

IRFFNC EMPLOYEE BENEFITS LIABILITY COVERAGE FORM

j. Employment-Related Practices

Damages arising out of wrongful termination of employment, discrimination, or other employment-related practices.

k. Punitive or Exemplary Damages

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.

l. Computer – Related and Other Electronic Problems

Any "claim" or "suit" arising directly or indirectly out of:

(1) Any actual or alleged failure, malfunction or inadequacy of:

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

- (i) Computer hardware, including microprocessors;
- (ii) Computer application software;
- (iii) Computer operating systems and related software;
- (iv) Computer networks;
- (v) Microprocessors (computer chips) not part of any computer system; or
- (vi) 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 **l.(1)(a)** above.

due to the inability to correctly recognize, process, distinguish, interpret or accept the year 2000 and beyond.

(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 **l.(1)(a)** above.

m. (1) For any "negligent act, error or omission" 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.

n. For any damages which result from a "negligent act, error or omission" 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.

o. 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

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(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.

3. Supplementary Payments.

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

- a. All expenses we incur.
- b. The cost of bonds to release attachments, but only for bond amounts within the applicable Limit of Insurance. We do not have to furnish these bonds.
- c. 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.
- d. 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.
- e. Pre-judgment interest awarded against the insured on that part of the judgment we pay. If we made 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.
- f. 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 will not reduce the Limits of Insurance.

SECTION II - WHO IS AN INSURED

1. If you are designated in the Declarations as:
 - A Public Entity, you are an insured. Your directors and elected or appointed officials are also insureds, but only with respect to their liability as your directors and elected or appointed officials.
2. Each of the following is also an insured:
 - a. Each of your partners, executive officers and "employees" who is or was authorized to administer your "employee benefit program".
 - b. Your legal representative if you die, but only with respect to duties as such. That representative will have all your rights and duties under this Coverage Part.
3. Any organization you newly acquire or form, other than a partnership, joint venture or limited liability company, and over which you maintain ownership or majority interest, will qualify as a Named Insured if no other similar insurance applies to that organization. However:
 - a. Coverage under this provision is afforded only until the 90th day after you acquire, or form the organization or the end of the policy period, whichever is earlier.
 - b. Coverage under this provision does not apply to any "negligent act, error or omission" that was committed before you acquired or formed the organization.

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No person or organization is an insured with respect to the conduct of any current or past partnership or joint venture that is not shown as a Named Insured in the Declarations.

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;
 - c. Persons or organizations making "claims" or bringing "suits";
 - d. "Negligent acts, errors or omissions" which result in loss; or
 - e. Benefits included in your "employee benefit program".
2. The Aggregate Limit is the most we will pay for all damages because of "negligent acts, errors or omissions" committed in the "administration" of your "employee benefit program".
3. Subject to the Aggregate Limit, the Each Claim Limit is the most we will pay for all damages arising out of any covered "claim", including damages sustained by such "employee's" dependents and beneficiaries, as a result of:
 - a. A "negligent act, error or omission"; or
 - b. A series of related "negligent acts, errors or omissions" committed in the "administration" of your "employee benefit program".

However, the amount paid under this coverage form shall not exceed, and will be subject to, the limits and restrictions that apply to the payment of benefits in any plan included in the "employee benefit program".

The Limits of Insurance of this Coverage Part apply 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 purposes of determining the Limits of Insurance.

SECTION IV - DEDUCTIBLE

1. Our obligation to pay damages on behalf of the insured applies only to the amount of damages in excess of the deductible amount stated in the Declarations. The limits of insurance applicable to each claim will not be reduced by the amount of this deductible. The Aggregate limit shall not be reduced by the application of such deductible amount.
2. The deductible amount stated in the Declarations applies to all damages sustained because of a "negligent act, error or omission" covered by this insurance.
3. The terms of this insurance, including those with respect to:
 - a. Our right and duty to defend any "suits" seeking those damages; and
 - b. Your duties, and the duties of any other involved insured, in the event of a "negligent act, error or omission", "claim" or "suit"apply irrespective of the application of the deductible amount.
4. 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.

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SECTION V - EMPLOYEE BENEFITS LIABILITY CONDITIONS

1. Bankruptcy.

Bankruptcy or insolvency of the insured or of the insured's estate will not relieve us of our obligations under this Coverage Part.

2. Duties In The Event Of A "Negligent Act, Error Or Omission", "Claim" Or "Suit".

- a. You must see to it that we are notified as soon as practicable of any "negligent act, error or omission" which may result in a claim. Notice should include:
 - (1) How, when and where the "negligent act, error or omission" took place;
 - (2) The nature of any claim arising out of the "negligent act, error or omission";
 - (3) The names and addresses of anyone who may suffer damages as a result of the "negligent act, error or omission".
 - (4) The names and addresses of any witnesses;
- b. If a "claim" is received by any insured you must:
 - (1) Immediately record the specifics of the "claim" or "suit" and the date received; and
 - (2) Notify us as soon as practicable.You must see to it that we receive written notice of the "claim" or "suit" as soon as practicable.
- c. You and any other involved insured must:
 - (1) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the "claim" or a "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 a "negligent act, error or omission" to which this insurance may also apply.
- d. No insured 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 Coverage Part:

- 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 on this Coverage Part 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 Coverage Part 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.

If other valid and collectible insurance is available to the insured for a loss we cover under this Coverage Part, our obligations are limited as follows:

a. Primary Insurance.

This insurance is primary except when paragraph **b.** below applies. If this insurance is primary, our obligations are not affected unless any of the other insurance is also primary. Then, we will share with all that other insurance by the method described in **c.** below.

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b. Excess Insurance

- (1) This insurance is excess over any of the other insurance, whether primary, excess, contingent or on any other basis that is effective prior to the beginning of the policy period shown in the Declarations of this insurance and that applies to a "negligent act, error or omission" on other than a claims-made basis, if the other insurance has a policy period which continues after the Retroactive Date shown in the Declarations of this insurance.
- (2) When this insurance is excess, we will have no duty to defend the insured against any "suit" if any other insurer has a duty to defend the insured against that "suit".
- (3) 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 the total amount that all such other insurance would pay for the loss in absence of this insurance; and the total of all deductible and self-insured amounts under all that other insurance.

c. Method of Sharing.

If all of the other insurance permits contribution by equal shares, we will follow this method also. Under this approach each insurer contributes equal amounts until it has paid its applicable Limit of Insurance or none of the loss remains, whichever comes first.

