional premises for up to 90 days, but not beyond the end of the policy period. You will report any additional premises within 90 days from the date acquired and pay any additional premium that is due. If you do not report the additional premises to us, coverage will end automatically 90 days after the date you acquired the premises or at the end of the policy period, whichever occurs first.

c. Debris Removal Coverage

1. We will pay your expense to remove debris of Covered Property caused by or resulting from a Covered Cause of Loss during the policy period; but
2. We will pay the lesser of your actual cost of debris removal or 10% of the Limit of Insurance, subject to a maximum of \$100,000.
3. We will not pay any cost resulting from enforcement of any law or ordinance.
4. This Coverage Extension does not apply to costs to:
 - (a) Extract "pollutants" from land or water; or
 - (b) Remove, restore or replace polluted land or water.

The expenses will be paid only if they are reported to us in writing within 180 days of the date of direct physical loss or damage

d. Preservation of Property

If you give us written notice within 10 days of removal of Covered Property because of imminent danger of "loss", we will pay for "loss" while it is:

- (1) At a safe place away from your premises; or
- (2) Being taken to and returned from that place.

This Coverage Extension is included within the Limits of Insurance applicable to the premises from which the Covered Property is removed.

e. Duplicate "Data" or "Media" Coverage

We will cover "data" and/or "media" duplicates while stored at a safe place away from your premises. The most we will pay in a "loss" under this Coverage Extension is the lesser of:

- (1) 10% of the computer equipment and media limit of insurance shown on the Inland Marine Schedule under the Computer Equipment coverage; or
- (2) \$50,000.

f. Fire Protection System Recharge

We will pay up to \$25,000 at any one location for costs you actually incur in recharging any automatic fire protection system which is designed specifically to protect Covered Property, even if discharged accidentally. The Deductible will not apply to this Coverage Extension.

g. Mechanical Breakdown

This policy is extended to cover direct physical "loss" caused by or resulting from:

- (1) Mechanical failure, faulty construction or error in design of the Covered Property;
- (2) Any repairing, servicing or processing operation; or
- (3) Damage to "data" or "media" when "data" processing equipment or word processing equipment breaks down or malfunctions while "data" or "media" is being run through the system.
- (4) Damage to "data" or "media" due to power failure (interruption of power supply, power surge, blackout or brownout) that occurs more than 1,000 feet from the building containing the Covered Property.

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- (5) Electrical disturbance to the covered property that originates less than 1,000 feet from the building in which the covered property is located.
- (6) Electrical or magnetic injury to, or disturbance or erasure of data which occurs in, or less than 1,000 feet from, the building in which the covered property is located.

A \$1,000 deductible applies to "losses" resulting from the above causes of "loss."

This coverage does not increase the Limits of Insurance.

h. Computer Virus

Provided that the Covered Property is protected by an anti-virus program with the most current anti-virus definitions installed:

- (1) We will cover direct physical "loss" to Covered Property resulting from computer virus. Viruses are self-replicating electronic defects that contaminate or destroy "computer programs", "data," operating systems, "media" or computer "equipment."
- (2) We will pay for the extra expense you incur to extract computer viruses from Covered Property, if during the policy period, you suffer direct physical "loss" to covered property as a result of computer viruses.

This is the only place under this policy where coverage is provided for computer viruses, regardless of any other cause or event that contributes concurrently on in any sequence to the loss.

A \$1,000 deductible applies to "losses" resulting from computer viruses.

The most we will pay under this Coverage Extension is the lesser of the Limit of Insurance shown on the Inland Marine Schedule under the Computer Equipment coverage or \$25,000. Payment under this Coverage Extension does not increase the Limits of Insurance.

5. Coverage Option – Extra Expense

If a Limit of Insurance is shown on the Inland Marine Schedule under the Computer Equipment coverage for Extra Expense, we will pay necessary extra expenses you incur to continue normal operations which are interrupted due to "loss" caused by or resulting from a Covered Cause of Loss to:

- a. Electrical systems necessary for the operation of covered "equipment";
- b. The premises housing your Covered Property if the damage prevents you from using your Covered Property; or
- c. The premises housing your Covered Property if access to your Covered Property is prohibited by order of civil authority.

We will only pay those extra expenses you incur during the "period of restoration" which you would not have incurred if there had been no "loss." But we will not pay more than 14 days of extra expense "loss" when a civil authority denies you access to your Covered Property.

But we will pay these necessary costs only for the period of time it reasonably takes you to restore your normal "operations".

The most we will pay for "loss" in any one occurrence under this Coverage Option is the applicable Extra Expense Limit of Insurance shown on the Inland Marine Schedule under the Computer Equipment coverage.

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B. EXCLUSIONS

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

a. GOVERNMENTAL ACTION

Seizure or destruction of property by order of governmental 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 "loss" caused by the fire would be covered under this Coverage Form.

b. NUCLEAR HAZARD

- (1) Any weapon employing atomic fission or fusion; whether in time of peace or war, or
- (2) Nuclear reaction or radiation, or radioactive contamination however caused from any other cause. But we will pay for direct "loss" caused by resulting fire if the fire would be covered under this Coverage Form.

c. 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 defending against any of these.

d. Off-Premises Power Failure

- (1) Interruption of power supply;
- (2) Power surge; or
- (3) Blackout or brownout;

If the power failure occurs more than 1,000 feet from the building containing the Covered Property.

e. Water

- (1) Flood, surface water, rising water, waves, tidal waves, tsunamis, tides, tidal water, storm surge, overflow of any body of water, or spray from any of these, all whether or not driven by wind (including storm surge);
- (2) Mudslide or mudflow which are caused by flooding. A mudslide or mudflow involves a river of liquid and flowing mud on the surface of normally dry land areas as when earth is carried by a current of water and deposited along the path of the current;
- (3) Water that backs up or overflows or is otherwise discharged from a sewer, drain, sump, sump pump or related equipment;
- (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; or
- (5) Waterborne material carried or otherwise moved by any of the water referred to in Paragraph (1), (3) or (4), or material carried or otherwise moved by mudslide or mudflow;

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- (6) The rising, overflowing or breaking of boundaries of natural or man-made bodies of water;
- (7) The release of water held by a dam, levee or dike or by a water or flood control device;
- (8) The release of water caused by the Acts, Errors or Omissions by you or others in the design, specifications, workmanship, repair, construction, or renovation of all or any part of a water or flood control device, levee, dam or dike; or
- (9) Inundation of normally dry land by natural or man-made cause of at least two or more acres.

This exclusion applies regardless of whether any of the above, in paragraphs e.(1) through (9), is caused by an act of nature or is otherwise caused. An example of a situation to which this exclusion applies is the situation where a dam, levee, seawall or other boundary or containment system fails in whole or in part, for any reason, to contain the water.

But if Water, as described in e.(1) through (9) above, results in fire, explosion or sprinkler leakage, we will pay for the loss or damage caused by that fire, explosion or sprinkler leakage.

f. Earth Movement

- (1) Earthquake, including any earth sinking, rising or shifting related to such event;
- (2) Landslide, including any earth sinking, rising or shifting related to such event;
- (3) Mine subsidence, meaning subsidence of a man-made mine, whether or not mining activity has ceased;
- (4) 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 Earth Movement, as described in f.(1) through (4) above, results in fire or explosion, we will pay for the loss or damage caused by that fire or explosion.

- (5) Volcanic eruption, explosion or effusion. But if volcanic eruption, explosion or effusion results in fire, building glass breakage or Volcanic Action, we will pay for the loss or damage caused by that fire, building glass breakage or Volcanic Action.

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 168 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.

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2. We will not pay for a "loss" caused by or resulting from any of the following:
 - a. Delay, loss of use, loss of market or any other consequential loss.
 - b. Dishonest or criminal acts by:
 - (1) You, your employees or authorized representatives;
 - (2) Anyone else with an interest in the property, or their employees or authorized representatives; or
 - (3) Anyone else to whom the property is entrusted.

This exclusion applies whether or not such persons are acting alone or in collusion with other persons or such acts occur during the hours of employment.

But this exclusion does not apply to

 - (1) Acts of destruction by your employees; but theft by employees is not covered.
 - (2) Covered Property that is entrusted to others who are carriers for hire.
 - c. Voluntary parting with any property by you or anyone entrusted with the property if induced to do so by any fraudulent scheme, trick, device or false pretense.
 - d. Unauthorized instructions to transfer property to any person or to any place.
 - e. Errors or omissions in programming or instructions to the equipment.
 - f. Computer viruses. Viruses are self-replicating electronic defects that contaminate or destroy "computer programs," "data," operating systems, "media" or computer "equipment."
 - g. Unexplained disappearance.
 - h. Shortage found upon taking inventory.
 - i. Lapse, suspension or cancellation of any lease, license, contract or order.
 - j. Enforcement of any ordinance or law regulating or restricting the construction, use or repair of any property.
 - k. Discharge, dispersal, seepage, migration, release or escape of "pollutants."
 - l. Your neglect in protecting the Covered Property at the time of and after any "loss."
3. We will not pay for a "loss" caused or resulting from any of the following. But if "loss" by a Covered Cause of Loss results, we will pay for that resulting "loss."
 - 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."
 - b. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.
 - c. Wear and tear, any quality in the property that causes it to damage or destroy itself, hidden or latent defect, gradual deterioration, depreciation, marring or scratching, ;
 - d. Mechanical breakdown
 - e. Insects, vermin or rodents.
 - f. 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;
 - g. Collapse except as provided in the Additional Coverage – Collapse section of the Coverage Form.
 - h. Corrosion, rust, mold, rot, dampness or dryness of atmosphere, changes in or extremes of temperature, cold or heat; but we will pay for such loss or damage resulting from direct physical loss to the air conditioning system that services your data processing equipment. The damage to such system must be caused by a covered cause of loss.

IRFFNC COMPUTER EQUIPMENT AND MEDIA COVERAGE FORM

C. LIMITS OF INSURANCE

1. The most we will pay for "loss" in any one occurrence for:
 - a. Covered Property while at your premises is the applicable Limit of Insurance shown on the Inland Marine Schedule under the Computer Equipment coverage.
 - b. Covered Property while in transit or away from your premises, is the lesser of
 - (1) the applicable Limit of Insurance shown on the Inland Marine Schedule under the Computer Equipment coverage; or
 - (2) \$100,000.
 - c. "Extra Expense", is the applicable Limit of Insurance shown on the Inland Marine Schedule under the Computer Equipment coverage.
2. The most we will pay for "loss" in any one occurrence for a Coverage Extension is the Limit of Insurance applicable to a Coverage Extension.

D. DEDUCTIBLE

If the adjusted amount of loss is less than or equal to the Deductible, we will not pay for that loss. If the adjusted amount of loss exceeds the Deductible, we will then subtract the Deductible from the adjusted amount of loss, and will pay the resulting amount or the Limits of Insurance, whichever is less.

When the occurrence involves loss to more than one item of Covered Property and separate Limits of Insurance apply, the losses will not be combined in determining application of the Deductible. But the Deductible will be applied only once per occurrence.

The deductible amount shall be subtracted from the total amount of money damages and claim expenses including 1) loss payments and 2) investigation, adjustment, defense and/or appeal expenses, whether or not loss payment is made, resulting from each occurrence. IRFFNC shall be liable only for the amount in excess of the Deductible stated in the Declarations.

Where coverage for loss or damage to Covered Property, caused by a single occurrence, is provided under the IRFFNC Building and Personal Property Coverage Form, IRFFNC Fine Arts Coverage Form and/or IRFFNC Computer Equipment and Media Coverage Form, the deductible applied to the covered loss shall be the greater of the applicable deductibles under all of the aforementioned forms.

If this policy is endorsed to cover Flood under the Flood Coverage Endorsement (or if you have a flood insurance policy), a separate Flood Deductible applies to loss or damage attributable to Flood, in accordance with the terms of that endorsement or policy.

If this policy is endorsed to cover earthquake and volcanic eruption under the Earthquake and Volcanic Eruption Endorsement (or if you have an earthquake insurance policy), a separate Earthquake and Volcanic Eruption Deductible applies to loss or damage to earthquake and volcanic eruption, in accordance with the terms of that endorsement or policy.

In the event of any recovery or salvage on a loss which has been paid hereunder, such recovery or salvage shall accrue entirely to the benefit of IRFFNC until the sum paid by IRFFNC has been recovered.

IRFFNC COMPUTER EQUIPMENT AND MEDIA COVERAGE FORM

E. ADDITIONAL CONDITIONS

1. VALUATION

General Condition F. Valuation in the IRFFNC Inland Marine Conditions is replaced by the following:

- a. "Equipment." The value of "equipment" will be its replacement cost (without deduction for depreciation). We will not pay more for any "loss" on a replacement cost basis than the least of:

- (1) The Limit of Insurance applicable to the "equipment";
- (2) The cost to replace the "equipment" with other "equipment":
 - (a) of comparable material and quality; and
 - (b) used for the same purpose; or

You may substitute property of a different kind or quality, but we will not pay more than what it would cost to replace the damaged or destroyed property with substantially identical property.

- (3) The amount you actually spend that is necessary to repair the "equipment" with materials of like kind and quality.

We will not pay on a replacement cost basis for any "loss":

- (1) Until the "equipment" is actually repaired or replaced;
- (2) Unless the repairs or replacement are made as soon as reasonably possible after the "loss".
- (3) To equipment not maintained in good or workable condition; or
- (4) To equipment that is outdated or obsolete and is stored or not being used.

If the "equipment" is not repaired or replaced, the General Condition F. Valuation in the IRFFNC Inland Marine Conditions will apply.

In the event of "loss", the value of the "equipment" will be determined as of the time of "loss."

- b. "Data" and "Media"

The value of the "data" or "media" will be the least of the following amounts:

- (1) The Limit of Insurance shown on the Inland Marine Schedule under the Computer Equipment coverage; or
- (2) The actual cost of reproducing the "data" or "media" provided that the "data" is replaced or reproduced. However, if the "data" is not replaced or reproduced, we will pay the blank value of the "media" on which the "data" was recorded. On "media", we will pay the actual cost of repairing or replacing with material of the same kind and quality.

In the event of "loss", the value of the "data" and "media" will be determined as of the time of "loss."

- c. "Extra Expense."

The value of "extra expense" will be based on:

- (1) All necessary costs of "operations" you incur that are over and above the normal costs of "operations" that you would have incurred if there had been no "loss" to "equipment," "data" or "media" at your premises caused by or resulting from a Covered Cause of Loss,
- (2) All necessary costs that reduce the "extra expense" otherwise incurred. But we will not pay those expenses that exceed the amount by which they reduce the "loss."

But we will pay these necessary costs only for the period of time it reasonably takes you to restore your normal "operations".

IRFFNC COMPUTER EQUIPMENT AND MEDIA COVERAGE FORM

2. The following conditions apply in addition to the IRFFNC Inland Marine Conditions and the IRFFNC Common Policy Conditions.

a. COVERAGE TERRITORY

We cover property wherever located within:

- (1) The United States of America;
- (2) Puerto Rico; and
- (3) Canada.

b. RECORDS

You will keep accurate records of your business and retain them for three years after the policy ends.

These records will consist of an inventory of all "equipment" covered under this Coverage Form.

c. LOSS PAYABLE

For Covered Property in which both you and a Loss Payee shown in the Declarations have an insurable interest, we will:

- (1) Adjust "losses" with you; and
- (2) Pay any claim for "loss" jointly to you and the Loss Payee, as interests may appear.

F. DEFINITIONS

1. "Computer programs" means "data" used to direct computer equipment.
2. "Data" means information stored on media and includes facts, instructions and "computer programs" converted to a form usable in a data processing operation.
3. "Equipment" means electronic data processing and word processing computer equipment, telecommunications equipment and integral components used exclusively in your computer and telecommunications operations. The equipment must be property that you own, rent or are legally responsible for.
4. "Extra expense" means necessary expenses you incur to continue your normal "operations" that you would not have incurred if there had been no "loss" to property.
5. "Loss" means accidental loss or damage.
6. "Media" means the material on which data is recorded, such as magnetic tapes, disk packs, drums, paper tapes, cards and programs used in computer processing units..
7. "Operations" means your electronic data processing business activities occurring at your premises.
8. "Period of restoration" means the period of time that:
 - a. Begins with the date of "loss" caused by or resulting from a Covered Cause of Loss at a covered location
 - b. Ends on the date when the property at the covered location should be repaired, rebuilt or replaced with reasonable speed and similar quality.

The expiration date of the policy will not limit the "period of restoration."
9. "Pollutants" means any Covered Property that becomes a solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

IRFFNC FINE ARTS COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy, the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Interlocal Risk Financing Fund of North Carolina, hereinafter referred to as "IRFFNC."

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

I. COVERAGE CONDITIONS

A. COVERAGE

We will pay for "loss" to Covered Property from any of the Covered Causes of Loss.

1. **COVERED PROPERTY**, as used in this Coverage Form, means:

- a. Your fine arts; and
- b. Fine arts of others for which you are liable that are in your care, custody or control; that are scheduled on the Inland Marine Schedule under the Fine Arts coverage.

2. **PROPERTY NOT COVERED**

Covered Property does not include:

- a. Property while on exhibition at fair grounds or on the premises of any national or international exposition;
- b. Accounts, bills, currency, documents, records, deeds, money, notes, securities, stamps or evidences of debts;
- c. Plans, blueprints, designs, specifications or similar property; or
- d. Contraband, or property in the course of illegal transportation or trade.
- e. Property that is covered under another coverage form of this or any other policy in which it is more specifically described.

3. **COVERED CAUSES OF LOSS**

Covered Causes of Loss means RISKS OF DIRECT PHYSICAL "LOSS" to Covered Property except those causes of "loss" listed in the Exclusions.

4. **COVERAGE EXTENSION**

a. **NEWLY ACQUIRED PROPERTY**

We will cover other objects of art that you acquire during the policy period, for up to 30 days, but not beyond the end of the policy period.