If any of the other insurance does not permit contribution by equal shares, we will contribute by 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. Premium Audit.

- a. We will compute all premiums for this Coverage Part in accordance with our rules and rates.
- b. Premium shown in this Coverage Part as advance premium is a deposit premium only. At the close of each audit period we will compute the earned premium for that period.

Audit premiums are due and payable on notice to the first Named Insured. If the sum of the advance and audit premiums paid for the policy term is greater than the earned premium, we will return the excess to the first Named Insured.
- c. The first Named Insured must keep records of the information we need for premium computation, and send us copies at such times as we may request.

6. Representations.

By accepting this policy, you agree;

- a. The statements in the Declarations are accurate and complete;
- b. Those statements are based upon representations you made to us; and
- c. We have issued this policy in reliance upon your representations.

7. 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.

8. 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 Coverage Part, 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.

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9. Cancellation, Non-renewal, Renewal And Reduction Or Deletion Of Coverage.

The following conditions also apply to this Coverage Part:

All conditions relating to cancellation, non-renewal, renewal and reduction or deletion of coverage which would apply to a Commercial General Liability Coverage Part attached to this policy.

SECTION VI – EXTENDED REPORTING PERIOD

1. You will have the right to purchase an Extended Reporting Period, as described below, if:
 - a. This coverage is canceled or not renewed; or
 - b. We renew or replace this coverage with insurance that:
 - (1) Has a Retroactive Date later than the date shown in the Declarations; or
 - (2) Does not apply to a "negligent act, error or omission" on a claims-made basis.
2. The Extended Reporting Period does not extend the policy period or change the scope of coverage provided. It applies only to "claims" for "negligent acts, errors or omissions" that were first committed before the end of the policy period but not before the Retroactive Date, if any, shown in the Declarations. Once in effect, the Extended Reporting Period may not be canceled.
3. An Extended Reporting Period of one year is available at our discretion, but only by an endorsement and for an extra charge.

You must give us a written request for the endorsement within 60 days after the end of the policy period. The 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 "employee benefit programs" insured;
- b. Previous types and amounts of insurance;
- c. Limits of insurance available under this coverage for future payment of damages; and
- d. Other related factors.

The Extended Reporting Period endorsement applicable to this coverage shall set forth the terms, not inconsistent with this Section, applicable to the 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 Extended Reporting Period starts.

4. If the Extended Reporting Period is in effect, we will provide an extended reporting period aggregate limit of insurance described below, but only for claims first received and recorded during the Extended Reporting Period.

The extended reporting period aggregate limit of insurance will be equal to the dollar amount shown in the Declarations under Limits of Insurance.

Paragraph 2. of Section III – Limits of Insurance of this coverage will be amended accordingly. The Each Claim Limit shown in the Declarations will then continue to apply as set forth in paragraph 3. of Section III – Limits of Insurance.

SECTION VII- 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.

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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 any demand, or "suit", made by an "employee" or an "employee's" dependents and beneficiaries, for damages as the result of a "negligent act, error or omission".
6. "Coverage territory" means the United States of America (including its territories and possessions), Puerto Rico and Canada.
7. "Employee" means a person actively employed, formerly employed, on leave or absence or disabled, or retired. "Employee" includes a "leased worker". "Employee" does not include a "temporary worker".
8. "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.
9. "Leased worker" means a person leased to you by a labor leasing firm under an agreement between you and the labor leasing firm, to perform duties related to the conduct of your business. "Leased worker" does not include a "temporary worker".
10. "Negligent act, error or omission" means the failure to execute a required action, or a mistaken action committed by the administration of the insured's "employee benefit program" to said program.
11. "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;

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- 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.
- 12.** "Profit sharing plans" mean only such plans that are equally available to all full time "employees".
- 13.** "Property damage" means:
- a. Physical injury to tangible property, including all resulting loss of use of that property; or
 - b. Loss of use of tangible property that is not physically injured.
- 14.** "Stock subscription plans" mean only such plans that are equally available to all full time "employees".
- 15.** "Suit" means a civil proceeding in which damages because of a "negligent act, error or omission" to which this insurance applies are alleged. "Suit" includes":
- a. An arbitration proceeding in which such damages are claimed and to which the insured must submit or does submit with our consent; or
 - b. Any other alternative dispute resolution proceeding in which such damages are claimed and to which the insured submits with our consent.
- 16.** "Temporary worker" means a person who is furnished to you to substitute for a permanent "employee" on leave or the meet seasonal or short-term workload conditions.

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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 Company providing this insurance.

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

SECTION I - COVERED AUTOS

Item Two of the Declarations shows the "autos" that are covered "autos" for each of your coverages. The following numerical symbols describe the "autos" that may be covered "autos". The symbols entered next to a coverage on the Declarations designate the only "autos" that are covered "autos".

A. Description Of Covered Auto Designation Symbols

Symbol	Description Of Covered Auto Designation Symbols
1	Any "Auto"
2	Owned "Autos" Only Only those "autos" you own (and for Liability Coverage any "trailers" you don't own while attached to power units you own). This includes those "autos" you acquire ownership of after the policy begins.
3	Not Applicable
4	Not Applicable
5	Not Applicable
6	Not Applicable
7	Specifically Described "Autos" Only those "autos" described in the Business Auto Schedule for which a coverage is indicated (and for Liability Coverage any "trailers" you don't own while attached to any power unit described in the Business Auto Schedule).
8	Hired "Autos" Only Only those "autos" you lease, hire, rent or borrow. This does not include any "auto" you lease, hire, rent, or borrow from any of your "employees", or members of their households.
9	Nonowned "Autos" Only Only those "autos" you do not own, lease, hire, rent or borrow that are used in connection with your business. This includes "autos" owned by your "employees" or members of their households but only while used in your business or your personal affairs.

B. Owned Autos You Acquire After The Policy Begins

1. If Symbols 1 or 2 are entered next to a coverage in Item Two of the Declarations, then you have coverage for "autos" that you acquire of the type described for the remainder of the policy period.
2. But, if Symbol 7 is entered next to a coverage in Item Two of the Declarations, an "auto" you acquire will be a covered "auto" for that coverage only if:
 - a. We already cover all "autos" that you own for that coverage or all "autos" of a class and age that you own that have that coverage; and
 - b. You tell us within 30 days after you acquire it that you want us to cover it for that coverage.