The most we will pay in a "loss" under this Coverage Extension is the lesser of:

- a. 25% of the total of the Limits of Coverage shown in the Declarations or on the Inland Marine Schedule under the Fine Arts coverage; or
- b. \$10,000

You will report such property within 30 days from the date acquired and pay any additional premium that is due. If you do not report that property to us, coverage will end automatically 30 days after the date you acquire the property or at the end of the policy period, whichever occurs first. The Copayment clause under Additional Conditions does not apply to this Coverage Extension.

IRFFNC FINE ARTS COVERAGE FORM

b. UNSCHEDULED FINE ART

In addition to the fine art that is specifically scheduled on the Fine Arts Schedule, you may extend this coverage to unscheduled fine art.

The most we will pay for "loss" under this extension is \$5,000 for any one unscheduled fine art item or set. The most we will pay for "loss" under this extension is \$50,000 in any one occurrence.

B. EXCLUSIONS

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

a. Governmental Action

Seizure or destruction of property by order of governmental 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 Form.

b. Nuclear Hazard

- (1) Any weapon employing atomic fission or fusion; or
- (2) Nuclear reaction or radiation, or radioactive contamination from any other cause. But we will pay for direct "loss" caused by resulting fire if the fire would be covered under this Coverage Form.

c. 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 defending against any of these.

d. Water

- (1) Flood, surface water, rising water, waves, tidal waves, tsunamis, tides, tidal water, storm surge, overflow of any body of water, or spray from any of these, all whether or not driven by wind (including storm surge);
- (2) Mudslide or mudflow which are caused by flooding. A mudslide or mudflow involves a river of liquid and flowing mud on the surface of normally dry land areas as when earth is carried by a current of water and deposited along the path of the current;
- (3) Water that backs up or overflows or is otherwise discharged from a sewer, drain, sump, sump pump or related equipment;
- (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; or

IRFFNC FINE ARTS COVERAGE FORM

- (5) Waterborne material carried or otherwise moved by any of the water referred to in Paragraph (1), (3) or (4), or material carried or otherwise moved by mudslide or mudflow;
- (6) The rising, overflowing or breaking of boundaries of natural or man-made bodies of water;
- (7) The release of water held by a dam, levee or dike or by a water or flood control device;
- (8) The release of water caused by the Acts, Errors or Omissions by you or others in the design, specifications, workmanship, repair, construction, or renovation of all or any part of a water or flood control device, levee, dam or dike; or
- (9) Inundation of normally dry land by natural or man-made cause of at least two or more acres.

This exclusion applies regardless of whether any of the above, in paragraphs d.(1) through (9), is caused by an act of nature or is otherwise caused. An example of a situation to which this exclusion applies is the situation where a dam, levee, seawall or other boundary or containment system fails in whole or in part, for any reason, to contain the water.

But if Water, as described in d.(1) through (9) above, results in fire, explosion or sprinkler leakage, we will pay for the loss or damage caused by that fire, explosion or sprinkler leakage.

e. Earth Movement

- (1) Earthquake, including any earth sinking, rising or shifting related to such event;
- (2) Landslide, including any earth sinking, rising or shifting related to such event;
- (3) Mine subsidence, meaning subsidence of a man-made mine, whether or not mining activity has ceased;
- (4) 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 Earth Movement, as described in e.(1) through (4) above, results in fire or explosion, we will pay for the loss or damage caused by that fire or explosion.

- (5) Volcanic eruption, explosion or effusion. But if volcanic eruption, explosion or effusion results in fire, building glass breakage or Volcanic Action, we will pay for the loss or damage caused by that fire, building glass breakage or Volcanic Action.

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 168 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.

IRFFNC FINE ARTS COVERAGE FORM

2. We will not pay for a "loss" caused by or resulting from any of the following:
 - a. Delay, loss of use, loss of market or any other consequential loss.
 - b. Unexplained disappearance.
 - c. Shortage found upon taking inventory.
 - d. Dishonest acts by:
 - (1) You, your employees, your volunteers or authorized representatives;
 - (2) Anyone else with an interest in the property, or their employees or authorized representatives; or
 - (3) Anyone else to whom the property is entrusted.

This exclusion applies whether or not such persons are acting alone or in collusion with other persons or such acts occur during the hours of employment.

But this exclusion does not apply to Covered Property that is entrusted to others who are carriers for hire.

 - e. Any repairing, restoration or retouching of the Covered Property.
 - f. Voluntary parting with any property by you or anyone entrusted with the property if induced to do so by any fraudulent scheme, trick, device or false pretense.
 - g. Unauthorized instructions to transfer property to any person or to any place.
3. We will not pay for a "loss" caused by or resulting from any of the following. But if "loss" by a Covered Cause of Loss results, we will pay for that resulting "loss"
 - 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."
 - b. Wear and tear, any quality in the property that causes it to damage or destroy itself, gradual deterioration, corrosion, rust, dryness or dampness of atmosphere, cold or heat;
 - c. Insects, vermin or rodents.

C. LIMITS OF INSURANCE

The most we will pay for "loss" for an item that is individually listed and described on the Inland Marine Schedule under the Fine Arts coverage in any one occurrence is the applicable Limit of Insurance shown on the Inland Marine Schedule under the Fine Arts coverage.

D. DEDUCTIBLE

We will not pay for "loss" or "damage" in any one occurrence until the amount of the adjusted "loss" or "damage" before applying the applicable Limits of Insurance exceeds the Deductible shown in the Declarations. We will then pay the amount of the adjusted "loss" or "damage" in excess of the Deductible, up to the applicable Limit of Insurance.

The deductible amount shall be subtracted from the total amount of money damages and claim expenses including 1) loss payments and 2) investigation adjustment, defense and/or appeal expenses, whether or not loss payment is made, resulting from each occurrence. IRFFNC shall be liable only for the amount in excess of the Deductible stated in the Declarations.

Where coverage for loss or damage to covered property, caused by a single occurrence, is provided under the IRFFNC Building and Personal Property Coverage Form, IRFFNC Fine Arts Coverage Form and/or IRFFNC Computer Equipment and Media Coverage Form, the deductible applied to the covered loss shall be the greater of the applicable deductibles under the aforementioned forms.

IRFFNC FINE ARTS COVERAGE FORM

If this policy is endorsed to cover Flood under the Flood Coverage Endorsement (or if you have a flood insurance policy), a separate Flood Deductible applies to loss or damage attributable to Flood, in accordance with the terms of that endorsement or policy.

If this policy is endorsed to cover earthquake and volcanic eruption under the Earthquake and Volcanic Eruption Endorsement (or if you have an earthquake insurance policy), a separate Earthquake and Volcanic Eruption Deductible applies to loss or damage to earthquake and volcanic eruption, in accordance with the terms of that endorsement or policy.

In the event of any recovery or salvage on a loss which has been paid hereunder, such recovery or salvage shall accrue entirely to the benefit of IRFFNC until the sum paid by IRFFNC has been recovered.

E. ADDITIONAL CONDITIONS

1. VALUATION

- a. The value of each item of property that is individually listed and described on the Inland Marine Schedule under the Fine Arts coverage is the applicable limit of insurance for that item.
- b. The value of all other Covered Property, including newly acquired property, will be the least of the following amounts:
 - (1) The actual cash value of that property;
 - (2) The cost of reasonably restoring that property to its condition immediately before "loss;"
or
 - (3) The cost of replacing that property with substantially identical property.

In the event of "loss," the value of property will be determined as of the time of "loss."

2. RECORDS AND INVENTORY

You will keep accurate records of your fine arts and retain them for 3 years after the coverage ends.

These records will consist of:

- a. An itemized inventory of your fine arts;
- b. Records of all purchases and sales whether cash or credit;
- c. Records of property of others in your care, custody or control; and
- d. Records of property you send to others for any purpose.

You will also take a physical inventory of all your equipment at least every 12 months.

3. PRIVILEGE TO ADJUST WITH OWNER

In the event of "loss" involving property of others in your care, custody or control, we have the right to:

- a. Settle the "loss" with the owners of the property. A receipt for payment from the owners of that property will satisfy any claim of yours.
- b. Provide a defense for legal proceedings brought against you. If provided, the expense of this defense will be at our cost and will not reduce the applicable Limit of insurance under this Coverage Part.

IRFFNC FINE ARTS COVERAGE FORM

4. OTHER REQUIREMENTS

The following conditions apply in addition to the IRFFNC Inland Marine Conditions and the IRFFNC Common Policy Conditions.

a. COVERAGE TERRITORY

We cover property wherever located within:

- (1) The United States of America;
- (2) Puerto Rico; and
- (3) Canada

b. COPAYMENT

All items that are covered but not individually listed and described must be covered for their total value as of the time of "loss" or you will incur a penalty.

The penalty is that we will pay only the proportion of any "loss" to these items that the Limit of Insurance shown on the Inland Marine Schedule under the Fine Arts coverage for them bears to their Total value as of the time of "loss".

c. PACKING AND UNPACKING

You agree that Covered Property will be packed and unpacked by competent packers.

d. PAIR OR SETS

- (1) In case of total "loss" of any item that is part of a pair or set that is individually listed and described on the Inland Marine Schedule under the Fine Arts coverage, we will pay the full Limit of Insurance shown on the Schedule for that pair or set. You will surrender to us the remaining items of the pair or set.
- (2) In case of "loss" to any part of a Pair or set that is not individually listed and described in the schedule we may:
 - (a) Repair or replace any part to restore the pair or set to its value before the "loss;" or
 - (b) Pay the difference between the value of the pair or set before and after the "loss."

F. DEFINITIONS

"Loss" means accidental loss or damage.

IRFFNC INLAND MARINE CONDITIONS FORM

The following conditions apply in addition to the IRFFNC Common Policy Conditions and applicable Additional Conditions in:

IRFFNC MUNICIPAL EQUIPMENT COVERAGE FORM
IRFFNC PORTABLE EQUIPMENT COVERAGE FORM
IRFFNC FINE ARTS COVERAGE FORM
IRFFNC COMPUTER EQUIPMENT AND MEDIA COVERAGE FORM

LOSS CONDITIONS

A. Abandonment

There can be no abandonment of any property to us.

B. Appraisal

If we and you disagree on the value of the property or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the property and amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

1. Pay its chosen appraiser; and
2. Bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim.

C. Duties In The Event Of Loss

You must see that the following are done in the event of loss or damage to Covered Property:

1. Notify the police if a law may have been broken.
2. Give us prompt notice of the loss or damage. Include a description of the property involved.
3. As soon as possible, give us a description of how, when and where the loss or damage occurred.
4. Take all reasonable steps to protect the Covered Property from further damage, and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the Limit of Insurance. However, we will not pay for any subsequent loss or damage resulting from a cause of loss that is not a Covered Cause of Loss. Also, if feasible, set the damaged property aside and in the best possible order for examination.
5. You will not, except at your own cost, voluntarily make a payment, assume any obligation, or incur any expense without our consent.
6. As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records.

Also, permit us to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.

7. We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required, about any matter relating to this insurance or the claim, including an insured's books and records. In the event of an examination, an insured's answers must be signed.
8. Send us a signed, sworn proof of loss containing the information we request to settle the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.

IRFFNC INLAND MARINE CONDITIONS FORM

9. Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or suit.
10. Cooperate with us in the investigation or settlement of the claim.

D. Coverage Under Two Or More Coverages

If two or more of this Coverage Agreement's coverages apply to the same loss or damage, we will not pay more than the actual amount of the loss or damage.

E. Loss Payment

1. We will give notice of our intentions within 30 days after we receive the sworn proof of loss.
2. We will not pay you more than your financial interest in the Covered Property.
3. We may adjust losses with the owners of lost or damaged property if other than you. If we pay the owners, such payments will satisfy your claim against us for the owners' property. We will not pay the owners more than their financial interest in the Covered Property.
4. We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.
5. We will pay for covered loss or damage within 30 days after we receive the sworn proof of loss if you have complied with all the terms of this Coverage Part and:
 - a. We have reached agreement with you on the amount of the loss; or
 - b. An appraisal award has been made.
6. We will not be liable for any part of a loss that has been paid or made good by others.

F. Other Insurance

1. You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this Coverage Part. If you do, we will pay our share of the covered loss or damage. Our share is the proportion that the applicable Limit of Insurance under this Coverage Part bears to the Limits of Insurance of all insurance covering on the same basis.
2. If there is other insurance covering the same loss or damage, other than that described in 1. above, we will pay only for the amount of covered loss or damage in excess of the amount due from that other insurance, whether you can collect on it or not. But we will not pay more than the applicable Limit of Insurance.

G. Pair, Sets or Parts

1. Pair or Set

In case of loss or damage to any part of a pair or set we may:

- a. Repair or replace any part to restore the pair or set to its value before the loss or damage; or
- b. Pay the difference between the value of the pair or set before and after the loss or damage.

2. Parts

In case of loss or damage to any part of Covered Property consisting of several parts when complete, we will only pay for the value of the lost or damaged part.

IRFFNC INLAND MARINE CONDITIONS FORM

H. Recovered Property

If either you or we recover any property after loss settlement, that party must give the other prompt notice. At your option, the property will be returned to you. You must then return to us the amount we paid to you for the property. We will pay recovery expenses and the expenses to repair the recovered property, subject to the Limit of Insurance.

I. Reinstatement of Limit After Loss

The Limit of Insurance will not be reduced by the payment of any claim, except for total loss or damage of a scheduled item, in which event we will refund the unearned premium on that item.

J. Transfer of Rights of Recovery Against Others to Us

If any person or organization to or for whom we make payment under this coverage has rights to recover damages from another, those rights are transferred to us to the extent of our payment. That person or organization must do everything necessary to secure our rights and must do nothing after loss to impair them. But you may waive your rights against another party in writing prior to a loss to your Covered Property. This will not restrict your insurance.

GENERAL CONDITIONS

A. Concealment, Misrepresentation Or Fraud

This Coverage Part is void in any case of fraud, intentional concealment or misrepresentation of a material fact, by you or any other insured, at any time, concerning:

1. This Coverage Part;
2. The Covered Property;
3. Your interest in the Covered Property; or
4. A claim under this Coverage Part.

B. Control of Property

Any act or neglect of any person other than you beyond your direction or control will not affect this insurance.

The breach of any condition of this Coverage Part at any one or more locations will not affect coverage at any location where, at the time of loss or damage, the breach of condition does not exist.

C. Legal Action Against Us

No one may bring a legal action against us under this coverage form unless:

1. There has been full compliance with all the terms of this Coverage Part; and
2. The action is brought within 2 years after you first have knowledge of the loss or damage.

D. No Benefit to Bailee

No person or organization, other than you, having custody of Covered Property, will benefit from this coverage.

E. Coverage Period

We cover loss or damage commencing:

1. During the coverage period shown in the Declarations; and
2. Within the coverage territory.

IRFFNC INLAND MARINE CONDITIONS FORM

F. Valuation

The value of property will be the least of the following amounts:

1. The actual cash value of that property;
2. The cost of reasonably restoring that property to its condition immediately before loss or damage;
or
3. The cost of replacing that property with substantially identical property.

In the event of loss or damage, the value of property will be determined as of the time of loss or damage.

INLAND MARINE COVERAGE FORM ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EXCLUSION OF CERTAIN COMPUTER-RELATED LOSSES

This endorsement modifies coverage provided under the following:

IRFFNC MUNICIPAL EQUIPMENT COVERAGE FORM
IRFFNC PORTABLE EQUIPMENT COVERAGE FORM
IRFFNC FINE ARTS COVERAGE FORM
IRFFNC COMPUTER EQUIPMENT AND MEDIA COVERAGE FORM

- A.** We will not pay for “loss” or damage caused directly or indirectly by 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” or damage.
- 1.** The failure, malfunction or inadequacy of:
 - a.** Any of the following, whether belonging to any insured or to others:
 - (1) Computer hardware, including microprocessors;
 - (2) Computer application software;
 - (3) Computer operating systems and related software;
 - (4) Computer networks;
 - (5) Microprocessors (computer chips) not part of any computer system; or
 - (6) Any other computerized or electronic equipment or components; or
 - b.** Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed in Paragraph **A.1.a.** of this endorsement; due to the inability to correctly recognize, process, distinguish, interpret or accept one or more dates or times. An example is the inability of computer software to recognize the year 2000.
 - 2.** Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to determine, rectify or test for, any potential or actual problems described in Paragraph **A.1.** of this endorsement.
- B.** If an excluded Cause of Loss as described in Paragraph **A.** of this endorsement results in a Covered Cause of Loss under the IRFFNC Municipal Equipment Coverage Form, the IRFFNC Portable Equipment Coverage Form, the IRFFNC Fine Arts Coverage Form or the IRFFNC Computer Equipment and Media Coverage Form, we will pay only for the “loss” or damage caused by such Covered Cause of Loss.
- C.** We will not pay for repair, replacement or modification of any items in Paragraph **A.1.a.** and **A.1.b.** of this endorsement to correct any deficiencies or change any features.

INLAND MARINE COVERAGE FORM ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

LOSS PAYABLE PROVISION

This endorsement modifies coverage provided under the following:

IRFFNC MUNICIPAL EQUIPMENT COVERAGE FORM
IRFFNC COMPUTER EQUIPMENT AND MEDIA COVERAGE FORM
IRFFNC PORTABLE EQUIPMENT COVERAGE FORM
IRFFNC FINE ARTS COVERAGE FORM

The following is added to the Loss Payment LOSS CONDITIONS, as indicated below:

LOSS PAYABLE

For Covered Property in which both you and a Loss Payee, shown in this endorsement, have an insurable interest, we will:

1. Adjust losses with you; and
2. Pay any claim for loss or damage jointly to you and the Loss Payee, as interests may appear.