C. Certain Trailers, Mobile Equipment And Temporary Substitute Autos

If Liability Coverage is provided by this Coverage Form, the following types of vehicles are also covered "autos" for Liability Coverage:

1. "Trailers" designed primarily for travel on public roads.
2. "Mobile equipment" while being carried or towed by a covered "auto".

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3. Any "auto" you do not own while used with the permission of its owner as a temporary substitute for a covered "auto" you own that is out of service because of its:
- a. Breakdown;
 - b. Repair;
 - c. Servicing;
 - d. "Loss"; or
 - e. Destruction.

SECTION II - LIABILITY COVERAGE

A. Coverage

We will pay all sums an "insured" legally must pay as damages because of "bodily injury" or "property damage" to which this insurance applies, caused by an "accident" and resulting from the ownership, maintenance or use of a covered "auto". This coverage does not apply to punitive damages or exemplary damages.

We will also pay all sums an "insured" legally must pay as a "covered pollution cost or expense" to which this insurance applies, caused by an "accident" and resulting from the ownership, maintenance or use of covered "autos". However, we will only pay for the "covered pollution cost or expense" if there is either "bodily injury" or "property damage" to which this insurance applies that is caused by the same "accident".

We have the right and duty to defend any "insured" against a "suit" asking for such damages or a "covered pollution cost or expense". However, we have no duty to defend any "insured" against a "suit" seeking damages for "bodily injury" or "property damage" or a "covered pollution cost or expense" to which this insurance does not apply. We may investigate and settle any claim or "suit" as we consider appropriate. Our duty to defend or settle ends when the Liability Coverage Limit of Insurance has been exhausted by payment of judgments or settlements.

1. Who Is An Insured

The following are "insureds":

- a. You for any covered "auto".
- b. Anyone else while using with your permission a covered "auto" you own, hire or borrow except:
 - (1) The owner or anyone else from whom you hire or borrow a covered "auto". This exception does not apply if the covered "auto" is a "trailer" connected to a covered "auto" you own.
 - (2) Your "employee" if the covered "auto" is owned by that "employee" or a member of his or her household.
 - (3) Someone using a covered "auto" while he or she is working in a business of selling, servicing, repairing, parking or storing "autos" unless that business is yours.
 - (4) Anyone other than your "employees", a lessee or borrower or any of their "employees", while moving property to or from a covered "auto".
 - (5) A partner (if you are, a partnership) or a member (if you are a limited liability company) for a covered "auto" owned by him or her or a member of his or her household.
- c. Anyone liable for the conduct of an "insured" described above but only to the extent of that liability.
- d. Any employee, volunteer, elected or appointed official of yours is an "Insured" while using a covered "auto" you don't own, hire or borrow in your business. This coverage is excess over any other insurance available to any employee, volunteer, elected or appointed official.

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2. Coverage Extensions

a. Supplementary Payments

In addition to the Limit of Insurance, we will pay for the "insured":

- (1) All expenses we incur.
- (2) Up to \$2,000 for cost of bail bonds (including bonds for related traffic law violations) required because of an "accident" we cover. We do not have to furnish these bonds.
- (3) The cost of bonds to release attachments in any "suit" against the "insured" we defend, but only for bond amounts within our Limit of Insurance.
- (4) All reasonable expenses incurred by the "insured" at our request, including actual loss of earnings up to \$250 a day because of time off from work.
- (5) All court costs taxed against the "insured" in any "suit". However, these payments do not include attorneys' fees or attorneys' expenses taxed against the insured.
- (6) All interest on the full amount of any judgment that accrues after entry of the judgment in any "suit" against the "insured" we defend, but our duty to pay interest ends when we have paid, offered to pay or deposited in court the part of the judgment that is within our Limit of Insurance.

These payments will not reduce the Limit of Insurance.

b. Out-Of State Coverage Extensions

While a covered "auto" is away from the state where it is licensed we will:

- (1) Increase the Limit of Insurance for Liability Coverage to meet the limits specified by a compulsory or financial responsibility law of the jurisdiction where the covered "auto" is being used. This extension does not apply to the limit or limits specified by any law governing motor carriers of passengers or property.
- (2) Provide the minimum amounts and types of other coverages, such as no-fault, required of out-of-state vehicles by the jurisdiction where the covered "auto" is being used.

We will not pay anyone more than once for the same elements of loss because of these extensions.

B. Exclusions

This insurance does not apply to any of the following:

1. Expected Or Intended Injury

"Bodily injury" or "property damage" expected or intended from the standpoint of the "insured".

2. Contractual

Liability assumed under any contract or agreement.

But this exclusion does not apply to liability for damages:

- a. Assumed in a contract or agreement that is an "insured contract" provided the "bodily injury" or "property damage" occurs subsequent to the execution of the contract or agreement; or
- b. That the "insured" would have in the absence of the contract or agreement.

3. Workers' Compensation

Any obligation for which the "insured" or the "insured's" insurer may be held liable under any workers' compensation, disability benefits or unemployment compensation law or any similar law.

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4. Employee Indemnification And Employer's Liability

"Bodily injury" to:

- a. An "employee" of the "insured" arising out of and in the course of:
 - (1) Employment by the "insured"; or
 - (2) Performing the duties related to the conduct of the "insured's" business; or
- b. The spouse, child, parent, brother or sister of that "employee" as a consequence of Paragraph a. above.

This exclusion applies:

- (1) Whether the "insured" may be liable as an employer or in any other capacity; and
- (2) To any obligation to share damages with or repay someone else who must pay damages because of the injury.

But this exclusion does not apply to "bodily injury" to domestic "employees" not entitled to workers' compensation benefits or to liability assumed by the "insured" under an "insured contract". For the purposes of the Coverage Form, a domestic "employee" is a person engaged in household or domestic work performed principally in connection with a residence premises.

5. Fellow Employee

"Bodily Injury" to any fellow "employee" of the "insured" arising out of and in the course of the fellow "employee's" employment or while performing duties related to the conduct of your business. However, this exclusion does not apply to a fellow "employee" claim or "suit" against a manager, administrator, department head, division head or other management personnel.

6. Care, Custody Or Control

"Property damage" to or "covered pollution cost or expense" involving property owned or transported by the "insured" or in the "insured's" care, custody or control. But this exclusion does not apply to liability assumed under a sidetrack agreement.

7. Handling Of Property

"Bodily injury" or "property damage" resulting from the handling of property:

- a. Before it is moved from the place where it is accepted by the "insured" for movement into or onto the covered "auto"; or
- b. After it is moved from the covered "auto" to the place where it is finally delivered by the "insured".

8. Movement Of Property By Mechanical Device

"Bodily injury" or "property damage" resulting from the movement of property by a mechanical device (other than a hand truck) unless the device is attached to the covered "auto".

9. Operations

"Bodily injury" or "property damage" arising out of the operation of:

- a. Any equipment listed in Paragraphs 6.b. and 6.c. of the definition of "mobile equipment"; or
- b. Machinery or equipment that is on, attached to, or part of, a land vehicle that would qualify under the definition of "mobile equipment" if it were not subject to a compulsory or financial responsibility law or other motor vehicle insurance law where it is licensed or principally garaged.

IRFFNC BUSINESS AUTO COVERAGE FORM

10. Completed Operations

"Bodily injury" or "property damage" arising out of your work after that work has been completed or abandoned.

In this exclusion, your work means:

- a. Work or operations performed by you or on your behalf; and
- b. Materials, parts or equipment furnished in connection with such work or operations.

Your work includes warranties or representations made at any time with respect to the fitness, quality, durability or performance of any of the items included in Paragraphs **a.** or **b.** above.

Your work will be deemed completed at the earliest of the following times:

- (1) When all of the work called for in your contract has been completed.
- (2) When all of the work to be done at the site has been completed if your contract calls for work at more than one site.
- (3) When that part of the work done at a job site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

11. Pollution

"Bodily injury" or "property damage" arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of "pollutants":

- a. That are, or that are contained in any property that is:
 - (1) Being transported or towed by, handled, or handled for movement into, onto or from, the covered "auto";
 - (2) Otherwise in the course of transit by or on behalf of the "insured"; or
 - (3) Being stored, disposed of, treated or processed in or upon the covered "auto";
- b. Before the "pollutants" or any property in which the "pollutants" are contained are moved from the place where they are accepted by the "insured" for movement into or onto the covered "auto"; or
- c. After the "pollutants" or any property in which the "pollutants" are contained are moved from the covered "auto" to the place where they are finally delivered, disposed of or abandoned by the "insured".

Paragraph **a.** above does not apply to fuels, lubricants, fluids, exhaust gases or other similar "pollutants" that are needed for or result from the normal electrical, hydraulic or mechanical functioning of the covered "auto" or its parts, if:

- (1) The "pollutants" escape, seep, migrate, or are discharged, dispersed or released directly from an "auto" part designed by its manufacturer to hold, store, receive or dispose of such "pollutants"; and
- (2) The "bodily injury", property damage" or "covered pollution cost or expense" does not arise out of the operation of any equipment listed in Paragraphs **6.b.** and **6.c.** of the definition of "mobile equipment".

Paragraphs **b.** and **c.** above of this exclusion do not apply to "accidents" that occur away from premises owned by or rented to an insured" with respect to "pollutants" not in or upon a covered "auto" if:

- (1) The "pollutants" or any property in which the "pollutants" are contained are upset, overturned or damaged as a result of the maintenance or use of a covered "auto"; and
- (2) The discharge, dispersal, seepage, migration, release or escape of the "pollutants" is caused directly by such upset, overturn or damage.

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12. War

"Bodily injury" or "property damage", however caused, arising, directly or indirectly, out of:

a. War, including undeclared or civil war;

b. Martial law, invasion, bombardment or 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

c. Insurrection, rebellion, revolution, usurped power or confiscation, nationalization or damage of property or action taken by government, military or other authority in hindering or defending against any of these.

13. Racing

Covered "autos" while used in any professional or organized racing or demolition contest or stunting activity, or while practicing for such contest or activity. This insurance also does not apply while that covered "auto" is being prepared for such a contest or activity.

14. "Bodily injury" or "property damage" arising from insureds in the business of leasing and/or renting vehicles to others

15. "Bodily injury" or "property damage" arising from the operation, use or maintenance of any non-owned bus or contracted bus. This exclusion shall not apply to non-owned buses or contracted buses loaned or originating from other public entities and/or religious institutions located in the State of North Carolina or temporary substitute buses provided by other entities to the insured while the insured's buses are being repaired or serviced.

16. 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.

C. Limit Of Insurance

Regardless of the number of covered "autos," "insureds", premiums paid, claims made or vehicles involved in the "accident", the most we will pay for the total of all damages and "covered pollution cost or expense" combined, resulting from any one "accident" is the Limit of Insurance for Liability Coverage shown in the Declarations. However, the most we will pay for any fellow employee claim or "suit" is \$1,000,000.

All "bodily injury", "property damage" and "covered pollution cost or expense" resulting from continuous or repeated exposure to substantially the same conditions will be considered as resulting from one "accident".

No one will be entitled to receive duplicate payments for the same elements of "loss" under this Coverage Form and any Medical Payments Coverage Endorsement, Uninsured Motorists Coverage Endorsement or Underinsured Motorists Coverage Endorsement attached to this Coverage Part.

D. Deductible

IRFFNC shall only be liable for those sums payable under A. Coverage above which are in excess of the deductible stated in the Declarations.

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

IRFFNC BUSINESS AUTO COVERAGE FORM

SECTION III- PHYSICAL DAMAGE COVERAGE

A. Coverage

1. We will pay for "loss" to a covered "auto" or its equipment under:

a. Comprehensive Coverage

From any cause except:

- (1) The covered "auto's" collision with another object; or
- (2) The covered "auto's" overturn.

b. Collision Coverage

Caused by:

- (1) The covered "auto's" collision with another object; or
- (2) The covered "auto's" overturn.

2. Glass Breakage - Hitting A Bird or Animal - Falling Objects or Missiles

If you carry Comprehensive Coverage for the damaged covered "auto", we will pay for the following under Comprehensive Coverage:

- a. Glass breakage;
- b. "Loss" caused by hitting a bird or animal; and
- c. "Loss" caused by falling objects or missiles.

However, you have the option of having glass breakage caused by a covered "auto's" collision or overturn considered a "loss" under Collision Coverage.