LOSS PAYEE:

Refer to Loss Payee Schedule

IRFFNC MUNICIPAL EQUIPMENT COVERAGE FORM

Various provisions in this Policy restrict coverage. Read the entire Policy carefully to determine rights, duties and what is and is not covered.

Throughout this Policy, the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Interlocal Risk Financing Fund of North Carolina, hereinafter referred to as "IRFFNC." Other words and phrases that appear in quotation marks have special meaning. Refer to Section F - Definitions.

I. MUNICIPAL EQUIPMENT - COVERAGE

A. COVERAGE

We will pay for "loss" to Covered Property from any of the Covered Causes of Loss.

1. COVERED PROPERTY, as used in this Coverage Form, means:

- a. Your municipal equipment; and
- b. Similar property of others for which you are liable in your care, custody or control; that are scheduled on the Inland Marine Schedule under the Municipal Equipment coverage.

2. PROPERTY NOT COVERED

Covered Property does not include:

- a. Automobiles, motor trucks, motorcycles, trailers or other vehicles licensed for use on public roads, aircraft or watercraft;
- b. Accounts, bills, currency, documents, records, deeds, money, notes, securities, stamps or evidences of debts;
- c. Property while in the course of manufacture;
- d. Furniture, fixtures, office supplies, improvements and betterments, tools, fittings, patterns, dies, molds and models;
- e. Land or water;
- f. Property while airborne;
- g. Property while waterborne, except while in transit on ferries operation on the navigable waters of the Continental United States and Canada (other than to or from Alaska);
- h. Contraband, or property in the course of illegal transportation or trade;
- i. Building materials and supplies;
- j. Plans, blueprints, designs, drawings, specifications or similar property; or
- k. Jewelry.

3. COVERED CAUSES OF LOSS

Covered Causes of Loss means RISKS OF DIRECT PHYSICAL "LOSS" to Covered Property except those causes of "loss" listed in the Exclusions.

4. ADDITIONAL COVERAGE - COLLAPSE

We will pay for direct "loss" caused by or resulting from risks or direct physical "loss" involving collapse of all or part of a building or structure caused by one or more of the following:

- a. Fire; lightning; windstorm; hail; explosion; smoke; aircraft; vehicles; riot; civil commotion; vandalism; breakage of glass; falling objects; weight of snow, ice or sleet; water damage; all only as covered in this Coverage Form;

IRFFNC MUNICIPAL EQUIPMENT COVERAGE FORM

- b. Hidden decay;
- c. Hidden insect or vermin damage;
- d. Weight of people or personal property;
- e. Weight of rain that collects on a roof;
- f. Use of defective materials or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation. This Additional Coverage does not increase the Limit of insurance shown in the Declarations.

5. COVERAGE EXTENSION

a. NEWLY ACQUIRED PROPERTY

We will cover additional items similar to those scheduled which you buy, lease, rent or borrow after the attachment date and during the term of this coverage. You must report these items to us within thirty (30) days after you obtain them. Premium will be charged from the date of acquisition. Failure to report new items within the thirty (30) days period will void coverage for them. Our liability for new unreported acquisitions will not be more than \$50,000 per item.

b. DEBRIS REMOVAL

We will pay your expenses you incur to remove debris of Covered Property after direct physical "loss" caused by or resulting from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days after the date of the direct physical "loss."

We will not pay more for debris removal than 10% of the amount of "loss" to the property, or \$5,000, whichever is least.

Debris Removal does not apply to:

- (a) Any loss, demand, claim, or suit arising out of or in any way related to pollution, including any cost or expense arising out of or in any way related to testing for, monitoring, cleaning up, removing, containing, treating, detoxifying, or neutralizing pollution under this Coverage Extension.
- (b) Loss or damage caused by or resulting from any loss, demand, claim, or suit arising out of or related in any way to asbestos or asbestos-containing materials under this Coverage Extension.

c. Theft Damage to Buildings

We will pay for damage caused directly by theft or attempted theft to:

- (1) That part of any building containing Covered Property; or
- (2) Equipment within the building used to maintain or service the building; only if you own the building or are legally responsible for the damage.

But, we will not pay for damage:

- (1) Caused by fire; or
- (2) To glass or to lettering or art work on glass.

This Coverage Extension is included within the Limit of insurance applicable to the Covered Property at the premises where the damage occurs.

IRFFNC MUNICIPAL EQUIPMENT COVERAGE FORM

B. EXCLUSIONS

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

- a. **GOVERNMENTAL ACTION**

Seizure or destruction of property by order of governmental 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 Form.

- b. **NUCLEAR HAZARD**

- (1) Any weapon employing atomic fission or fusion; or
- (2) Nuclear reaction or radiation, or radioactive contamination from any other cause. But we will pay for direct "loss" caused by resulting fire if the fire would be covered under this Coverage Form.

- c. **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 defending against any of these.

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

- a. Delay, loss of use, loss of market or any other consequential loss.
- b. Unexplained disappearance.
- c. Shortage found upon taking inventory.
- d. Dishonest acts by:

- (1) You, your employees, your volunteers or authorized representatives;
- (2) Anyone else with an interest in the property, or their employees or authorized representatives; or
- (3) Anyone else to whom the property is entrusted.

This exclusion applies whether or not such persons are acting alone or in collusion with other persons or such acts occur during the hours of employment.

But this exclusion does not apply to Covered Property that is entrusted to others who are carriers for hire.

- e. Processing or work upon the property.

But we will pay for direct "loss" caused by resulting fire or explosion, if these causes of "loss" would be covered under this Coverage Form.

IRFFNC MUNICIPAL EQUIPMENT COVERAGE FORM

- f. Artificially generated current creating a short circuit or other electric disturbance within the Covered Property. But we will pay for direct "loss" caused by resulting fire or explosion, if these causes of "loss" would be covered under this Coverage Form. This exclusion only applies to "loss" to that Covered Property in which the disturbance occurs.
 - g. Voluntary parting with any property by you or anyone entrusted with the property if induced to do so by any fraudulent scheme, trick, device or false pretense.
 - h. Unauthorized instructions to transfer property to any person or to any place.
 - i. Discharge, dispersal, seepage, migration, release or escape of "pollutants" unless the discharge, dispersal, seepage, migration, release or escape is itself caused by any of the Covered Causes of Loss. But if the discharge, dispersal, seepage, migration, release or escape of "pollutants" results in a Covered Cause of Loss, we will pay for the "loss" or damage caused by that Covered Cause of Loss.
3. We will not pay for a "loss" caused by or resulting from any of the following. But if "loss" 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 or 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 wherever located.
 - d. Collapse except as provided in the Additional Coverage Collapse section of this Coverage Form.
 - e. Wear and tear, any quality in the property that causes it to damage or destroy itself, hidden or latent defect, gradual deterioration, depreciation; corrosion, rust, dryness or dampness of atmosphere, cold or heat.
 - f. Mechanical or electrical breakdown or failure;
 - g. Insects, vermin, rodents;
 - h. Weight of a load exceeding the manufacturer's rated capacity of the equipment as specified in the load charts, brochures or manuals published by the manufacturer or lessor.

C. LIMITS OF INSURANCE

The most we will pay for "loss" in any one occurrence is the applicable Limit of Insurance shown in the Inland Marine Schedule under the Municipal Equipment coverage.

IRFFNC MUNICIPAL EQUIPMENT COVERAGE FORM

D. DEDUCTIBLE

We will not pay for "loss" in any one occurrence until the amount of the adjusted "loss" before applying the applicable Limits of Insurance exceeds the Deductible shown in the Declarations. We will then pay the amount of the adjusted "loss" in excess of the Deductible, up to the applicable Limit of Insurance.

The deductible amount shall be subtracted from the total amount of money damages and claim expenses including 1) loss payments and 2) investigation, adjustment, defense and/or appeal expenses, whether or not loss payment is made, resulting from each occurrence. IRFFNC shall be liable only for the amount in excess of the Deductible stated in the Declarations.

In the event of any recovery or salvage on a loss which has been paid hereunder, such recovery or salvage shall accrue entirely to the benefit of IRFFNC until the sum paid by IRFFNC has been recovered.

E. ADDITIONAL CONDITIONS

The following conditions apply in addition to the IRFFNC Inland Marine Conditions and the Common Coverage Conditions:

1. COVERAGE TERRITORY

We cover property wherever located within:

- a. The United States of America;
- b. Puerto Rico, and
- c. Canada.

2. VALUATION

The valuation condition contained in the IRFFNC Inland Marine Conditions Form is replaced by the following:

a. Owned Property.

The value of owned property will be the least of the following amounts:

- (1) The value of that property stated in the Inland Marine Schedule under the Municipal Equipment coverage; or
- (2) The cost of reasonably restoring that property to its condition immediately before the "loss"; or
- (3) The cost of replacing that property with substantially identical property.

b. Property of Others.

The value of property of others in your care, custody or control will be the least of the following amounts:

- (1) Actual cash value, including labor and materials you have added.
- (2) The cost of reasonably restoring that property to its condition immediately before the "loss"; or
- (3) The cost of replacing that property with substantially identical property.

In the event of "loss," the value of property will be determined as of the time of "loss."

However, we will not deduct depreciation on the adjustment of a partial "loss" to an item when the "loss" is less than twenty percent (20%) of the actual cash value of the item.

IRFFNC MUNICIPAL EQUIPMENT COVERAGE FORM

3. RECORDS AND INVENTORY

You will keep accurate records of your equipment and retain them for 3 years after the coverage ends.

These records will consist of:

- a. An itemized inventory of your equipment;
- b. Records of all purchases and sales whether cash or credit;
- c. Records of property of others in your care, custody or control; and
- d. Records of property you send to others for any purpose.

You will also take a physical inventory of all your equipment at least every 12 months.

F. DEFINITIONS

1. "**Loss**" means accidental loss or damage.
2. "**Pollutants**" means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes material to be recycled, reconditioned or reclaimed.

**IRFFNC GOVERNMENT CRIME COVERAGE FORM
(LOSS SUSTAINED FORM)**

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is or is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we", "us" and "our" refer to the Company providing this insurance.

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

A. Insuring Agreements

Coverage is provided under the following Insuring Agreements for which a Limit of Insurance is shown in the Declarations and applies to loss that you sustain resulting directly from an "occurrence" taking place during the Policy Period shown in the Declarations, except as provided in Condition **E.1.g**, which is "discovered" by you during the Policy Period shown in the Declarations or during the period of time provided in the Extended Period To Discover Loss Condition **E.1.d**:

1. Employee Dishonesty - Per Loss Coverage

We will pay for loss of or damage to "money", "securities" and "other property" resulting directly from "theft" committed by an "employee", whether identified or not, acting alone or in collusion with other persons, with the manifest intent to:

- (1) Cause you to sustain loss; and also
- (2) Obtain financial benefit (other than salaries, commissions, fees, bonuses, promotions, awards, profit sharing, pensions or other employee benefits earned in the normal course of employment) for:
 - (a) the "employee"; or
 - (b) Any person or organization intended by the "employee" to receive that benefit.

For the purposes of this Insuring Agreement, "theft" shall also include forgery.

2. Forgery Or Alteration

- a. We will pay for loss resulting directly from "forgery" or alteration of checks, drafts, promissory notes, or similar written promises, orders or directions to pay a sum certain in "money" that are:
 - (1) Made or drawn by or drawn upon you; or
 - (2) Made or drawn by one acting as your agent;or that are purported to have been so made or drawn.

For the purposes of this Insuring Agreement, a substitute check as defined in the Check Clearing for the 21st Century Act shall be treated in the same as the original it replaced.

- b. If you are sued for refusing to pay any instrument covered in Paragraph **2.a.**, on the basis that it has been forged or altered, and you have our written consent to defend against the suit, we will pay for any reasonable legal expenses that you incur and pay in that defense. The amount that we will pay is in addition to the Limit of Insurance applicable to this Insuring Agreement.

3. Inside The Premises - Theft Of Money And Securities

- a. We will pay for loss of "money" and "securities" inside the "premises" or "banking premises" :
 - (1) Resulting directly from "theft" committed by a person present inside such "premises" or "banking premises"; or
 - (2) Resulting directly from disappearance or destruction.

**IRFFNC GOVERNMENT CRIME COVERAGE FORM
(LOSS SUSTAINED FORM)**

- b. We will pay for loss from damage to the "premises" or its exterior resulting directly from an actual or attempted "theft" of "money" and "securities", if you are the owner of the "premises" or are liable for damage to it.
- c. We will pay for loss of or damage to a locked safe, vault, cash register, cash box or cash drawer located inside the "premises" resulting directly from an actual or attempted "theft" of or unlawful entry into those containers.

4. Outside The Premises

- a. We will pay for loss of "money" and "securities" outside the "premises" in the care and custody of a "messenger" or an armored motor vehicle company resulting directly from "theft", disappearance or destruction. "Theft" or "disappearance" of "money" or "securities" from a vehicle must show visible marks of forced entry into a securely locked body or compartment of the vehicle.
- b. We will pay for loss of or damage to "other property" outside the "premises" in the care and custody of a "messenger" or an armored motor vehicle company resulting directly from an actual or attempted "robbery".

B. Limit Of Insurance

The most we will pay for all loss resulting directly from an "occurrence" is the applicable Limit of Insurance shown in the Declarations.

If any loss is covered under more than one Insuring Agreement or Coverage, the most we will pay for such loss shall not exceed the largest Limit of Insurance available under any one of those Insuring Agreements or Coverages.

C. Deductible

We will not pay for loss resulting directly from an "occurrence" unless the amount of loss exceeds the Deductible Amount shown in the Declarations. We will then pay the amount of loss in excess of the Deductible Amount, up to the Limit of Insurance.

D. Exclusions

1. This insurance does not cover:

a. Acts Committed By You

Loss resulting from "theft" or any other dishonest act committed by you, whether acting alone or in collusion with other persons.

b. Acts Of Employees Learned Of By You Prior To The Policy Period

Loss caused by an "employee" if the "employee" had also committed "theft" or any other dishonest act prior to the effective date of this insurance and you or any of your officials, not in collusion with the "employee", learned of that "theft" or dishonest act prior to the Policy Period shown in the Declarations.

c. Acts Of Officials, Employees Or Representatives

Loss resulting from "theft" or any other dishonest act committed by any of your officials, "employees" or authorized representatives:

- (1) Whether acting alone or in collusion with other persons; or
 - (2) While performing services for you or otherwise;
- except when covered under Insuring Agreement **A.1.**

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d. Confidential Or Personal Information

Loss resulting from:

- (1) The disclosure or use of another person's or organization's confidential or personal information; or
- (2) The disclosure of your confidential or personal information. However, this Paragraph **1.d.(2)** does not apply to loss otherwise covered under this Policy that results directly from the use of your confidential or personal information.

For the purposes of this exclusion, confidential or personal information includes, but is not limited to, patents, trade secrets, processing methods, customer lists, financial information, credit card information, health information or any other type of nonpublic information.

e. Data Security Breach

Fees, costs, fines, penalties and other expenses incurred by you which are related to the access to or disclosure of another person's or organization's confidential or personal information including, but not limited to, patents, trade secrets, processing methods, customer lists, financial information, credit card information, health information or any other type of nonpublic information.

f. Governmental Action

Loss resulting from seizure or destruction of property by order of governmental authority.

g. Indirect Loss

Loss that is an indirect result of an "occurrence" covered by this insurance including, but not limited to, loss resulting from:

- (1) Your inability to realize income that you would have realized had there been no loss of or damage to "money", "securities" or "other property".
- (2) Payment of damages of any type for which you are legally liable. But, we will pay compensatory damages arising directly from a loss covered under this insurance.
- (3) Payment of costs, fees or other expenses you incur in establishing either the existence or the amount of loss under this insurance.

h. Legal Fees, Costs And Expenses

Fees, costs and expenses incurred by you which are related to any legal action, except when covered under Insuring Agreement **A.2**.

i. Nuclear Hazard

Loss or damage resulting from nuclear reaction, or radiation or radioactive contamination, however caused.

j. Pollution

Loss or damage caused by or resulting from pollution. Pollution means the discharge, dispersal, seepage, migration, release or escape of any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

k. Virtual Currency

Loss involving virtual currency of any kind, by whatever name known, whether actual or fictitious including, but not limited to, digital currency, crypto currency or any other type of electronic currency.

l. War And Similar Actions

Loss or damage resulting from:

- (1) War, including undeclared or civil war;

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- (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 defending against any of these.

2. Insuring Agreement A.1. does not cover:

a. Bonded Employees

Loss caused by any "employee" required by law to be individually bonded.

b. Inventory Shortages

Loss, or that part of any loss, the proof of which as to its existence or amount is dependent upon:

- (1) An inventory computation; or
- (2) A profit and loss computation.

However, where you establish wholly apart from such computations that you have sustained a loss, then you may offer your inventory records and actual physical count of inventory in support of the amount of loss claimed.

c. Trading

Loss resulting from trading, whether in your name or in a genuine or fictitious account.

d. Treasurers Or Tax Collectors

Loss caused by any treasurer or tax collector by whatever name known.

e. Employees Insured under a Separate Crime Form

Loss caused by an "employee" that is covered by another crime form, such as, but not limited to an Official Bond, Public Official Bond or Public Official Schedule Bond.