3. Coverage Extension

- a) We will pay up to \$20 per day to a maximum of \$600 for temporary transportation expense incurred by you because of the total theft or "loss" of a covered "auto. We will pay only for those covered "autos" for which you carry Comprehensive Coverage.
- b) We will pay for any loss to an automobile, not covered by IRFFNC, which is owned or used by a volunteer or employee, while at, responding to, or returning directly from the scene of an emergency. The "loss" must have occurred while the employee or volunteer was acting on behalf of the named insured. This coverage is limited to \$500 per vehicle, or the deductible amount of the automobile insurance in force, whichever is less. This coverage part has no deductible.

B. Exclusions

1. We will not pay for "loss" caused by or resulting from 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. Nuclear Hazard

- (1) The explosion of any weapon employing atomic fission or fusion; or
- (2) Nuclear reaction or radiation, or radioactive contamination, however caused.

b. War Or Military Action

- (1) War, including undeclared or civil war;
- (2) Martial law, invasion, bombardment or 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

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- (3) Insurrection, rebellion, revolution, usurped power or confiscation, nationalization or damage of property or action taken by government, military or other authority in hindering or defending against any of these.
2. We will not pay for "loss" to any covered "auto" while used in any professional or organized racing or demolition contest or stunting activity, or while practicing for such contest or activity. We will also not pay for "loss" to any covered "auto" while that covered "auto" is being prepared for such a contest or activity.
3. We will not pay for "loss" caused by or resulting from any of the following unless caused by other "loss" that is covered by this insurance:
 - a. Wear and tear, freezing, mechanical or electrical breakdown. This exclusion does not apply to the freezing of fire truck pumps.
 - b. Blowouts, punctures or other road damage to tires.
4. We will not pay for "loss" to any of the following:
 - a. Tapes, records, discs or other similar audio, visual or data electronic devices designed for use with audio, visual or data electronic equipment.
 - b. Any device designed or used to detect speed measuring equipment such as radar or laser detectors and any jamming apparatus intended to elude or disrupt speed measurement equipment.
 - c. Laptop computers, laptop printers or laptop accessories.
 - d. Any electronic equipment, without regard to whether this equipment is permanently installed, that receives or transmits audio, visual or data signals and that is not designed solely for the reproduction of sound.
 - e. Any accessories used with the electronic equipment described in Paragraph **d.** above.

Exclusions **4.d.** and **4.e.** do not apply to:

- a. Any electronic equipment that is:
 - (1) Necessary for the normal operation of the covered "auto" or the monitoring of the covered "auto's" operating system; or
 - (2) An integral part of any sound reproducing equipment that is permanently installed in the opening of the dash or console of the covered "auto" normally used by the manufacturer for installation of a radio or similar sound reproducing equipment.
 - b. Permanently installed radios or other communication equipment.
 - c. Permanently installed video cameras.
 - d. Permanently installed docking stations for laptop computers.
 - e. Permanently installed speed detection equipment, such as radar, laser, Vascar ,etc.
5. We will not pay for "loss" to a covered "auto" due to "diminution in value".

C. Limit Of Insurance

1. The most we will pay for "loss" in any one "accident" is the lesser of:
 - a. The actual cash value of the damaged or stolen property as of the time of the "loss"; or
 - b. The cost of repairing or replacing the damaged or stolen property with other property of like kind and quality.
2. An adjustment for depreciation and physical condition will be made in determining actual cash value in the event of a total "loss".
3. If a repair or replacement results in better than like kind or quality, we will not pay for the amount of the betterment.

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D. Deductible

For each covered "auto", our obligation to pay for, repair, return or replace damaged or stolen property will be reduced by the applicable deductible shown in the Declarations. Any Comprehensive Coverage deductible shown in the Declarations does not apply to "loss" caused by fire or lightning.

SECTION IV – BUSINESS AUTO CONDITIONS

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

A. Loss Conditions

1. Appraisal For Physical Damage Loss

If you and we disagree on the amount of "loss", either may demand an appraisal of the "loss". In this event, each party will select a competent appraiser. The two appraisers will select a competent and impartial umpire. The appraisers will state separately the actual cash value 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:

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

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

2. Duties In The Event Of Accident, Claim, Suit Or Loss

We have no duty to provide coverage under this policy unless there has been full compliance with the following duties:

- a. In the event of "accident", claim, "suit" or "loss", you must give us or our authorized representative prompt notice of the "accident" or "loss". Include:
 - (1) How, when and where the "accident" or "loss" occurred;
 - (2) The "insured's" name and address; and
 - (3) To the extent possible, the names and addresses of any injured persons and witnesses.
- b. Additionally, you and any other involved "insured" must:
 - (1) Assume no obligation, make no payment or incur no expense without our consent, except at the "insured's" own cost.
 - (2) Immediately send us copies of any request, demand, order, notice, summons or legal paper received concerning the claim or "suit".
 - (3) Cooperate with us in the investigation or settlement of the claim or defense against the "suit".
 - (4) Authorize us to obtain medical records or other pertinent information.
 - (5) Submit to examination, at our expense, by physicians of our choice, as often as we reasonably require.
- c. If there is "loss" to a covered "auto" or its equipment you must also do the following:
 - (1) Promptly notify the police if the covered "auto" or any of its equipment is stolen.
 - (2) Take all reasonable steps to protect the covered "auto" from further damage. Also keep a record of your expenses for consideration in the settlement of the claim.
 - (3) Permit us to inspect the covered "auto" and records proving the "loss" before its repair or disposition.
 - (4) Agree to examinations under oath at our request and give us a signed statement of your answers.

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3. Legal Action Against Us

No one may bring a legal action against us under this Coverage Form until:

- a. There has been full compliance with all the terms of this Coverage Form; and
- b. Under Liability Coverage, we agree in writing that the "insured" has an obligation to pay or until the amount of that obligation has finally been determined by judgment after trial. No one has the right under this policy to bring us into an action to determine the "insured's" liability.

4. Loss Payment - Physical Damage Coverages

At our option we may:

- a. Pay for, repair or replace damaged or stolen property;
- b. Return the stolen property, at our expense. We will pay for any damage that results to the "auto" from the theft; or
- c. Take all or any part of the damaged or stolen property at an agreed or appraised value.

5. Transfer Of Rights Of Recovery Against Others To Us,

If any person or organization to or for whom we make payment under this Coverage Form has rights to recover damages from another, those rights are transferred to us. That person or organization must do everything necessary to secure our rights and must do nothing after "accident" or "loss" to impair them.

B. General Conditions

1. Bankruptcy

Bankruptcy or insolvency of the "insured" or the "insured's" estate will not relieve us of any obligations under this Coverage Form.

2. Concealment, Misrepresentation Or Fraud

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

- a. This Coverage Form;
- b. The covered "auto";
- c. Your interest in the covered "auto"; or
- d. A claim under this Coverage Form.

3. Liberalization

If we revise this Coverage Form to provide more coverage without additional premium charge, your policy will automatically provide the additional coverage as of the day the revision is effective in your state.

4. No Benefit To Bailee - Physical Damage Coverages

We will not recognize any assignment or grant any coverage for the benefit of any person or organization holding, storing or transporting property for a fee regardless of any other provision of this Coverage Form.

5. Other Insurance

- a. For any covered "auto" you own, this Coverage Form provides primary insurance. For any covered "auto" you don't own, the insurance provided by this Coverage Form is excess over any other collectible insurance. However, while a covered "auto" which is a "trailer" is connected to another vehicle, the Liability Coverage this Coverage Form provides for the "trailer" is:

- (1) Excess while it is connected to a motor vehicle you do not own.

IRFFNC BUSINESS AUTO COVERAGE FORM

- (2) Primary while it is connected to a covered "auto" you own.
- b. For Hired Auto Physical Damage Coverage, any covered "auto" you lease, hire, rent or borrow is deemed to be a covered "auto" you own. However, any "auto" that is leased, hired, rented or borrowed with a driver is not a covered "auto".
 - c. Regardless of the provisions of Paragraph **a.** above, this Coverage Form's Liability Coverage is primary for any liability assumed under an "insured contract".
 - d. When this Coverage Form and any other Coverage Form or policy covers on the same basis, either excess or primary, we will pay only our share. Our share is the proportion that the Limit of Insurance of our Coverage Form bears to the total of the limits of all the Coverage Forms and policies covering on the same basis.

6. Premium Audit

- a. The estimated premium for this Coverage Form is based on the exposures you told us you would have when this policy began. We will compute the final premium due when we determine your actual exposures. The estimated total premium will be credited against the final premium due and the first Named Insured will be billed for the balance, if any. If the estimated total premium exceeds the final premium due, the first Named Insured will get a refund.
- b. If this policy is issued for more than one year, the premium for this Coverage Form will be computed annually based on our rates or premiums in effect at the beginning of each year of the policy.

7. Policy Period, Coverage Territory

Under this Coverage Form, we cover "accidents" and "losses" occurring:

- a. During the policy period shown in the Declarations; and
- b. Within the coverage territory.

The coverage territory is:

- a. The United States of America;
- b. The territories and possessions of the United States of America;
- c. Puerto Rico; and
- d. Canada.

We also cover "loss" to, or "accidents" involving, a covered "auto" while being transported between any of these places.

8. Two Or More Coverage Forms Or Policies Issued By Us

If this Coverage Form and any other Coverage Form or policy issued to you by us or any company affiliated with us apply to the same "accident", the aggregate maximum Limit of Insurance under all the Coverage Forms or policies shall not exceed the highest applicable Limit of Insurance under any one Coverage Form or policy. This condition does not apply to any Coverage Form or policy issued by us or an affiliated company specifically to apply as excess insurance over this Coverage Form.

SECTION V – DEFINITIONS

- A. "Accident" includes continuous or repeated exposure to the same conditions resulting in "bodily injury" or "property damage".
- B. "Auto" means:
 - 1. A land motor vehicle, "trailer" or semitrailer designed for travel on public roads; or
 - 2. Any other land vehicle that is subject to a compulsory or financial responsibility law or other motor vehicle insurance law where it is licensed or principally garaged.

However, "auto" does not include "mobile equipment".

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- C. "Bodily injury" means bodily injury, sickness or disease sustained by a person including death resulting from any of these.
- D. "Covered pollution cost or expense" means any cost or expense arising out of:
1. Any request, demand or order or statutory or regulatory requirement 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
 2. 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".

"Covered pollution cost or expense" does not include any cost or expense arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of "pollutants":

- a. That are, or that are contained in any property that is:
 - (1) Being transported or towed by, handled, or handled for movement into, onto or from the covered "auto";
 - (2) Otherwise in the course of transit by or on behalf of the "insured";
 - (3) Being stored, disposed of, treated or processed in or upon the covered "auto";
- b. Before the "pollutants" or any property in which the "pollutants" are contained are moved from the place where they are accepted by the "insured" for movement into or onto the covered "auto"; or
- c. After the "pollutants" or any property in which the "pollutants" are contained are moved from the covered "auto" to the place where they are finally delivered, disposed of or abandoned by the "insured".

Paragraph a. above does not apply to fuels, lubricants, fluids, exhaust gases or other similar "pollutants" that are needed for or result from the normal electrical, hydraulic or mechanical functioning of the covered "auto" or its parts, if:

- (1) The "pollutants" escape, seep, migrate, or are discharged, dispersed or released directly from an "auto" part designed by its manufacturer to hold, store, receive or dispose of such "pollutants"; and
- (2) The "bodily injury", "property damage" or "covered pollution cost or expense" does not arise out of the operation of any equipment listed in Paragraphs **6.b.** or **6.c.** of the definition of "mobile equipment".

Paragraphs **b.** and **c.** above do not apply to "accidents" that occur away from premises owned by or rented to an "insured" with respect to "pollutants" not in or upon a covered "auto" if:

- (1) The "pollutants" or any property in which the "pollutants" are contained are upset, overturned or damaged as a result of the maintenance or use of a covered "auto"; and
- (2) The discharge, dispersal, seepage, migration, release or escape of the "pollutants" is caused directly by such upset, overturn or damage.

- E. "Diminution in value" means the actual or perceived loss in market value or resale value which results from a direct and accidental "loss".
- F. "Employee" includes a "leased worker". "Employee" does not include a "temporary worker".
- G. "Insured" means any person or organization qualifying as an insured in the Who Is An Insured provision of the applicable coverage. Except with respect to the Limit of Insurance, the coverage afforded applies separately to each insured who is seeking coverage or against whom a claim or "suit" is brought.
- H. "Insured contract" means:
1. A lease of premises;
 2. A sidetrack agreement;

IRFFNC BUSINESS AUTO COVERAGE FORM

3. Any easement or license agreement, except in connection with construction or demolition operations on or within 50 feet of a railroad;
4. An obligation, as required by ordinance, to indemnify a municipality, except in connection with work for a municipality;
5. That part of any other contract or agreement pertaining to your business (including an indemnification of a municipality in connection with work performed for a municipality) under which you assume the tort liability of another to pay for "bodily injury" or "property damage" to a third party or organization. Tort liability means a liability that would be imposed by law in the absence of any contract or agreement;
6. That part of any contract or agreement entered into, as part of your business, pertaining to the rental or lease, by you or any of your "employees", of any "auto". However, such contract or agreement shall not be considered an "insured contract" to the extent that it obligates you or any of your "employees" to pay for "property damage" to any "auto" rented or leased by you or any of your "employees".