3. Insuring Agreements A.3. and A.4. do not cover:

a. Accounting Or Arithmetical Errors Or Omissions

Loss resulting from accounting or arithmetical errors or omissions.

b. Exchanges Or Purchases

Loss resulting from the giving or surrendering of property in any exchange or purchase.

c. Fire

Loss or damage resulting from fire, however caused, except:

- (1) Loss of or damage to "money" and "securities"; and
- (2) Loss from damage to a safe or vault.

d. Money Operated Devices

Loss of property contained in any money operated device unless the amount of "money" deposited in it is recorded by a continuous recording instrument in the device.

e. Motor Vehicles Or Equipment And Accessories

Loss of or damage to motor vehicles, trailers or semi-trailers or equipment and accessories attached to them.

f. Transfer Or Surrender Of Property

- (1) Loss of or damage to property after it has been transferred or surrendered to a person or place outside the "premises" or "banking premises":
 - (a) On the basis of unauthorized instructions;
 - (b) As a result of a threat to do bodily harm to any person;
 - (c) As a result of a threat to do damage to any property;

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- (d) As a result of a threat to introduce a denial of service attack into your computer system;
- (e) As a result of a threat to introduce a virus or other malicious instruction into your computer system which is designed to damage, destroy or corrupt data or computer programs stored within your computer system;
- (f) As a result of a threat to contaminate, pollute or render substandard your products or goods;
or
- (g) As a result of a threat to disseminate, divulge or utilize:
 - (i) Your confidential information; or
 - (ii) Weaknesses in the source code within your computer system.
- (2) But, this Exclusion does not apply under Insuring Agreement **A.4.** to loss of "money", "securities" or "other property" while outside the "premises" in the care and custody of a "messenger" if you:
 - (a) Had no knowledge of any threat at the time the conveyance began; or
 - (b) Had knowledge of a threat at the time the conveyance began, but the loss was not related to the threat.

g. Vandalism

Loss from damage to the "premises" or its exterior, or to any safe, vault, cash register, cash box, cash drawer or "other property" by vandalism or malicious mischief.

h. Voluntary Parting Of Title To Or Possession Of Property

Loss resulting from your, or anyone acting on your express or implied authority, being induced by any dishonest act to voluntarily part with title to or possession of any property.

- i. Contraband or property in the course of illegal transportation or trade.
- j. "Money" left unattended away from the insured premises unless in the care and custody of a "messenger" or an armored motor vehicle company.

E. Conditions

The following Conditions apply in addition to the Common Policy Conditions:

1. Conditions Applicable To All Insuring Agreements

a. Concealment, Misrepresentation Or Fraud

This insurance is void in any case of fraud by you as it relates to this insurance at any time. It is also void if you or any other Insured, at any time, intentionally conceal or misrepresent a material fact concerning:

- (1) This insurance;
- (2) The property covered under this insurance;
- (3) Your interest in the property covered under this insurance; or
- (4) A claim under this insurance.

b. Cooperation

You must cooperate with us in all matters pertaining to this insurance as stated in its terms and conditions.

c. Duties In The Event Of Loss

After you "discover" a loss or a situation that may result in loss of or damage to "money", "securities" or "other property" you must:

- (1) Notify us as soon as possible. If you have reason to believe that any loss (except for loss covered under Insuring Agreements **A.1.** or **A.2.**) involves a violation of law, you must also notify the local law enforcement authorities.

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- (2) Submit to examination under oath at our request and give us a signed statement of your answers.
- (3) Produce for our examination all pertinent records.
- (4) Give us a detailed, sworn proof of loss within 120 days.
- (5) Cooperate with us in the investigation and settlement of any claim.

d. Extended Period To Discover Loss

We will pay for loss that you sustained prior to the effective date of cancellation of this insurance, which is "discovered" by you no later than 1 year from the date of that cancellation.

However, this extended period to "discover" loss terminates immediately upon the effective date of any other insurance obtained by you, whether from us or another insurer, replacing in whole or in part the coverage afforded under this insurance, whether or not such other insurance provides coverage for loss sustained prior to its effective date.

e. Legal Action Against Us

You may not bring any legal action against us involving loss:

- (1) Unless you have complied with all the terms of this insurance;
- (2) Until 90 days after you have filed proof of loss with us; and
- (3) Unless brought within 3 years from the date you "discovered" the loss.

If any limitation in this condition is prohibited by law, such limitation is amended so as to equal the minimum period of limitation provided by such law.

f. Liberalization

If we adopt any revision that would broaden the coverage under this insurance without additional premium within 45 days prior to or during the Policy Period shown in the Declarations, the broadened coverage will immediately apply to this insurance.

g. Loss Sustained During Prior Insurance Issued By Us

(1) Loss Sustained Partly During This Insurance And Partly During Prior Insurance

If you "discover" loss during the Policy Period shown in the Declarations, resulting directly from an "occurrence" taking place:

- (a) Partly during the Policy Period shown in the Declarations; and
- (b) Partly during the Policy Period(s) of any prior cancelled insurance that we issued to you;

and this insurance became effective at the time of cancellation of the prior insurance, we will first settle the amount of loss that you sustained during this Policy Period. We will then settle the remaining amount of loss that you sustained during the Policy Period(s) of the prior insurance.

(2) Loss Sustained Entirely During Prior Insurance

If you "discover" loss during the Policy Period shown in the Declarations, resulting directly from an "occurrence" taking place entirely during the Policy Period(s) of any prior cancelled insurance that we issued to you, we will pay for the loss, provided:

- (a) This insurance became effective at the time of cancellation of the prior insurance; and
- (b) The loss would have been covered under this insurance had it been in effect at the time of the "occurrence".

We will first settle the amount of loss that you sustained during the most recent prior insurance. We will then settle any remaining amount of loss that you sustained during the Policy Period(s) of any other prior insurance.

- (3) In settling loss under Paragraphs g.(1) and g.(2):

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- (a) The most we will pay for the entire loss is the highest single Limit of Insurance applicable during the period of loss, whether such limit was written under this insurance or was written under the prior insurance issued by us.
- (b) We will apply the applicable Deductible Amount shown in the Declarations to the amount of loss sustained under this insurance. If no loss was sustained under this insurance, we will apply the Deductible Amount shown in the Declarations to the amount of loss sustained under the most recent prior insurance.

If the Deductible Amount is larger than the amount of loss sustained under this insurance, or the most recent prior insurance, we will apply the remaining Deductible Amount to the remaining amount of loss sustained during the prior insurance.

We will not apply any other Deductible Amount that may have been applicable to the loss.

- (4) The following examples demonstrate how we will settle losses subject to this condition:

Example Number 1:

The insured sustained a covered loss of \$10,000 resulting directly from an "occurrence" taking place during the terms of Policy A and Policy B.

Policy A

The current policy. Written at a Limit of Insurance of \$50,000 and a Deductible Amount of \$5,000.

Policy B

Issued prior to Policy A. Written at a Limit of Insurance of \$50,000 and a Deductible Amount of \$5,000.

Settlement of Loss

The amount of loss sustained under Policy A is \$2,500 and under Policy B is \$7,500.

The highest single Limit of Insurance applicable to this entire loss is \$50,000 written under Policy A. The Policy A Deductible Amount of \$5,000 applies. The loss is settled as follows:

1. The amount of loss sustained under Policy A (\$2,500) is settled first. The amount we will pay is nil (\$0.00) because the amount of loss is less than the Deductible Amount (i.e., \$2,500 loss - \$5,000 deductible = \$0.00).
2. The remaining amount of loss sustained under Policy B (\$7,500) is settled next. The amount recoverable is \$5,000 after the remaining Deductible Amount from Policy A of \$2,500 is applied to the loss (i.e., \$7,500 loss - \$2,500 deductible = \$5,000).

The most we will pay for this loss is \$5,000.

Example Number 2:

The insured sustained a covered loss of \$250,000 resulting directly from an "occurrence" taking place during the terms of Policy A and Policy B.

Policy A

The current policy. Written at a Limit of Insurance of \$125,000 and a Deductible Amount of \$10,000.

Policy B

Issued prior to Policy A. Written at a Limit of Insurance of \$150,000 and a Deductible Amount of \$25,000.

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Settlement of Loss

The amount of loss sustained under Policy **A** is \$175,000 and under Policy **B** is \$75,000.

The highest single Limit of Insurance applicable to this entire loss is \$150,000 written under Policy **B**. The Policy **A** Deductible Amount of \$10,000 applies. The loss is settled as follows:

1. The amount of loss sustained under Policy **A** (\$175,000) is settled first. The amount we will pay is the Policy **A** Limit of \$125,000 because \$175,000 loss - \$10,000 deductible = \$165,000 which is greater than the \$125,000 policy limit.
2. The remaining amount of loss sustained under Policy **B** (\$75,000) is settled next. The amount we will pay is \$25,000 (i.e., \$150,000 Policy **B** limit - \$125,000 paid under Policy **A** = \$25,000).

The most we will pay for this loss is \$150,000.

Example Number 3:

The insured sustained a covered loss of \$2,000,000 resulting directly from an "occurrence" taking place during the terms of Policies A, B, C, and D.

Policy A

The current policy. Written at a Limit of Insurance of \$1,000,000 and a Deductible Amount of \$100,000.

Policy B

Issued prior to Policy A. Written at a Limit of Insurance of \$750,000 and a Deductible Amount of \$75,000.

Policy C

Issued prior to Policy B. Written at a Limit of Insurance of \$500,000 and a Deductible Amount of \$50,000.

Policy D

Issued prior to Policy C. Written at a Limit of Insurance of \$500,000 and a Deductible Amount of \$50,000.

Settlement of Loss

The amount of loss sustained under Policy **A** is \$350,000, under Policy **B** is \$250,000, under Policy **C** is \$600,000 and under Policy **D** is \$800,000.

The highest single Limit of Insurance applicable to this entire loss is \$1,000,000 written under Policy **A**. The Policy **A** Deductible Amount of \$100,000 applies. The loss is settled as follows:

1. The amount of loss sustained under Policy **A** (\$350,000) is settled first. The amount we will pay is \$250,000 (i.e., \$350,000 loss - \$100,000 deductible = \$250,000).
2. The amount of loss sustained under Policy **B** (\$250,000) is settled next. The amount we will pay is \$250,000 (no deductible is applied).
3. The amount of loss sustained under Policy **C** (\$600,000) is settled next. The amount we will pay is \$500,000, the policy limit (no deductible is applied).
4. We will not make any further payments under Policy **D** as the maximum amount payable under the highest single Limit of Insurance applying to the loss of \$1,000,000 under Policy **A** has been satisfied.

The most we will pay for this loss is \$1,000,000.

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h. Loss Sustained During Prior Insurance Not Issued By Us

- (1) If you "discover" loss during the Policy Period shown in the Declarations, resulting directly from an "occurrence" taking place during the policy period of any prior cancelled insurance that was issued to you by another company, and the period of time to discover loss under that insurance had expired, we will pay for the loss under this insurance, provided:
 - (a) This insurance became effective at the time of cancellation of the prior insurance; and
 - (b) The loss would have been covered under this insurance had it been in effect at the time of the "occurrence".
- (2) In settling loss subject to this Condition:
 - (a) The most we will pay for the entire loss is the lesser of the Limits of Insurance applicable during the period of loss, whether such limit was written under this insurance or was written under the prior cancelled insurance.
 - (b) We will apply the applicable Deductible Amount shown in the Declarations to the amount of loss sustained under the cancelled insurance.
- (3) The insurance provided under this Condition is subject to the following:
 - (a) If loss covered under this Condition is also partially covered under Condition **E.1.g.**, the amount recoverable under this Condition is part of, not in addition to, the amount recoverable under Condition **E.1.g.**
 - (b) For loss covered under this Condition that is not subject to Paragraph **h.(3)(a)**, the amount recoverable under this Condition is part of, not in addition to, the Limit of Insurance applicable to the loss covered under this insurance and is limited to the lesser of the amount recoverable under:
 - (i) This insurance as of its effective date; or
 - (ii) The prior cancelled insurance had it remained in effect.

i. Other Insurance

If other valid and collectable insurance is available to you for loss covered under this insurance, our obligations are limited as follows:

(1) Primary Insurance

When this insurance is written as primary insurance, and;

- (a) You have other insurance subject to the same terms and conditions as this insurance, we will pay our share of the covered loss. Our share is the proportion that the applicable Limit of Insurance shown in the Declarations bears to the total limit of all insurance covering the same loss.
- (b) You have other insurance covering the same loss other than that described in Paragraph **i.(1)(a)**, we will only pay for the amount of loss that exceeds:
 - (i) The Limit of Insurance and Deductible Amount of that other insurance, whether you can collect on it or not; or
 - (ii) The Deductible Amount shown in the Declarations;whichever is greater. Our payment for loss is subject to the terms and conditions of this insurance.

(2) Excess Insurance

- (a) When this insurance is written excess over other insurance, we will only pay for the amount of loss that exceeds the Limit of Insurance and Deductible Amount of that other insurance, whether you can collect on it or not. Our payment for loss is subject to the terms and

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conditions of this insurance.

- (b) However, if loss covered under this insurance is subject to a Deductible, we will reduce the Deductible Amount shown in the Declarations by the sum total of all such other insurance plus any Deductible Amount applicable to that other insurance.

j. Ownership Of Property; Interests Covered

The property covered under this insurance is limited to property:

- (1) That you own or lease; or
- (2) That you hold for others whether or not you are legally liable for the loss of such property.

However, this insurance is for your benefit only. It provides no rights or benefits to any other person or organization. Any claim for loss that is covered under this insurance must be presented by you.

k. Records

You must keep records of all property covered under this insurance so we can verify the amount of any loss.

l. Recoveries

- (1) Any recoveries, whether effected before or after any payment under this insurance, whether made by us or you, shall be applied net of the expense of such recovery:
 - (a) First, to you in satisfaction of your covered loss in excess of the amount paid under this insurance;
 - (b) Second, to us in satisfaction of amounts paid in settlement of your claim;
 - (c) Third, to you in satisfaction of any Deductible Amount; and
 - (d) Fourth, to you in satisfaction of any loss not covered under this insurance.
- (2) Recoveries do not include any recovery:
 - (a) From insurance, suretyship, reinsurance, security or indemnity taken for our benefit; or
 - (b) Of original "securities" after duplicates of them have been issued.

m. Territory

This insurance covers loss that you sustain resulting directly from an "occurrence" taking place within the United States of America (including its territories and possessions) and Puerto Rico.

n. Transfer Of Your Rights And Duties Under This Policy

Your rights and duties under this Policy may not be transferred without our written consent.

o. Transfer Of Your Rights Of Recovery Against Others To Us

You must transfer to us all your rights of recovery against any person or organization for any loss you sustained and for which we have paid or settled. You must also do everything necessary to secure those rights and do nothing after loss to impair them.

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p. Valuation - Settlement

(1) The value of any loss for purposes of coverage under this policy shall be determined as follows:

- (a) Loss of "money" but only up to and including its face value.
- (b) Loss of "securities" but only up to and including their value at the close of business on the day the loss was "discovered". We may, at our option:
 - (i) Pay the market value of such "securities" or replace them in kind, in which event you must assign to us all your rights, title and interest in and to those "securities"; or
 - (ii) Pay the cost of any Lost Securities Bond required in connection with issuing duplicates of the "securities". However, we will be liable only for the payment of so much of the cost of the bond as would be charged for a bond having a penalty not exceeding the lesser of the:
 - i. Market value of the "securities" at the close of business on the day the loss was "discovered"; or
 - ii. The Limit of Insurance applicable to the "securities".

(c) Loss of or damage to "other property" or loss from damage to the "premises" or its exterior for the replacement cost of the property without deduction for depreciation. However, we will not pay more than the least of the following:

- (i) The cost to replace the lost or damaged property with property of comparable material and quality and used for the same purpose;
- (ii) The amount you actually spend that is necessary to repair or replace the lost or damaged property; or.
- (iii) The Limit of Insurance applicable to the lost or damaged property.

With regard to Paragraphs **p.(1)(c)(i)** through **p.(1)(c)(iii)**, we will not pay on a replacement cost basis for any loss or damage:

- i. Until the lost or damaged property is actually repaired or replaced; and
- ii. Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage.

If the lost or damaged property is not repaired or replaced, we will pay on an actual cash value basis.

(2) Any property that we pay for or replace becomes our property.

2. Conditions Applicable To Insuring Agreement A.1.

a. Indemnification

We will indemnify any of your officials who are required by law to give individual bonds for the faithful performance of their duties against loss through "theft" committed by "employees" who serve under them, subject to the applicable Limit of Insurance.

b. Termination As To Any Employee

This Insuring Agreement terminates as to any "employee" by either (1) or (2) below:

(1) As soon as:

- (a) You; or
- (b) Any of your officials or employees authorized to manage, govern or control your "employees" not in collusion with the "employee";

learn of "theft" or any other dishonest act committed by the "employee" whether before or after becoming employed by you.

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(2) On the date specified in a notice mailed to the first Named Insured. That date will be at least 30 days after the date of mailing.

We will mail or deliver our notice to the first Named Insured's last mailing address known to us. If notice is mailed, proof of mailing will be sufficient proof of notice.

c. Territory

We will pay for loss caused by any "employee" while temporarily outside the territory specified in the Territory Condition **E.1.m.** for a period of not more than 90 consecutive days.

3. Conditions Applicable To Insuring Agreement A.2.

a. Deductible Amount

The Deductible Amount does not apply to legal expenses paid under Insuring Agreement **A.2.**

b. Electronic and Mechanical Signatures

We will treat signatures that are produced or reproduced electronically, mechanically or by other means the same as handwritten signatures.

c. Proof Of Loss

You must include with your proof of loss any instrument involved in that loss, or, if that is not possible, an affidavit setting forth the amount and cause of loss.

d. Territory

We will cover loss that you sustain resulting directly from an "occurrence" taking place anywhere in the world. Territory Condition **E.1.m.** does not apply to Insuring Agreement **A.2.**

4. Conditions Applicable To Insuring Agreement A.4.

a. Armored Motor Vehicle Companies

Under Insuring Agreement **A.4.**, we will only pay for the amount of loss you cannot recover:

- (1) Under your contract with the armored motor vehicle company; and
- (2) From any insurance or indemnity carried by, or for the benefit of customers of, the armored motor vehicle company.

b. Special Limit Of Insurance For Specified Property

We will only pay up to \$5,000 for any one "occurrence" of loss of or damage to manuscripts, drawings, or records of any kind, or the cost of reconstructing them or reproducing any information contained in them.