An "insured contract" does not include that part of any contract or agreement:

- a. That indemnifies any person or organization for "bodily injury" or "property damage" arising out of construction or demolition operations, within 50 feet of any railroad property and affecting any railroad bridge or trestle, tracks, roadbeds, tunnel, underpass or crossing; or
 - b. That pertains to the loan, lease or rental of an "auto" to you or any of your "employees", if the "auto" is loaned, leased or rented with a driver; or
 - c. That holds a person or organization engaged in the business of transporting property by "auto" for hire harmless for your use of a covered "auto" over a route or territory that person or organization is authorized to serve by public authority.
- I.** "Leased worker" means a person leased to you by a labor leasing firm under an agreement between you and the labor leasing firm, to perform duties related to the conduct of your business. "Leased worker" does not include a "temporary worker".
- J.** "Loss" means direct and accidental loss or damage.
- K.** "Mobile equipment" means any of the following types of land vehicles, including any attached machinery or equipment:
1. Bulldozers, farm machinery, forklifts and other vehicles designed for use principally off public roads. However, any land motor vehicle or "trailer" you own or lease that is designed for travel on public roads is an "auto" and not "mobile equipment" if the sole reason for considering it "mobile equipment" is such vehicle is used solely on roads you own;
 2. Vehicles maintained for use solely on or next to premises you own or rent;
 3. Vehicles that travel on crawler treads;
 4. Vehicles, whether self-propelled or not, maintained primarily to provide mobility to permanently mounted:
 - a. Power cranes, shovels, loaders, diggers or drills; or
 - b. Road construction or resurfacing equipment such as graders, scrapers or rollers.
 5. Vehicles not described in Paragraphs 1., 2., 3., or 4. above that are not self-propelled and are maintained primarily to provide mobility to permanently attached equipment of the following types:
 - a. Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment; or
 - b. Cherry pickers and similar devices used to raise or lower workers;
 6. Vehicles not described in Paragraphs 1., 2., 3. or 4. above maintained primarily for purposes other than the transportation of persons or cargo. However, self-propelled vehicles with the following types of permanently attached equipment are not "mobile equipment" but will be considered "autos":

IRFFNC BUSINESS AUTO COVERAGE FORM

- a. Equipment designed primarily for:
 - (1) Snow removal;
 - (2) Road maintenance, but not construction or resurfacing; or
 - (3) Street cleaning;
- b. Cherry pickers and similar devices mounted on automobile or truck chassis and used to raise or lower workers; and
- c. Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting or well servicing equipment.

However, "mobile equipment" does not include land vehicles that are subject to a compulsory or financial responsibility law or other motor vehicle insurance law where it is licensed or principally garaged. Land vehicles subject to a compulsory or financial responsibility law or other motor vehicle insurance law are considered "autos".

- L. "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.
- M. "Property damage" means damage to or loss of use of tangible property.
- N. "Suit" means a civil proceeding in which:
 - 1. Damages because of "bodily injury" or "property damage"; or
 - 2. A "covered pollution cost or expense",to which this insurance applies, are alleged.

"Suit" includes:

 - a. An arbitration proceeding in which such damages or "covered pollution costs or expenses" are claimed and to which the "insured" must submit or does submit with our consent; or
 - b. Any other alternative dispute resolution proceeding in which such damages or "covered pollution costs or expenses" are claimed and to which the insured submits with our consent.
- O. "Temporary worker" means a person who is furnished to you to substitute for a permanent "employee" on leave or to meet seasonal or short-term workload conditions.
- P. "Trailer" includes semitrailer.

BUSINESS AUTO COVERAGE FORM ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED - AUTOMOBILE

This endorsement modifies coverage provided under the following:

IRFFNC BUSINESS AUTO COVERAGE FORM

SCHEDULE

Name of Additional Insured Person(s) or Organization(s):

The Additional Insured as referenced in the Description on the Certificate of Insurance

Description of Automobile:

Refer to the Description on the Certificate of Insurance

Section II. Liability Coverage, A. Coverage, 1. - Who is an Insured is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to the automobile designated in the Schedule and only as its interests may appear.

BUSINESS AUTO COVERAGE FORM ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

LOSS PAYABLE CLAUSE

This endorsement modifies coverage provided under the following:

IRFFNC BUSINESS AUTO COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

- A. We will pay you and the loss payee named in the policy for "loss" to a covered "auto," as interests may appear.
- B. The insurance covers the interest of the loss payee unless the "loss" results from conversion, secretion or embezzlement on your part.
- C. We may cancel the policy as allowed by the CANCELLATION Common Policy Condition.

Cancellation ends this agreement as to the loss payee's interest. If we cancel the policy, we will mail you and the loss payee the same advance notice.

- D. If we make any payments to the loss payee, we will obtain his or her rights against any other party.

LOSS PAYEE: Refer to Loss Payee Schedule

BUSINESS AUTO COVERAGE FORM ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**EXCLUSION - YEAR 2000 COMPUTER - RELATED
AND OTHER ELECTRONIC PROBLEMS**

This endorsement modifies coverage provided under the following:

IRFFNC BUSINESS AUTO COVERAGE FORM

The following exclusion is added to Paragraph **B., Exclusions** of **Section II – LIABILITY COVERAGE** and Paragraph **B., Exclusions** of **Section III – PHYSICAL DAMAGE COVERAGE**

B. Exclusions

This coverage does not apply to “bodily injury” or “property damage”, arising directly or indirectly out of:

1. Any actual or alleged 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 **1.a.** of this endorsement.

due to the inability to correctly recognize, process, distinguish, interpret or accept the year 2000 and beyond.

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 **1.** of this endorsement.