F. Definitions

1. "Banking premises" means the interior of that portion of any building occupied by a banking institution or similar safe depository.
2. "Counterfeit money" means an imitation of "money" which is intended to deceive and to be taken as genuine. .
3. "Custodian" means you, or any "employee" while having care and custody of property inside the "premises", excluding any person while acting as a "watchperson" or janitor.
4. "Discover" or "discovered" means the time when you first become aware of facts which would cause a reasonable person to assume that a loss of a type covered by this insurance has been or will be incurred, regardless of when the act or acts causing or contributing to such loss occurred, even though the exact amount or details of loss may not then be known.

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"Discover" or "discovered" also means the time when you first receive notice of an actual or potential claim in which it is alleged that you are liable to a third party under circumstances which, if true, would constitute a loss under this insurance.

5. "Employee":

a. "Employee" means:

(1) Any natural person:

- (a)** While in your service and for the first 30 days immediately after termination of service, unless such termination is due to "theft" or any other dishonest act committed by the "employee";
- (b)** Who you compensate directly by salary, wages or commissions; and
- (c)** Who you have the right to direct and control while performing services for you;

(2) Any natural person who is furnished temporarily to you:

- (a)** To substitute for a permanent "employee" as defined in Paragraph **5.a.(1)**, who is on leave; or

(b) To meet seasonal or short-term work load conditions;

while that person is subject to your direction and control and performing services for you, excluding, however, any such person while having care and custody of property outside the "premises";

(3) Any natural person who is leased to you under a written agreement between you and a labor leasing firm, to perform duties related to the conduct of your business, but does not mean a temporary employee as defined in Paragraph **5.a.(2);**

(4) Any natural person who is a former official, "employee" or trustee retained as a consultant while performing services for you; or

(5) Any natural person who is a guest student or intern pursuing studies or duties, excluding, however, any such person while having care and custody of property outside the "premises".

b. "Employee" does not mean any agent, independent contractor or representative of the same general character not specified in Paragraph **5.a.**

6. "Forgery" means the signing of the name of another person or organization with intent to deceive; it does not mean a signature which consists in whole or in part of one's own name signed with or without authority, in any capacity, for any purpose.

7. "Funds" means "money" and "securities".

8. "Messenger" means you or any "employee" while having care and custody of property outside the "premises".

9. "Money" means:

- a.** Currency, coins and bank notes in current use and having a face value; and
- b.** Travelers checks, register checks and money orders held for sale to the public.

10. "Occurrence" means:

a. Under Insuring Agreement **A.1.:**

- (1)** An individual act;
- (2)** The combined total of all separate acts whether or not related; or
- (3)** A series of acts whether or not related;

committed by an "employee" acting alone or in collusion with other persons, during the Policy Period shown in the Declarations, except as provided under Condition **E.1.g.** or **E.1.h.**

b. Under Insuring Agreement **A.2.:**

**IRFFNC GOVERNMENT CRIME COVERAGE FORM
(LOSS SUSTAINED FORM)**

- (1) An individual act;
 - (2) The combined total of all separate acts whether or not related; or
 - (3) A series of acts whether or not related;
- committed by a person acting alone or in collusion with other persons, involving one or more instruments, during the Policy Period shown in the Declarations, except as provided under Condition **E.1.g.** or **E.1.h.**
- c. Under All Other Insuring Agreements:
- (1) An individual act or event;
 - (2) The combined total of all separate acts or events whether or not related; or
 - (3) A series of acts or events whether or not related;
- committed by a person acting alone or in collusion with other persons, or not committed by any person, during the Policy Period shown in the Declarations, except as provided under Condition **E.1.g.** or **E.1.h.**
11. "Other property" means any tangible property other than "money" and "securities" that has intrinsic value. "Other property" does not include computer programs, electronic data or any property specifically excluded under this insurance.
12. "Premises" means the interior of that portion of any building you occupy in conducting your business.
13. "Robbery" means the unlawful taking of property from the care and custody of a person by one who has:
- a. Caused or threatened to cause that person bodily harm; or
 - b. Committed an obviously unlawful act witnessed by that person.
14. "Safe burglary" means the unlawful taking of:
- a. Property from within a locked safe or vault by a person unlawfully entering the safe or vault as evidenced by marks of forcible entry upon its exterior; or
 - b. A safe or vault from inside the "premises".
15. "Securities" means negotiable and nonnegotiable instruments or contracts representing either "money" or property and includes:
- a. Tokens, tickets, revenue and other stamps (whether represented by actual stamps or unused value in a meter) in current use; and
 - b. Evidences of debt issued in connection with credit or charge cards, which cards are not issued by you;
- but does not include "money".
16. "Theft" means the unlawful taking of property to the deprivation of the Insured.
17. "Watchperson" means any person you retain specifically to have care and custody of property inside the "premises" and who has no other duties.

BUILDING & PERSONAL PROPERTY COVERAGE FORM ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EXCLUSION OF CERTAIN COMPUTER-RELATED LOSSES

This endorsement modifies coverage provided under the following:

IRFFNC GOVERNMENT CRIME COVERAGE FORM

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

1. The failure, malfunction or inadequacy of:

a. Any of the following, whether belonging to any insured or to others:

- (1)** Computer hardware, including microprocessors;
- (2)** Computer application software;
- (3)** Computer operating systems and related software;
- (4)** Computer networks;
- (5)** Microprocessors (computer chips) not part of any computer system; or
- (6)** Any other computerized or electronic equipment or components; or

b. Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed in Paragraph **A.1.a.** of this endorsement;

due to the inability to correctly recognize, process, distinguish, interpret or accept one or more dates or times. An example is the inability of computer software to recognize the year 2000.

2. Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to determine, rectify or test for, any potential or actual problems described in Paragraph **A.1.** of this endorsement.

B. If an excluded Cause of Loss as described in Paragraph **A.** of this endorsement results:

1. In a Covered Cause of Loss under the IRFFNC BOND/Crime Coverage Form, the IRFFNC Public Officials Bond Coverage Form or the IRFFNC Building and Personal Property Coverage Form; or

2. Under the IRFFNC Building & Personal Property Coverage Form in a “Specified Cause of Loss”;

we will pay only for the loss (“loss”) or damage caused by such “Specified Cause of Loss” or Covered Cause of Loss.

C. We will not pay for repair, replacement or modification of any items in Paragraph **A.1.a.** and **A.1.b.** of this endorsement to correct any deficiencies or change any features.

Interlocal Risk Financing Fund of North Carolina

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**ADD FAITHFUL PERFORMANCE OF DUTY COVERAGE FOR
GOVERNMENT EMPLOYEES**

This endorsement modifies insurance provided under the following:

IRFFNC GOVERNMENT CRIME COVERAGE FORM

and applies to the **Employee Dishonesty – Per Loss Coverage Insuring Agreement**:

1. The following is added to the **Employee Dishonesty – Per Loss Coverage Insuring Agreement**:

We will pay for loss or damage to "money", "securities" and "other property" resulting directly from the failure of any "employee" to faithfully perform his or her duties as prescribed by law, when such failure has as its direct and immediate result a loss of your covered property. The most we will pay for loss arising out of any one "occurrence" is the Limit of Insurance shown in the Declarations.

2. The following exclusions are added to Section **D.2. Exclusions**:

- a. Loss resulting from the failure of any entity acting as a depository for your property or property for which you are responsible.
- b. Damages for which you are legally liable as a result of:
 - (1) The deprivation or violation of the civil rights of any person by an "employee"; or
 - (2) The tortious conduct of an "employee", except the conversion of property of other parties held by you in any capacity.

3. The **Indemnification** Condition is replaced by the following:

We will indemnify any of your officials who are required by law to give bonds for the faithful performance of their duties against loss through the failure of any "employee" under the supervision of that official to faithfully perform his or her duties as prescribed by law, when such failure has as its direct and immediate result a loss of your covered property.

4. Paragraph (1) of the **Termination As To Any Employee** Condition is replaced by the following:

- (1) As soon as:
 - (a) You; or
 - (b) Any official or employee authorized to manage, govern or control your "employees";learn of any act committed by the "employee" whether before or after becoming employed by you which would constitute a loss covered under the terms of the **Employee Dishonesty – Per Loss Coverage Insuring Agreement**, as amended by this endorsement.

INFORMATION SECURITY & PRIVACY INSURANCE WITH ELECTRONIC MEDIA LIABILITY COVERAGE

IRFFNC MEMBER CERTIFICATE OF COVERAGE

Item 1.	Aggregate Sublimits per Member/Named Insured	\$250,000
	Applicable to the following:	
	A. Information Security and Privacy Liability	
	B. Privacy Notification Costs	
	C. Regulatory Defense and Penalties	
	D. Website Media Content Liability	
	E. PCI Fines, Expenses and Costs	
	FP-A. Cyber Extortion	
	FP-B. First Party Data Protection	
	FP-C. First Party Network Business Interruption	
	1. Forensic Expenses	
	2. Dependent Business Loss	
	G. ECrime: Fraudulent Instruction, Funds Transfer Fraud, & Telephone Fraud - \$10,000 Sublimit	

*The above sublimits are part of, and not in addition to, the overall **Policy Aggregate Limit of Liability**

Item 2.	Retentions:	
	A. Each Claim Retention, Security Breach Retention or ECrime , includes Claims Expenses per Member/Named Insured	\$5,000
	B. Each incident, event or related incidents or events giving rise to an obligation to pay Privacy Notification Costs pursuant to Insuring Agreement B per Member/Named Insured	\$5,000
	C. Each Extortion Threat Retention per Member/Named Insured	\$1,000
	Waiting Period per Member/Named Insured	10 hours
Item 3.	A. Limit of Liability per Claim for All Members	\$2,000,000

B. Policy Aggregate Limit of Liability for All Members	\$10,000,000
C. Aggregate Sublimits of coverage applicable to the following:	\$10,000,000
A. Information Security and Privacy Liability	
B. Privacy Notification Costs	
C. Regulatory Defense and Penalties	
FP-A. Cyber Extortion Loss	
FP-B. Data Protection Loss	
FP-C. Business Interruption Loss	
D. Aggregate Sublimits of coverage applicable to the following:	\$2,500,000
D. Website Media Content Liability	
E. PCI Fines, Expenses and Costs	
1. Forensic Expenses	
2. Dependent Business Loss	

*The above sublimits are part of, and not in addition to, the overall **Policy Aggregate Limit of Liability**

Item 4. **Retroactive & Continuity Dates:**

A. Retroactive Date	7-1-2017
Retroactive Date - ECrime	7-1-2020
B. Continuity Date	7-1-2017
Continuity Date – ECrime	7-1-2020

Item 5. **Notification under this Policy:**

- A. Claims and Incidents:
 Beazley Group
 Attn: TMB Claims Group
 1270 Avenue of the Americas, 12th Floor
 New York, NY 10020
 Tel: (646) 943-5912

Email: tmbclaims@beazley.com

IRFFNC PUBLIC OFFICIALS LIABILITY COVERAGE FORM

THIS POLICY PROVIDES CLAIMS-MADE COVERAGE. PLEASE READ THE ENTIRE FORM CAREFULLY.

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Interlocal Risk Financing Fund of North Carolina, hereinafter called IRFFNC.

The word "insured" means any person or organization qualifying as such under SECTION II - WHO IS AN INSURED.

Other words and phrases that appear in quotation marks have special meaning. Refer to SECTION VI - DEFINITIONS.

I. SECTION I – PUBLIC OFFICIALS LIABILITY COVERAGE

1. Insuring Agreement.

- a. We will pay those sums that the insured becomes legally obligated to pay as damages resulting from "claims", to which this insurance applies, against the insured by reason of "public official(s) wrongful act(s)" rendered in discharging duties on behalf of the public entity named in the Declarations. No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under SUPPLEMENTARY PAYMENTS. This insurance does not apply to "public official(s) wrongful act(s)" which occurred in whole or in part prior to the Retroactive Date or which occur after the policy period . If no retroactive date is shown in the declarations, the retroactive date will be the effective date of this coverage part. We may, at our discretion, investigate and settle any "claim" or "suit". We will have the right and duty to defend any "suit" seeking those damages. But:
 - (1) The amount we will pay for damages is limited as described in SECTION III - LIMITS OF INSURANCE; and
 - (2) Our right and duty to defend end when we have used up the applicable limit of insurance in the payment of judgments or settlements.
- b. This insurance applies only if a "claim" for damages because of the "public official(s) wrongful act(s)" is first made against any insured during the policy period .
 - (1) A "claim" by a person or organization seeking damages will be deemed to have been made when notice of such "claim" is received and recorded by any insured or by us, whichever comes first.
 - (2) All "claims" for damages resulting from or involving the same "public official(s) wrongful act(s)" or one "public official(s) wrongful act(s)" will be deemed to have been made at the time the first of those "claims" is made against any insured.
 - (3) All "claims" based on or arising out of the same or related "public official(s) wrongful act(s)" or offenses by one or more insureds shall be considered first made when the first of such "claims" is made. Related "public official(s) wrongful act(s)" means two or more wrongful acts that have as a common nexus any fact, circumstance, situation, event, transaction, cause, or series of related facts, circumstances, situations, events, transactions, or causes.

IRFFNC PUBLIC OFFICIALS LIABILITY COVERAGE FORM

2. Exclusions.

This insurance does not apply to any "claim" made against the insured:

- a. Based upon or attributable to the insured gaining any profit, advantage or remuneration to which the insured is not entitled.
- b. Which are brought or contributed to in fact by any dishonest or by fraudulent act or omission or any criminal act or omission of the insured.
- c. For any damage arising out of the willful violation of any federal, state, or local statute, ordinance, rule or regulation committed by or with the knowledge and consent of any insured. Nor shall we have any obligation to indemnify the insured for any loss, cost, civil fine, penalty or expense against any insured arising from any complaint or enforcement action from any federal, state or local governmental regulatory agency.
- d. For any damage arising from "bodily injury", "property damage", including diminution of value or loss of use, "personal and advertising injury", or acts committed in the "administration" of your "employee benefit program."
- e. Any "claim" or "suit" seeking punitive or exemplary damages. If a "suit" shall have been brought against the insured for a "claim" falling within the coverage provided by this policy, seeking both compensatory and punitive or exemplary damages, we will afford a defense to such action, but we shall not have an obligation to pay for any cost, interest, or damages attributed to punitive or exemplary damages.
- f. For false arrest, false imprisonment, libel, slander, defamation, invasion of privacy, wrongful eviction, assault, battery, malicious prosecution, or abuse of process by any insured.
- g. Arising out of the activities of any law enforcement agency or law enforcement personnel, including the operation of adult and juvenile detention facilities.
- h. As a result of strikes, riots or civil commotion.
- i. For which the insured is entitled to indemnity or payment by reason of having given notice of any circumstances which might give rise to a "claim" under any policy or policies the term of which has expired prior to the inception date of this policy.
- j. Arising out of any insured's (1) obligations under the Employee Retirement Income Security Act of 1974 (ERISA), including subsequent amendments or any similar federal, state or local law or regulation; or (2) administration of any employee benefit plan or self-insurance fund.
- k. For "claims" or "suits" seeking relief or redress in any form other than compensatory damages. Nor shall we have any obligation to indemnify the insured for any costs, fees including attorneys fees, or expenses which the insured shall become obligated to pay as a result of an adverse judgment for injunctive or declaratory relief; however, we will afford defense to the insured for such "claims" or "suits", if not otherwise excluded, where compensatory damages are requested. However, IRFFNC will afford defense to the insured for such "claims" as provided in Section I - Supplementary Payments.
- l. For any damages arising out of or in any way connected with the operation of the principles of eminent domain, adverse possession, dedication by adverse use, inverse condemnation or condemnation proceedings, by whatever name used.
- m. Directly or indirectly arising out of (1) any debt financing, including but not limited to bonds, notes, debentures and guaranties of debt; or (2) the formulation of tax rates, the collection of taxes and/or the disbursement of tax refunds; or (3) investment activities under the direction of the Named Insured; or (4) any activity for which the insured is acting in a fiduciary capacity.

IRFFNC PUBLIC OFFICIALS LIABILITY COVERAGE FORM

- n. For "claims" arising from procurement, service, construction, architect, or engineer contracts, including but not limited to the insured's intentional interference with said contracts.
- o. Based upon or attributable to any failure or omission of the insured to purchase or maintain insurance of any kind.
- p. Arising from a publication or utterance in the course of or related to advertising, broadcasting or telecasting activities conducted by or on behalf of the public entity.
- q. For any loss, cost, or expense arising, in whole or part, out of any of the following: (1) the actual alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants at any time; or (2) any request, demand or order that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of pollutants; or (3) any "claim" or "suit" by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of pollutants. Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.
- r. For any liability, including all loss, cost, or expense directly or indirectly arising out of, resulting as a consequence of, or related to lead, whether or not there is another cause of loss which may have contributed concurrently or in any sequence to a loss, as described in paragraphs (1) through (4) below:
 - (1) Any damages arising out of, resulting from, caused by, or contributed to by lead, ingestion, inhalation or absorption of lead in any form, exposure to lead, the use or existence of lead or contact with lead;
 - (2) Any damages or any loss or expense arising out of any:
 - (a) "Claim" or "suit" by or on behalf of any governmental authority or any other alleged responsible party because of, or
 - (b) Request, demand, order or statutory or regulatory requirement that any insured or any other person or entity should be, or should be responsible for:
 - (i) Assessing the presence, absence or amount or effects of lead;
 - (ii) Identifying, sampling or testing for, detecting, monitoring, cleaning up, removing, containing, treating, detoxifying, neutralizing, abating, disposing of or mitigating lead; or
 - (iii) Responding to lead in any way other than as described in r.(2)(b)(i) and r.(2)(b)(ii) above.
 - (3) Any supervision, instructions, recommendations, warnings or advice given or which should have been given in connection with any of the subsections above; or
 - (4) Any obligation to share damages with or repay someone else in connection with any of the subsections above.
- s. For any loss, cost or expense arising, in whole or part, out of any of the following: (1) any cost or expense arising out of, resulting from, caused or contributed to by electromagnetic fields, provided that such injury or damage results from or is contributed to by the hazardous properties of electromagnetic fields; (2) the costs of abatement or mitigation of (i) electromagnetic fields or (ii) exposure to electromagnetic fields; (3) any supervision, instructions, recommendations, warning or advice given or which should have been given in connection with parts (1) or (2) above; or (4) any obligation to share damages with or repay someone else who must pay damages in connection with parts (1), (2) or (3) above.

IRFFNC PUBLIC OFFICIALS LIABILITY COVERAGE FORM

- t. For any loss, cost or expense arising out of, resulting from, caused or contributed to by asbestos or exposure to asbestos. This includes, but is not limited to, any costs for abatement, mitigation, removal or disposal of asbestos. This exclusion also includes, but is not limited to: (1) any supervision, instructions, recommendations, requests, warnings or advice given or which should have been given in connection with the above; and (2) any obligation to share damages with or repay someone else who must pay damages.
- u. This insurance does not apply to, and we shall not be obligated to make any payment for, any "suit" or "claim" made against any insured arising out of or relating to any alleged or threatened negligence, breach of duty, failure to perform, malfeasance, misfeasance, malpractice, improper conduct, failure to inspect, failure to detect, vicarious liability, respondeat superior, or negligent hiring, training, supervision, retention, or any similar "claim" or "suit" against the insured, or any other alleged duty owed or any alleged failure or breach of any duty, regardless of its nature, type or kind, arising from, arising out of, or relating in any way to any alleged acts or omissions by any type of building inspector, whether it be a commercial, residential, fire or any other type of building inspector, by whatever title or name referred to, regardless of whether the building inspector is or was an employee of the insured, is or was retained by the insured, or is or was serving in the capacity of an independent contractor.

For the limited category of "suits" arising from or "claims" made against an insured based upon alleged unintentional errors, omissions, negligence or breach of duty by an individual who was at all relevant times an employee of an insured acting in the capacity of a building inspector, or based upon alleged vicarious liability, respondeat superior, or negligent hiring, training, supervision, or retention of an employee of an insured acting in the course and scope of his/her capacity as a building inspector, a defense only will be provided for such limited category of "suits" or "claims". However, this paragraph provides only for a defense for such limited category of "suits" or "claims", without indemnification for any judgment which might be entered against an insured or its building inspector and without indemnification for any settlement which might be entered into by or on behalf of an insured or its building inspector.

Even where a defense is provided by IRFFNC for the limited category of "suits" or "claims" made against an insured based upon alleged unintentional errors, omissions, negligence or breach of duty by an individual who was at all relevant times an employee of an insured acting in the capacity of a building inspector, there is no coverage provided by IRFFNC for any such "suit" or "claim", and there is no duty by IRFFNC to provide any indemnification for any judgment which might be entered against an insured or its building inspector or for any settlement which might be entered into by or on behalf of an insured or its building inspector arising from, arising out of, or relating in any way to any alleged acts or omissions by any type of building inspector.

v. Sexual Acts

For any "claims" or "suits" arising from or relating in any way to any alleged acts of sexual assault, sexual battery, sexual abuse, rape, molestation, or any other sexual acts of any nature, kind or description, by whatever name used, by any employee, agent, officer, director, official, board member, commissioner, or representative of the Named Insured public entity shown in the Declarations.

For the limited category of "claims" or "suits" against the Named Insured public entity shown in the Declarations itself for any alleged vicarious liability, respondeat superior, or negligent hiring, training, or supervision arising from or relating in any way to any unexpected, unintended, and unanticipated loss, damage or injury arising from or relating in any way to any alleged acts of sexual assault, sexual battery, sexual abuse, rape, molestation, or any other sexual acts of any nature, kind or description, by whatever name used, **a defense only will be provided for the Named Insured public entity shown in the Declarations itself, but without providing any coverage or indemnification** for any "claims", "suits", judgments or settlements which might be

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entered against, into, by or on behalf of the Named Insured public entity shown in the Declarations or any employee, agent, officer, director, official, board member, commissioner, or representative of the Named Insured public entity shown in the Declarations.

w. Financial and Legal Counseling

Arising out of rendering or failure to render any financial, credit, or legal counseling of any kind to anyone other than the Named Insured.

x. For any damages arising out of the providing of, or failure to provide, professional services by any member of the medical profession

y. For any "claims" or "suits" for damages arising out of activities performed by any attorney at law, architect, engineer or accountant within the scope of their professional duties as such. However, this exclusion does not apply to the above professionals for damages claimed for any losses, costs or expenses arising out of their duties as a public official or as an employee of the insured, but only if such allegations are not otherwise excluded from coverage.

z. Arising out of the complete or partial failure of any insured to supply gas, oil, water, electric, steam or sewer utilities or services.

aa. (1) For any liability, loss, injury or damage which would not have occurred or taken place, in whole or in part, but for the actual, alleged or threatened inhalation of, ingestion of, contact with, exposure to, existence of, or presence of, any "fungi" or bacteria on, in, upon, or within a building or structure, including its contents, regardless of whether any other cause, event, material or product contributed concurrently or in any sequence to such liability, loss, injury, damage, cost or expense.

(2) For any loss, cost or expenses arising out of the abating, testing for, monitoring, cleaning up, removing, containing, treating, detoxifying, neutralizing, remediating or disposing of, or in any way responding to, or assessing the effects of, "fungi" or bacteria, by any insured or by any other person or entity.

bb. For "claims" or "suits" for damages arising out of the bursting, breach, failure or structural defect of any dam, water reservoir, dike or levee.

cc. For any "claims" or "suits" for damages arising out of any "public official(s) wrongful act":

(1) With respect to which an insured under this policy is also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada or any of their successors, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability, or

(2) Resulting from the "hazardous properties" of "nuclear material" and with respect to which

(a) Any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or

(b) The insured is, or had this policy not been issued would be, entitled to indemnity from **the United States of America, or any agency thereof, under any agreement entered into** by the United States of America, or any agency thereof, with any person or organization.

(3) Resulting from the "hazardous properties" of "nuclear material," if:

(a) The "nuclear material":

(i) is at any "nuclear facility" owned by or operated by or on behalf of an insured or

(ii) has been discharged or dispersed therefrom:

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- (b) The "nuclear material" is contained in "spent fuel" or "waste" at any time possessed, handled, used, possessed, stored, transported or disposed of by or on behalf of an insured; or
- (c) The "public official(s) wrongful act(s)" arises out of the furnishing by an insured of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any "nuclear facility"

The following terms apply only to this exclusion:

"Hazardous properties" includes radioactive, toxic or explosive properties.

"Nuclear material" means "source material," "special nuclear material" or "byproduct material".

"Source material", "special nuclear material", and "byproduct material" have the meanings given them in the Atomic Energy Act of 1954 or any law amendatory thereof.

"Spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a "nuclear reactor".

"Waste" means any waste material:

- (1) containing "byproduct material" other than the tailings or wastes produced by the extraction or concentration of uranium or thorium from any ore processed primarily for its "source material" content, and
- (2) resulting from the operation by any person or organization of any "nuclear facility" included under the first two paragraphs of the definition of "nuclear facility."

"Nuclear facility" means:

- (1) Any "nuclear reactor";
- (2) Any equipment or device designed or used for
 - (a) separating the isotopes or uranium or plutonium,
 - (b) processing or utilizing "spent fuel," or
 - (c) handling, processing or packaging "waste";
- (3) Any equipment or device used for the processing, fabricating or alloying of "special nuclear material" if at any time the total amount of such material in the custody of the insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof of more than 250 grams of uranium 235,
- (4) Any structure, basis, excavation, premises or place prepared or used for the storage or disposal of "waste";

and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations;

"Nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material;

- dd. (1) For any damages arising out of any actual or alleged "employment wrongful act(s)":
- (2) For any damages to the spouse, child, parent, brother or sister of that person as a consequence of an "employment wrongful act(s)" to that person at whom any of the "employment wrongful act(s)" is directed.

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This exclusion applies:

- (1) Whether the "employment wrongful act(s)" occurs before employment, during employment or after employment of that person;
 - (2) Whether the insured may be liable as an employer or in any other capacity; and
 - (3) To any obligation to share damages with or repay someone else who must pay damages because of the "employment wrongful act(s)".
- ee. (1) For any "public official(s) wrongful act(s)" or offense which takes place prior to the policy period of the coverage part if the insured had knowledge of circumstances which could reasonably be expected to give rise to a "claim"; or
- (2) For any loss for which the insured is entitled to indemnity or payment by reason of having given notice of any circumstances which might give rise to a "claim" under any policy or policies the term of which has expired prior to the inception date of the policy.
- ff. For any damages which result from a wrongful act committed intentionally with knowledge of wrong-doing; however, the Fund will provide a defense to the Named Insured for "suits" containing such allegations, but only if such allegations are not otherwise excluded from coverage.
- gg. Any "claim" made by, on behalf of, or for the benefit of the Named Insured against any other insured.
- hh. For any "claim" or "suit" against the insured, due to the inability to correctly recognize, process, distinguish, interpret or accept the year 2000 and beyond, arising directly or indirectly out of: Any actual or alleged failure, malfunction or inadequacy of:
- (1) Any of the following, whether belonging to any insured or to others:
 - (a) Computer hardware, including microprocessors;
 - (b) Computer application software;
 - (c) Computer operating systems and related software;
 - (d) Computer networks;
 - (e) Microprocessors (computer chips) not part of any computer system; or
 - (f) Any other computerized or electronic equipment or components; or
 - (2) Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed above in this endorsement.

Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to determine, rectify or test for, any potential or actual problems described above.

ii. Access Or Disclosure Of Confidential Or Personal Information And Data-related Liability

For any damages arising out of:

- (1) Any access to or disclosure of any person's or organization's confidential or personal information, including patents, trade secrets, processing methods, customer lists, financial information, credit card information, health information or any other type of nonpublic information; or
- (2) The loss of, loss of use of, damage to, corruption of, inability to access, or inability to manipulate electronic data.

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This exclusion applies even if damages are claimed for notification costs, credit monitoring expenses, forensic expenses, public relations expenses or any other loss, cost or expense incurred by you or others arising out of that which is described in Paragraph (1) or (2) above.

As used in this exclusion, electronic data means information, facts or programs stored as or on, created or used on, or transmitted to or from computer software, including systems and applications software, hard or floppy disks, CD-ROMS, tapes, drives, cells, data processing devices or any other media which are used with electronically controlled equipment.

jj. Recording And Distribution Of Material Or Information In Violation Of Law

For any damages arising directly or indirectly out of any action or omission that violates or is alleged to violate:

- (1) The Telephone Consumer Protection Act (TCPA), including any amendment of or addition to such law;
- (2) The CAN-SPAM Act of 2003, including any amendment of or addition to such law;
- (3) The Fair Credit Reporting Act (FCRA), and any amendment of or addition to such law, including the Fair and Accurate Credit Transactions Act (FACTA); or
- (4) Any federal, state or local statute, ordinance or regulation, other than the TCPA, CAN-SPAM Act of 2003 or FCRA and their amendments and additions, that addresses, prohibits, or limits the printing, dissemination, disposal, collecting, recording, sending, transmitting, communicating or distribution of material or information.

kk. For any damages arising out of the ownership, maintenance, use or entrustment to others of any aircraft, including "unmanned aircraft".

SUPPLEMENTARY PAYMENTS

We will pay, with respect to any "claim" or "suit" we defend:

1. All expenses we incur.
2. The cost of bonds to release attachments and appeal bonds required in any "suit" we defend, but only for bond amounts within the applicable Limit of Insurance. We do not have to furnish these bonds.
3. All reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the "claim" or "suit", including actual loss of earnings up to \$100 a day because of time off from work. Such expenses, do not include salaries of officials or employees of the public entity.
4. All court costs taxed against the insured in the "suit". However, these payments do not include attorneys' fees or attorneys' expenses taxed against the insured.
5. Pre-judgment interest awarded against the insured on that part of the judgment we pay. If we make an offer to pay the applicable Limit of Insurance, we will not pay any pre-judgment interest based on that period of time after the offer.
6. All interest on the full amount of any judgment that accrues after entry of the judgment and before we have paid, offered to pay, or deposited in court the part of the judgment that is within the applicable Limit of Insurance.

These payments under #1 through #6 will not reduce the Limits of Insurance.

IRFFNC PUBLIC OFFICIALS LIABILITY COVERAGE FORM

SECTION II - WHO IS AN INSURED

Each of the following is an insured:

- a. The public entity named in the Declarations.
- b. Your lawfully elected, appointed or employed officials, past, present and future, but only for acts within the course and scope of their duties.
- c. Your lawfully appointed members of the commissions, boards or other units operated and controlled by you that are under your jurisdiction and within an allocation of your total operating budget, but only with respect to their duties as your lawfully appointed member. However, none of the above are insureds with respect to operations involving schools, hospitals, nursing homes, port authorities, or gas utility companies.
- d. Your employees, but only for their acts in the course and scope of their employment.
- e. Any person providing volunteer services for you at your request and operating under your direction and control.
- f. Any person providing services for you under mutual aid or similar agreements.
- g. The estates, heirs, legal representatives or assigns of deceased persons who were insureds at the time of the "public official(s) wrongful act(s)" upon which a "claim" is based, but only to the extent that they would otherwise be provided coverage under this Coverage Form.
- h. The legal representatives or assigns of the Named Insured in the event of the Named Insured's incompetency, insolvency or bankruptcy, but only for the legal representatives' or assigns' acts in the course and scope of their representation on behalf of the Named Insured.

SECTION III - LIMITS OF INSURANCE

1. The Limits of Insurance shown in the Declarations and the rules below fix the most we will pay regardless of the number of:
 - a. Insureds;
 - b. "Claims" made or "suits" brought; or
 - c. Persons or organizations making "claims" or bringing "suits".
2. The Annual Aggregate Limit is the most we will pay for all damages.
3. Subject to 2. above, the Each Claim Limit is the most we will pay for all loss arising out of any "public official(s) wrongful act(s)" covered by this policy. "Claims" based on and arising out of the same act or related acts of one or more insureds shall be considered to be a single "claim".

The Limits of Insurance of this coverage part applies separately to each consecutive annual period and to any remaining period of less than 12 months, starting with the beginning of the policy period shown in the Declarations, unless the policy period is extended after issuance for an additional period of less than 12 months. In that case, the additional period will be deemed part of the last preceding period for the purposes of determining the Limits of Insurance.

SECTION IV - PUBLIC OFFICIALS LIABILITY CONDITIONS

1. Bankruptcy

Bankruptcy or insolvency of the insured or of the insured's successor will not relieve us of our obligations under this policy.

IRFFNC PUBLIC OFFICIALS LIABILITY COVERAGE FORM

2. Duties In The Event of Potential or Actual "Claim" or "Suit"

- a. You must see to it that we are notified as soon as practicable after you become aware of any situation or circumstances which may result in a "claim" being made against you alleging a "public official(s) wrongful act(s)". To the extent possible, notice should include:
 - (1) A description of the situation or circumstances, including how, when and where it occurred;
 - (2) The names and addresses of any involved persons and witnesses; and
 - (3) The nature and extent of any damage arising or likely to arise out of the situation or circumstances.
- b. If a "claim" is received by any insured you must:
 - (1) Immediately record the specifics of the "claim" and the date received; and
 - (2) Notify us, in writing, immediately.
- c. You and any other insured must:
 - (1) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the "claim" or "suit",
 - (2) Authorize us to obtain records and other information;
 - (3) Cooperate with us in the investigation, settlement or defense of the "claim" or "suit", and
 - (4) Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the insured because of injury or damage to which this insurance may also apply.
- d. No insureds will, except at their own cost, voluntarily make a payment, assume any obligation, or incur any expense without our consent.

3. Legal Action Against Us

No person or organization has a right under this policy:

- a. To join us as a party or otherwise bring us into a "suit" asking for damages from an insured; or
- b. To sue us under this policy unless all of its terms have been fully complied with.

A person or organization may sue us to recover on an agreed settlement or on a final judgment against an insured obtained after an actual trial; but we will not be liable for damages that are not payable under the terms of this policy or that are in excess of the applicable Limit of Insurance. An agreed settlement means a settlement and release of liability signed by us, the insured and the claimant or the claimant's legal representative.

4. Other Insurance

- a. The insurance afforded by this policy is primary insurance, except when stated to apply in excess of or contingent upon the absence of other insurance. When this insurance is primary and the insured has other insurance which is stated to be applicable to the loss on an excess or contingent basis, the amount of our liability under this policy shall not be reduced by the existence of such other insurance.

When this insurance is excess, we will have no duty to defend any "claim" or "suit" that any other insurer has a duty to defend. If no other insurer defends, we will undertake to do so, but we will be entitled to the insured's rights against all those other insurers.

When this insurance is excess over other insurance, we will pay only our share of the amount of the loss, if any, that exceeds the sum of:

IRFFNC PUBLIC OFFICIALS LIABILITY COVERAGE FORM

- (1) The total amount that all such other insurance would pay for the loss in the absence of this insurance; and
 - (2) The total of all deductible and self-insured amounts under all such other insurance.
- b. When both this insurance and other insurance apply to the loss on the same basis, whether primary, excess or contingent, we shall not be liable under this policy for a greater proportion of the loss than that stated in the applicable Method of Sharing provision below:

Method of Sharing:

- (1) If all of the other insurance permits contribution by equal shares, we will follow this method also. Under this method each insurer contributes equal amounts until it has paid its applicable Limit of Insurance or none of the loss remains, whichever comes first.
- (2) If any of the other insurance does not permit contribution by equal shares, we will contribute by equal limits. Under this method, each insurer's share is based on the ratio of its applicable Limit of Insurance to the total applicable Limits of Insurance of all insurers.

5. Representations

By accepting this policy, you agree that:

- a. The Application for insurance completed in solicitation of this insurance is made a part of this policy as though set forth in full herein;
- b. The statements in the Declarations and Application for insurance are accurate and complete;
- c. Those statements are based upon representations you made to us; and
- d. We have issued this policy in reliance upon your representations.

6. Separation of Insureds

Except with respect to the Limits of Insurance, and any rights or duties specifically assigned to the first Named Insured, this insurance applies:

- a. As if each Named Insured were the only Named Insured; and
- b. Separately to each insured against whom "claim" is made or "suit" is brought.

7. Transfer Of Rights Of Recovery Against Others to Us

If the insured has rights to recover all or part of any payment we have made under this policy, those rights are transferred to us. The insured must do nothing after loss to impair them. At our request, the insured will bring "suit" or transfer those rights to us and help us enforce them.

8. Deductible

- a. Our obligation under Section I of this policy to pay damages on behalf of the insured applies only to the amount of damages in excess of any deductible amount stated in the Declarations.
- b. The deductible amount stated in the Declarations, if any, applies to all damages sustained by any person or organization as the result of any one "claim". "Claims" based on or arising out of the same act or related acts of one or more insureds shall be considered a single "claim".
- c. The deductible amount stated in the Declarations applies to each "claim" and includes loss payments and adjustment, investigative and legal fees and costs, whether or not loss payment is involved.

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- d. The terms of this insurance, including those with respect to (1) our right and duty to defend any "suits" seeking damages, and (2) your duties in the event of potential or actual "claim" or "suit" apply irrespective of the application of the deductible amount.
- e. We may pay any part or all of the deductible amount to effect settlement of any "claim" or "suit" and, upon notification of the action taken, you shall promptly reimburse us for such part of the deductible amount as has been paid by us.

9. When We Do Not Renew

If we decide not to renew this policy, we will mail or deliver to the first Named Insured shown in the Declarations written notice of the nonrenewal not less than 45 days before the expiration date.

If notice is mailed, proof of mailing will be sufficient proof of notice.

10. Cancellation

- a. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.
- b. We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:
 - (1) 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
 - (2) 45 days before the effective date of cancellation if we cancel for any other reason.
- c. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.
- d. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
- e. If this policy is canceled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata. The cancellation will be effective even if we have not made or offered a refund.
- f. If notice is mailed, proof of mailing will be sufficient proof of notice.

11. Changes

This policy and the application contain all the agreements between you and us concerning the insurance afforded. The first Named Insured shown in the Declarations is authorized to make changes in the terms of this policy with our consent. This policy's terms can be amended or waived only by endorsement issued by us and made a part of this policy.

12. Examination of Your Books and Records

We may examine and audit your books and records as they relate to this policy at any time during the policy period and up to five years afterward.

13. Premiums

The first Named Insured shown in the Declarations:

- a. Is responsible for the payment of all premiums; and
- b. Will be the payee for any return premiums we pay.

14. Transfer of Your Rights and Duties Under This Policy

Your rights and duties under this policy may not be transferred without our written consent except in the case of death of an individual Named Insured.

IRFFNC PUBLIC OFFICIALS LIABILITY COVERAGE FORM

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

SECTION V - EXTENDED REPORTING PERIODS

1. We will provide one or more Extended Reporting Periods, as described below, if:
 - a. This policy is canceled or not renewed; or
 - b. We renew or replace this policy with insurance that:
 - (1) Has a Retroactive Date later than the date shown in the Declarations of this policy; or
 - (2) Does not apply on a claims-made basis.
2. A Basic Extended Reporting Period is automatically provided without additional charge. This period starts with the end of the policy and lasts for sixty days.

The Basic Extended Reporting Period does not apply to "claims" that are covered under any subsequent insurance you purchase, or that would be covered but for exhaustion of the amount of insurance applicable to such "claims".

3. A Supplemental Extended Reporting Period of up to three years may be offered by us at our discretion, but only by an endorsement and for an extra charge. This supplemental period starts sixty days after the end of the policy period.

You must give us a written request for the endorsement within 60 days after the end of the policy period. The Supplemental Extended Reporting Period will not go into effect unless you pay the additional premium promptly when due.

We will determine the additional premium in accordance with our rules and rates. In doing so, we may take into account the following:

- a. The exposures insured;
- b. Previous types and amounts of insurance;
- c. Limits of Insurance available under this policy for future payment of damages; and
- d. Other related factors.

This endorsement shall set forth the terms, not inconsistent with this Section, applicable to the Supplemental Extended Reporting Period, including a provision to the effect that the insurance afforded for "claims" first received during such period is excess over any other valid and collectible insurance available under policies in force after the Supplemental Extended Reporting Period starts.

4. Extended Reporting Periods do not extend the policy period or change the scope of coverage provided. They apply only to "claims" arising out of "public official(s) wrongful act(s)" or offenses that occur on or after the retroactive date shown in the declarations and before the end of the policy period.

"Claims" for such injury or damage which are first received and recorded during the Basic Extended Reporting Period (or during the Supplemental Extended Reporting Period, if it is in effect) will be deemed to have been made on the last day of the policy period.

Once in effect, Extended Reporting Periods may not be canceled.

5. Extended Reporting Periods do not reinstate or increase the Limits of Insurance applicable to any "claim" to which this policy applies.

IRFFNC PUBLIC OFFICIALS LIABILITY COVERAGE FORM

SECTION VI - DEFINITIONS

1. "Administration" means:
 - a. Providing information to employees, including their dependents and beneficiaries, with respect to eligibility for or scope of "employee benefit programs";
 - b. Handling records in connection with the "employee benefit program"; or
 - c. Effecting, continuing or terminating any employee's participation in any benefit included in the "employee benefit program".However, "administration" does not include handling payroll deductions.
2. "Advertisement" means a notice that is broadcast or published to the general public or specific market segments about your goods, products or services for the purpose of attracting customers or supporters. For the purposes of this definition:
 - a. Notices that are published include material placed on the Internet or on similar electronic means of communication; and
 - b. Regarding websites, only that part of a website that is about your goods, products or services for the purposes of attracting customers or supporters is considered an advertisement.
3. "Bodily Injury" means bodily injury, sickness or disease sustained by a person, including death resulting from any of these at any time.
4. "Cafeteria plans" means plans authorized by applicable law to allow employees to elect to pay for certain benefits with pre-tax dollars.
5. "Claim" means a demand received by the insured for money damages, non monetary damages as provided in the SUPPLEMENTARY PAYMENTS, filing and or service of "suit" papers or arbitration proceedings filed against the insured arising out of "public official(s) wrongful act(s)" to which this insurance applies.
6. "Employee benefit program" means a program providing some or all of the following benefits to employees, whether provided through a "cafeteria plan" or otherwise:
 - a. Group life insurance; group accident or health insurance; dental, vision and hearing plans; and flexible spending accounts; provided that no one other than an employee may subscribe to such benefits and such benefits are made generally available to those employees who satisfy the plan's eligibility requirements;
 - b. Profit sharing plans, employee savings plans, employee stock ownership plans, pension plans and stock subscription plans, provided that no one other than an employee may subscribe to such benefits and such benefits are made generally available to all employees who are eligible under the plan for such benefits;
 - c. Unemployment insurance, social security benefits, workers' compensation and disability benefits;
 - d. Vacation plans, including buy and sell programs; leave of absence programs, including military, maternity, family, and civil leave; tuition assistance plans; transportation and health club subsidies; and
 - e. Any other similar benefits designated in the Schedule or added thereto by endorsement.
7. "Employment wrongful act(s)" means claims or actions involving or relating to: hiring, training, supervision, retention, refusal to employ, termination, demotion, failure to promote, evaluation, reassignment, retaliatory action, discipline, defamation, harassment, humiliation, libel, slander, invasion of privacy, wrongful eviction, false arrest, false imprisonment, coercion, malicious prosecution, abuse of process, discrimination, and any other employment-related practices, policies, acts, or omissions. "Employment wrongful act(s)" does not include any "public official(s) wrongful act(s)."

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8. "Fungi" means any type or form of fungus, including mold or mildew and any mycotoxins, spores, scents or byproducts produced or released by "fungi".
9. "Personal and advertising injury" means an injury, including consequential "bodily injury," arising out of one or more of the following offenses:
 - a. False arrest, detention or imprisonment;
 - b. Malicious prosecution;
 - c. The wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premises that a person occupies, committed by or on behalf of its owner, landlord or lessor;
 - d. Oral or written publication, in any manner, of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services;
 - e. Oral or written publication, in any manner, of material that violates a person's right of privacy;
 - f. The use of another's advertising idea in your "advertisement";
 - g. Infringing upon another's copyright, trade dress or slogan in your "advertisement"; or
 - h. Shock humiliation, mental injury and mental anguish.
10. "Property damage" means:
 - a. Physical injury to tangible property, including all resulting loss of use of that property. All such loss of use shall be deemed to occur at the time of the physical injury that caused it; or
 - b. Loss of use of tangible property that is not physically injured. All such loss of use shall be deemed to occur at the time of the occurrence that caused it.
11. "Public official(s) wrongful act(s)" means any alleged or actual breach of duty, or violation of any federal, state or local civil rights, by an insured while acting within the scope of his/her duties as a public official for the public entity named in the Declarations. "Public official(s) wrongful act(s)" does not include any "employment wrongful act(s)".
12. "Suit" means a civil proceeding in which damages because of "public official(s) wrongful act(s)" to which this insurance applies are alleged. "Suit" includes an arbitration proceeding or any other alternative dispute resolution proceeding alleging such damages to which you must submit or submit with our consent.
13. "Unmanned aircraft" means an aircraft that is not:
 - a. Designed;
 - b. Manufactured; or
 - c. Modified after manufacture;to be controlled directly by a person from within or on the aircraft.

IRFFNC EMPLOYMENT PRACTICES LIABILITY COVERAGE FORM

THIS POLICY PROVIDES CLAIMS-MADE COVERAGE. PLEASE READ THE ENTIRE FORM CAREFULLY.

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Interlocal Risk Financing Fund of North Carolina, hereinafter called IRFFNC.

The word "insured" means any person or organization qualifying as such under SECTION II - WHO IS AN INSURED.

Other words and phrases that appear in quotation marks have special meaning. Refer to SECTION VI - DEFINITIONS.

I. SECTION I - EMPLOYMENT PRACTICES LIABILITY COVERAGE

1. Insuring Agreement.

- a. We will pay those sums that the insured becomes legally obligated to pay as damages resulting from "claims", to which this insurance applies, against the insured by reason of "employment wrongful act(s)". No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under SUPPLEMENTARY PAYMENTS. This insurance does not apply to "employment wrongful act(s)" which occurred in whole or in part prior to the Retroactive Date or which occur after the policy period. If no retroactive date is shown in the declarations, the retroactive date will be the effective date of this coverage part. We may, at our discretion, investigate and settle any "claim" or "suit". We will have the right and duty to defend any "suit" seeking those damages. But:
 - (1) The amount we will pay for damages is limited as described in SECTION III - LIMITS OF INSURANCE; and
 - (2) Our right and duty to defend end when we have used up the applicable limit of insurance in the payment of judgments or settlements.
- b. This insurance applies only if a "claim" for damages because of the "employment wrongful act(s)" is first made against any insured during the policy period.
 - (1) A "claim" by a person or organization seeking damages will be deemed to have been made when notice of such "claim" is received and recorded by any insured or by us, whichever comes first.
 - (2) All "claims" for damages resulting from or involving the same "employment wrongful act(s)" or one "employment wrongful act(s)" will be deemed to have been made at the time the first of those "claims" is made against any insured.
 - (3) All "claims" based on or arising out of the same or related "employment wrongful act(s)" or offenses by one or more insureds shall be considered first made when the first of such "claims" is made. Related "employment wrongful act(s)" means two or more wrongful acts that have as a common nexus any fact, circumstance, situation, event, transaction, cause, or series of related facts, circumstances, situations, events, transactions, or causes.

IRFFNC EMPLOYMENT PRACTICES LIABILITY COVERAGE FORM

2. Exclusions.

This insurance does not apply to any "claim" or "suit" against the insured:

- a. Based upon or attributable to the insured gaining any profit, advantage or remuneration to which the insured is not entitled.
- b. Which is brought or contributed to in fact by any dishonest or by fraudulent act or omission or any criminal act or omission of the insured, however, this exclusion does not apply to:
 - (1) any act which is the basis of a malicious prosecution "claim" against the insured;
 - (2) the insured's vicarious liability arising out of any negligent act, error, omission of an employee of the insured committed with actual dishonest, fraudulent, criminal or malicious purpose or intent.
- c. For any damage arising out of the willful violation of any federal, state, or local statute, ordinance, rule or regulation committed by or with the knowledge and consent of any insured. Nor shall we have any obligation to indemnify the insured for any loss, cost, civil fine, penalty or expense against any insured arising from any complaint or enforcement action from any federal, state or local governmental regulatory agency.
- d. For any damage arising from "bodily injury", "property damage" including diminution of value or loss of use, or acts committed in the "administration" of your "employee benefit program."
- e. Any "claim" or "suit" seeking punitive or exemplary damages. If a "suit" shall have been brought against the insured for a "claim" falling within the coverage provided by this policy, seeking both compensatory and punitive or exemplary damages, we will afford a defense to such action, but we shall not have an obligation to pay for any cost, interest, or damages attributed to punitive or exemplary damages.
- f. For which the insured is entitled to indemnity or payment by reason of having given notice of any circumstances which might give rise to a "claim" under any policy or policies the term of which has expired prior to the inception date of this policy.
- g. For "claims" or "suits" seeking relief or redress in any form other than compensatory damages. Nor shall we have any obligation to indemnify the insured for any costs, fees including attorneys fees, or expenses which the insured shall become obligated to pay as a result of an adverse judgment for injunctive or declaratory relief; however, we will afford defense to the insured for such "claims" or "suits", if not otherwise excluded, where compensatory damages are requested. However, IRFFNC will afford defense to the insured for such "claims" as provided in Section I - Supplementary Payments.
- h. For back wages, overtime or similar "claims", even if designated as liquidated damages, under any federal, state or local statutes, rules, ordinance or regulations.
- i. For any "claims" arising from collective bargaining agreements.
- j. For "claims" arising from any liability assumed by the insured under any contract or agreement, unless the insured would have been legally liable in the absence of such contract or agreement.
- k. Under the following laws:
 - (1) Any workers compensation, disability benefits or unemployment compensation law, or any similar law, provided however, this exclusion shall not apply to any "claim" based upon, arising from, or in consequence of any actual or alleged retaliatory treatment of the claimant by the Insured on account of the claimant's exercise of rights pursuant to any such law;

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- (2) Arising out of any insured's (1) obligations under the Employee Retirement Income Security Act of 1974 (ERISA), including subsequent amendments or any similar federal, state or local law or regulation; or (2) administration of any employee benefit plan or self-insurance fund.
 - (3) The Fair Labor Standards Act, the National Labor Relations Act of 1938, the Worker Adjustment and Retraining Notification Act (Public Law 100-37991988), the Consolidated Omnibus Budget Reconciliation Act of 1985, or the Occupational Safety and Health Act, or any amendment thereto, or any similar federal, state or local law.
 - (4). Any liability or obligation of the insured under the Jones Act, general maritime law, the Federal Employers Liability Act, Federal Employee Compensation Act, the Defense Base Act or the U.S. Longshoremen and Harbor Workers' Compensation Act.
- l. For any "claim" arising out of a lockout, strike, picket line, replacement or other similar actions resulting from labor disputes or labor negotiations or any protections contained within the National Labor Relations Act.
 - m. Sexual Acts

For any "claims" or "suits" arising from or relating in any way to any alleged acts of sexual assault, sexual battery, sexual abuse, rape, molestation, or any other sexual acts of any nature, kind or description, by whatever name used, by any employee, agent, officer, director, official, board member, commissioner, or representative of the Named Insured public entity shown in the Declarations.

For the limited category of "claims" or "suits" against the Named Insured public entity shown in the Declarations itself for any alleged vicarious liability, respondeat superior, or negligent hiring, training, or supervision arising from or relating in any way to any unexpected, unintended, and unanticipated loss, damage or injury arising from or relating in any way to any alleged acts of sexual assault, sexual battery, sexual abuse, rape, molestation, or any other sexual acts of any nature, kind or description, by whatever name used, **a defense only will be provided for the Named Insured public entity shown in the Declarations itself, but without providing any coverage or indemnification** for any "claims", "suits", judgments or settlements which might be entered against, into, by or on behalf of the Named Insured public entity shown in the Declarations or any employee, agent, officer, director, official, board member, commissioner, or representative of the Named Insured public entity shown in the Declarations.
 - n. (1) For any "employment wrongful act(s)" or offense which takes place prior to the policy period of the coverage part if the insured had knowledge of circumstances which could reasonably be expected to give rise to a "claim"; or
 - (2) For any loss for which the insured is entitled to indemnity or payment by reason of having given notice of any circumstances which might give rise to a "claim" under any policy or policies the term of which has expired prior to the inception date of the policy.
 - o. For any damages which result from a wrongful act committed intentionally with knowledge of wrong-doing; however, the Fund will provide a defense to the Named Insured for suits containing such allegations, but only if such allegations are not otherwise excluded from coverage.
 - p. For any damages arising out of any actual or alleged "public official(s) wrongful act(s).
 - q. For any "claim" or "suit" against the insured, due to the inability to correctly recognize, process, distinguish, interpret or accept the year 2000 and beyond, arising directly or indirectly out of:
Any actual or alleged failure, malfunction or inadequacy of:
 - (1) Any of the following, whether belonging to any insured or to others:
 - (a) Computer hardware, including microprocessors;

IRFFNC EMPLOYMENT PRACTICES LIABILITY COVERAGE FORM

- (b) Computer application software;
 - (c) Computer operating systems and related software;
 - (d) Computer networks;
 - (e) Microprocessors (computer chips) not part of any computer system; or
 - (f) Any other computerized or electronic equipment or components; or
- (2) Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed above in this endorsement.

Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to determine, rectify or test for, any potential or actual problems described above.

r. Access Or Disclosure Of Confidential Or Personal Information And Data-Related Liability

Damages arising out of:

- (1) Any access to or disclosure of any person's or organization's confidential or personal information, including patents, trade secrets, processing methods, customer lists, financial information, credit card information, health information or any other type of nonpublic information; or
- (2) The loss of, loss of use of, damage to, corruption of, inability to access, or inability to manipulate electronic data.

This exclusion applies even if damages are claimed for notification costs, credit monitoring expenses, forensic expenses, public relations expenses or any other loss, cost or expense incurred by you or others arising out of that which is described in Paragraph (1) or (2) above.

As used in this exclusion, electronic data means information, facts or programs stored as or on, created or used on, or transmitted to or from computer software, including systems and applications software, hard or floppy disks, CD-ROMS, tapes, drives, cells, data processing devices or any other media which are used with electronically controlled equipment.

- s. For any alleged loss, damage, or injury by any person or third-party claimant who is not directly involved in an employment relationship or prospective employment relationship with the insured, or any "claim" or "suit" alleging vicarious liability, respondeat superior, or negligent hiring, training, supervision, retention, or any similar "claim" or "suit" against the insured by any person or third-party claimant who is not directly involved in an employment relationship or prospective employment relationship with the insured.

SUPPLEMENTARY PAYMENTS

We will pay, with respect to any "claim" or "suit" we defend:

- 1. All expenses we incur.
- 2. The cost of bonds to release attachments and appeal bonds required in any "suit" we defend, but only for bond amounts within the applicable Limit of Insurance. We do not have to furnish these bonds.
- 3. All reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the "claim" or "suit", including actual loss of earnings up to \$100 a day because of time off from work. Such expenses, do not include salaries of officials or employees of the public entity.

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4. All court costs taxed against the insured in the "suit". However, these payments do not include attorneys' fees or attorneys' expenses taxed against the insured.
5. Pre-judgment interest awarded against the insured on that part of the judgment we pay. If we make an offer to pay the applicable Limit of Insurance, we will not pay any pre-judgment interest based on that period of time after the offer.
6. All interest on the full amount of any judgment that accrues after entry of the judgment and before we have paid, offered to pay, or deposited in court the part of the judgment that is within the applicable Limit of Insurance.

These payments under #1 through #6 will not reduce the Limits of Insurance.

SECTION II - WHO IS AN INSURED

Each of the following is an insured:

- a. The public entity named in the Declarations.
- b. Your lawfully elected, appointed or employed officials, past, present and future, but only for acts within the course and scope of their duties.
- c. Your employees, but only for their acts in the course and scope of their employment.
- d. Any person providing services for you under mutual aid or similar agreements.
- e. The estates, heirs, legal representatives or assigns of deceased persons who were insureds at the time of the "employment wrongful act(s)" upon which a "claim" is based, but only to the extent that they would otherwise be provided coverage under this Coverage Form.

SECTION III - LIMITS OF INSURANCE

1. The Limits of Insurance shown in the Declarations and the rules below fix the most we will pay regardless of the number of:
 - a. Insureds;
 - b. "Claims" made or "suits" brought; or
 - c. Persons or organizations making "claims" or bringing "suits".
2. The Annual Aggregate Limit is the most we will pay for all damages
3. Subject to 2. above, the Each Claim Limit is the most we will pay for all loss arising out of any "employment wrongful act(s)" covered by this policy. "Claims" based on and arising out of the same act or related acts of one or more insureds shall be considered to be a single "claim".

The Limits of Insurance of this coverage part applies separately to each consecutive annual period and to any remaining period of less than 12 months, starting with the beginning of the policy period shown in the Declarations, unless the policy period is extended after issuance for an additional period of less than 12 months. In that case, the additional period will be deemed part of the last preceding period for the purposes of determining the Limits of Insurance.

SECTION IV - EMPLOYMENT PRACTICES LIABILITY CONDITIONS

1. Bankruptcy

Bankruptcy or insolvency of the insured or of the insured's successor will not relieve us of our obligations under this policy.

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2. Duties In The Event of Potential or Actual "Claim" or "Suit"

- a. You must see to it that we are notified as soon as practicable after you become aware of any situation or circumstances which may result in a "claim" being made against you alleging an "employment wrongful act(s)". To the extent possible, notice should include:
 - (1) A description of the situation or circumstances, including how, when and where it occurred;
 - (2) The names and addresses of any involved persons and witnesses; and
 - (3) The nature and extent of any damage arising or likely to arise out of the situation or circumstances.
- b. If a "claim" is received by any insured you must:
 - (1) Immediately record the specifics of the "claim" and the date received; and
 - (2) Notify us, in writing, immediately.
- c. You and any other insured must:
 - (1) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the "claim" or "suit",
 - (2) Authorize us to obtain records and other information;
 - (3) Cooperate with us in the investigation, settlement or defense of the "claim" or "suit", and
 - (4) Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the insured because of injury or damage to which this insurance may also apply.
- d. No insureds will, except at their own cost, voluntarily make a payment, assume any obligation, or incur any expense without our consent.

3. Legal Action Against Us

No person or organization has a right under this policy:

- a. To join us as a party or otherwise bring us into a "suit" asking for damages from an insured; or
- b. To sue us under this policy unless all of its terms have been fully complied with.

A person or organization may sue us to recover on an agreed settlement or on a final judgment against an insured obtained after an actual trial; but we will not be liable for damages that are not payable under the terms of this policy or that are in excess of the applicable Limit of Insurance. An agreed settlement means a settlement and release of liability signed by us, the insured and the claimant or the claimant's legal representative.

4. Other Insurance

- a. The insurance afforded by this policy is primary insurance, except when stated to apply in excess of or contingent upon the absence of other insurance. When this insurance is primary and the insured has other insurance which is stated to be applicable to the loss on an excess or contingent basis, the amount of our liability under this policy shall not be reduced by the existence of such other insurance.

When this insurance is excess, we will have no duty to defend any "claim" or "suit" that any other insurer has a duty to defend. If no other insurer defends, we will undertake to do so, but we will be entitled to the insured's rights against all those other insurers.

When this insurance is excess over other insurance, we will pay only our share of the amount of the loss, if any, that exceeds the sum of:

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- (1) The total amount that all such other insurance would pay for the loss in the absence of this insurance; and
 - (2) The total of all deductible and self-insured amounts under all such other insurance.
- b. When both this insurance and other insurance apply to the loss on the same basis, whether primary, excess or contingent, we shall not be liable under this policy for a greater proportion of the loss than that stated in the applicable Method of Sharing provision below:

Method of Sharing:

- (1) If all of the other insurance permits contribution by equal shares, we will follow this method also. Under this method each insurer contributes equal amounts until it has paid its applicable Limit of Insurance or none of the loss remains, whichever comes first.
- (2) If any of the other insurance does not permit contribution by equal shares, we will contribute by equal limits. Under this method, each insurer's share is based on the ratio of its applicable Limit of Insurance to the total applicable Limits of Insurance of all insurers.

5. Representations

By accepting this policy, you agree that:

- a. The Application for insurance completed in solicitation of this insurance is made a part of this policy as though set forth in full herein;
- b. The statements in the Declarations and Application for insurance are accurate and complete;
- c. Those statements are based upon representations you made to us; and
- d. We have issued this policy in reliance upon your representations.

6. Separation of Insureds

Except with respect to the Limits of Insurance, and any rights or duties specifically assigned to the first Named Insured, this insurance applies:

- a. As if each Named Insured were the only Named Insured; and
- b. Separately to each insured against whom "claim" is made or "suit" is brought.

7. Transfer Of Rights Of Recovery Against Others to Us

If the insured has rights to recover all or part of any payment we have made under this policy, those rights are transferred to us. The insured must do nothing after loss to impair them. At our request, the insured will bring "suit" or transfer those rights to us and help us enforce them.

8. Deductible

- a. Our obligation under Section I of this policy to pay damages on behalf of the insured applies only to the amount of damages in excess of any deductible amount stated in the Declarations.
- b. The deductible amount stated in the Declarations, if any, applies to all damages sustained by any person or organization as the result of any one "claim". "Claims" based on or arising out of the same act or related acts of one or more insureds shall be considered a single "claim".
- c. The deductible amount stated in the Declarations applies to each "claim" and includes loss payments and adjustment, investigative and legal fees and costs, whether or not loss payment is involved.
- d. The terms of this insurance, including those with respect to (1) our right and duty to defend any "suits" seeking damages, and (2) your duties in the event of potential or actual "claim" or "suit" apply irrespective of the application of the deductible amount.

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- e. We may pay any part or all of the deductible amount to effect settlement of any "claim" or "suit" and, upon notification of the action taken, you shall promptly reimburse us for such part of the deductible amount as has been paid by us.

9. When We Do Not Renew

If we decide not to renew this policy, we will mail or deliver to the first Named Insured shown in the Declarations written notice of the nonrenewal not less than 45 days before the expiration date.

If notice is mailed, proof of mailing will be sufficient proof of notice.

10. Cancellation

- a. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.
- b. We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:
 - (1) 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
 - (2) 45 days before the effective date of cancellation if we cancel for any other reason.
- c. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.
- d. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
- e. If this policy is canceled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata. The cancellation will be effective even if we have not made or offered a refund.
- f. If notice is mailed, proof of mailing will be sufficient proof of notice.

11. Changes

This policy and the application contain all the agreements between you and us concerning the insurance afforded. The first Named Insured shown in the Declarations is authorized to make changes in the terms of this policy with our consent. This policy's terms can be amended or waived only by endorsement issued by us and made a part of this policy.

12. Examination of Your Books and Records

We may examine and audit your books and records as they relate to this policy at any time during the policy period and up to five years afterward.

13. Premiums

The first Named Insured shown in the Declarations:

- a. Is responsible for the payment of all premiums; and
- b. Will be the payee for any return premiums we pay.

14. Transfer of Your Rights and Duties Under This Policy

Your rights and duties under this policy may not be transferred without our written consent except in the case of death of an individual Named Insured.

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

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SECTION V - EXTENDED REPORTING PERIODS

1. We will provide one or more Extended Reporting Periods, as described below, if:
 - a. This policy is canceled or not renewed; or
 - b. We renew or replace this policy with insurance that:
 - (1) Has a Retroactive Date later than the date shown in the Declarations of this policy; or
 - (2) Does not apply on a claims-made basis.
2. A Basic Extended Reporting Period is automatically provided without additional charge. This period starts with the end of the policy and lasts for sixty days.

The Basic Extended Reporting Period does not apply to "claims" that are covered under any subsequent insurance you purchase, or that would be covered but for exhaustion of the amount of insurance applicable to such "claims".

3. A Supplemental Extended Reporting Period of up to three years may be offered by us at our discretion, but only by an endorsement and for an extra charge. This supplemental period starts sixty days after the end of the policy period.

You must give us a written request for the endorsement within 60 days after the end of the policy period. The Supplemental Extended Reporting Period will not go into effect unless you pay the additional premium promptly when due.

We will determine the additional premium in accordance with our rules and rates. In doing so, we may take into account the following:

- a. The exposures insured;
- b. Previous types and amounts of insurance;
- c. Limits of Insurance available under this policy for future payment of damages; and
- d. Other related factors.

This endorsement shall set forth the terms, not inconsistent with this Section, applicable to the Supplemental Extended Reporting Period, including a provision to the effect that the insurance afforded for "claims" first received during such period is excess over any other valid and collectible insurance available under policies in force after the Supplemental Extended Reporting Period starts.

4. Extended Reporting Periods do not extend the policy period or change the scope of coverage provided. They apply only to "claims" arising out of "employment wrongful act(s)" or offenses that occur on or after the retroactive date shown in the declarations and before the end of the policy period.

"Claims" for such injury or damage which are first received and recorded during the Basic Extended Reporting Period (or during the Supplemental Extended Reporting Period, if it is in effect) will be deemed to have been made on the last day of the policy period.

Once in effect, Extended Reporting Periods may not be canceled.

5. Extended Reporting Periods do not reinstate or increase the Limits of Insurance applicable to any "claim" to which this policy applies.

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SECTION VI - DEFINITIONS

1. "Administration" means:
 - a. Providing information to employees, including their dependents and beneficiaries, with respect to eligibility for or scope of "employee benefit programs";
 - b. Handling records in connection with the "employee benefit program"; or
 - c. Effecting, continuing or terminating any employee's participation in any benefit included in the "employee benefit program".However, "administration" does not include handling payroll deductions.
2. "Advertisement" means a notice that is broadcast or published to the general public or specific market segments about your goods, products or services for the purpose of attracting customers or supporters. For the purposes of this definition:
 - a. Notices that are published include material placed on the Internet or on similar electronic means of communication; and
 - b. Regarding websites, only that part of a website that is about your goods, products or services for the purposes of attracting customers or supporters is considered an advertisement.
3. "Bodily Injury" means bodily injury, sickness or disease sustained by a person, including death resulting from any of these at any time.
4. "Cafeteria plans" means plans authorized by applicable law to allow employees to elect to pay for certain benefits with pre-tax dollars.
5. "Claim" means a demand received by the insured for money damages, non monetary damages as provided in the SUPPLEMENTARY PAYMENTS, filing and or service of suit papers or arbitration proceedings filed against the insured arising out of "employment wrongful act(s)" to which this insurance applies.
6. "Employee benefit program" means a program providing some or all of the following benefits to "employees", whether provided through a "cafeteria plan" or otherwise:
 - a. Group life insurance; group accident or health insurance; dental, vision and hearing plans; and flexible spending accounts; provided that no one other than an employee may subscribe to such benefits and such benefits are made generally available to those employees who satisfy the plan's eligibility requirements;
 - b. Profit sharing plans, employee savings plans, employee stock ownership plans, pension plans and stock subscription plans, provided that no one other than an employee may subscribe to such benefits and such benefits are made generally available to all employees who are eligible under the plan for such benefits;
 - c. Unemployment insurance, social security benefits, workers' compensation and disability benefits;
 - d. Vacation plans, including buy and sell programs; leave of absence programs, including military, maternity, family, and civil leave; tuition assistance plans; transportation and health club subsidies; and
 - e. Any other similar benefits designated in the Schedule or added thereto by endorsement.
7. "Employment wrongful act(s)" means actions involving refusal to employ, termination of employment, coercion, demotion, failure to promote, evaluation, reassignment, retaliatory action, wrongful hiring or supervision, discipline, defamation, harassment, humiliation, abuse of process, discrimination or other employment-related practices, policies, acts or omissions which directly involve an employment relationship or prospective employment relationship with the insured. "Employment wrongful act(s)" also means: false arrest, false imprisonment, libel, slander, invasion

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of privacy, wrongful eviction, or malicious prosecution to a person arising out of any (1) refusal to employ that person; (2) termination of that person's employment; or (3) employment-related practices directed at that person; which directly involve an employment relationship or prospective employment relationship with the insured. "Employment wrongful act(s)" does not include any "public official(s) wrongful act(s)," nor does it include any alleged loss, damage, or injury claimed by any person or third-party claimant who is not directly involved in an employment relationship or prospective employment relationship with the insured. This insurance is only intended to apply to "claims" or "suits" directly involving an employment relationship or prospective employment relationship with the insured, and does not apply to any "claim" or "suit" alleging vicarious liability, respondeat superior, or negligent hiring, training, supervision, retention, or any similar "claim" or "suit" against the insured by any person or third-party claimant who is not directly involved in an employment relationship or prospective employment relationship with the insured.

8. "Property damage" means:
 - a. Physical injury to tangible property, including all resulting loss of use of that property. All such loss of use shall be deemed to occur at the time of the physical injury that caused it; or
 - b. Loss of use of tangible property that is not physically injured. All such loss of use shall be deemed to occur at the time of the occurrence that caused it.
9. "Public official(s) wrongful act(s)" means any alleged or actual breach of duty, or violation of any federal, state or local civil rights, by an insured while acting within the scope of his/her duties as a public official for the public entity named in the Declarations. "Public official(s) wrongful act(s)" does not include any "employment wrongful act(s)".
10. "Suit" means a civil proceeding in which damages because of "employment wrongful act(s)" to which this insurance applies are alleged. "Suit" includes an arbitration proceeding or any other alternative dispute resolution proceeding alleging such damages to which you must submit or submit with our consent.

EMPLOYMENT PRACTICES LIABILITY COVERAGE FORM ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

BACK WAGE COVERAGE ENDORSEMENT

This endorsement modifies insurance provided under the following:

IRFFNC EMPLOYMENT PRACTICES LIABILITY COVERAGE FORM

The following modifications apply to SECTION I - EMPLOYMENT PRACTICES LIABILITY COVERAGE:

A. DELETION OF EXCLUSION h.

Exclusion h. of 2. Exclusions is deleted

B. ADDITION OF BACK WAGES DEFINITION

The following definition is added to SECTION VI - DEFINITIONS:

"Back wages" means back wages, overtime and future wages even if designated as liquidated damages under any federal, state, or local statutes, rules, ordinances or regulations arising out of an "employment wrongful act(s)" committed on or after the retroactive date shown on the declarations.

C. AMENDMENT OF SECTION III – LIMITS OF INSURANCE

The following item is added to SECTION III – LIMITS OF INSURANCE:

4. The "back wages" limit listed below under **SCHEDULE A** is the most we will pay for all loss arising out of any "claim" made against the insured for "back wages".

SCHEDULE A

"Back wages" Limit: \$125,000 each claim