BUSINESS AUTO COVERAGE FORM ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**EMERGENCY VEHICLES – VOLUNTEER FIREFIGHTERS
AND WORKERS INJURIES EXCLUDED**

This endorsement modifies insurance provided under the following:

IRFFNC BUSINESS AUTO COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the coverage Form apply unless modified by the endorsement.

LIABILITY COVERAGE is changed by adding the following exclusions:

This insurance does not apply to:

“Bodily Injury” to any volunteer firefighter or other volunteer worker of the “insured” if sustained while such person is using or maintaining a covered “auto” or is otherwise engaged in other volunteer firefighting, rescue squad or ambulance corps operations of the "insured".

BUSINESS AUTO COVERAGE FORM ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

PROFESSIONAL SERVICES NOT COVERED

This endorsement modifies insurance provided under the following:

IRFFNC BUSINESS AUTO COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the coverage Form apply unless modified by the endorsement.

LIABILITY COVERAGE is changed by adding the following exclusions:

This insurance does not apply to:

1. "Bodily injury" resulting from the providing or the failure to provide any medical or other professional services.
2. "Bodily injury" resulting from food or drink furnished with these services.
3. "Bodily injury" or "property damage" resulting from the handling of corpses.

IRFFNC POLICE PROFESSIONAL LIABILITY 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 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 V-DEFINITIONS.

SECTION I - COVERAGES

COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY

1. Insuring Agreement.

- a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury" or "property damage" to which this insurance applies. No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under SUPPLEMENTARY PAYMENTS - COVERAGES A AND B. This insurance applies only to "bodily injury" and "property damage" which occurs during the policy period. The "bodily injury" and "property damage" must be caused by an "occurrence" and arise out of the performance of the insured's law enforcement duties and all necessary and incidental operations. The "occurrence" must take place in the "coverage territory." 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;
 - (2) We may investigate and settle any claim or "suit" at our discretion; and
 - (3) Our right and duty to defend end when we have used up the applicable Limit of Insurance in the payment of judgments or settlements under Coverages A or B.
- b. Damages because of "bodily injury" include damages claimed by any person or organization for care, loss of services or death resulting at any time from the "bodily injury."
- c. "Property damage" that is loss of use of tangible property that is not physically injured shall be deemed to occur at the time of the "occurrence" that caused it.

2. Exclusions.

This insurance does not apply to:

- a. "Bodily injury" or "property damage" for which the insured is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages:
 - (1) Assumed in a mutual law enforcement assistance agreement or contract between political subdivisions; or
 - (2) That the insured would have in the absence of the contract or agreement.
- b. Any obligation of the insured under a workers compensation, disability benefits or unemployment compensation law or any similar law, including acts arising out of class action suits.

IRFFNC POLICE PROFESSIONAL LIABILITY COVERAGE FORM

- c. "Bodily injury or property damage" to:
- (1) An employee of the insured or an auxiliary or volunteer law enforcement officer arising out of and in the course of employment by the insured; or
 - (2) The spouse, child, parent, brother or sister of that employee, auxiliary or volunteer law enforcement officer, as a consequence of (1) above.
- This exclusion applies:
- (1) Whether the insured may be liable as an employer or in any other capacity; and
 - (2) To any obligation to share damages with or repay someone else who must pay damages because of the "bodily injury" or "property damage".
- d. "Bodily injury" or "property damage" arising out of the ownership, maintenance, use or entrustment to others of any aircraft (including "unmanned aircraft"), "auto" or watercraft owned or operated by or rented or loaned to any insured. Use includes operation and "loading or unloading."
- e. "Property damage" to:
- (1) Property you own, rent, or occupy;
 - (2) Property loaned to you;
 - (3) Personal property in your care, custody or control, except property of persons in custody by virtue of arrest or detention;
- f. Claims or "suits" for damages arising out of the willful violation of any federal, state or local statute, ordinance, rule or regulation committed by or with the knowledge or consent of any insured.
- g. Claims or "suits" for damages arising out of acts of fraud committed by or at the direction of the insured with affirmative dishonesty or actual intent to deceive or defraud;
- h. To claims or "suits" arising out of the performance of any law enforcement activity for anyone other than the "Named Insured". This exclusion shall not apply if the act or service arises as the result of a mutual law enforcement assistance agreement or contract between political subdivisions, nor does it apply to any departmentally approved activities.
- i. Any 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 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.
- j. Claims or "suits" against the insured for acts of another officer or employee unless said officer or employee is also insured for said acts in a policy of insurance issued by us.
- k. "Bodily injury" arising out of any:
- (1) Refusal to employ;
 - (2) Termination of employment;
 - (3) Coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, discrimination or other employment-related practices, policies, acts or omissions; or
 - (4) Consequential "bodily injury" as a result of (1) through (3) above.

IRFFNC POLICE PROFESSIONAL LIABILITY COVERAGE FORM

This exclusion applies whether the insured may be held liable as an employer or in any other capacity and to any obligation to share damages with or to repay someone else who must pay damages because of the injury.

- l. 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.
- m. Any claim or "suit" arising out of the actual or alleged transmission of any communicable disease by an insured or the transmission of any communicable disease from one inmate to another.
- n. 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.
- o. Any claims or "suits" involving any insured employed by an establishment where the receipts from the sale of alcoholic beverages is more than 50% of the total receipts (excluding cover charges).
- p. 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 sexual acts of any nature, kind or description, by whatever name used.
- q. Any claims or "suits" 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) "Bodily Injury" or "property damage" arising out of, resulting from, caused by, or contributed to by lead, exposure to lead, use or existence of lead, contact with lead, or the actual, alleged or threaten ingestion, inhalation or absorption of lead in any form;
 - (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 q.(2)(b)(i) and q.(2)(b)(ii).

IRFFNC POLICE PROFESSIONAL LIABILITY COVERAGE FORM

- (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.
- r. Any claims or ‘suits’ 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:
- (1) Any actual or alleged failure, malfunction or inadequacy of:
 - (a) Any of the following, whether belonging to any insured or to others:
 - (i) Computer hardware, including microprocessors;
 - (ii) Computer application software;
 - (iii) Computer operating systems and related software;
 - (iv) Computer networks;
 - (v) Microprocessors (computer chips) not part of any computer system; or
 - (vi) 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 **r.(1)(a)** above.
 - (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 **r.(1)** above.
- s. Any claim made against the insured for any loss, cost or expense arising out of, resulting from, caused or contributed to by asbestos or exposure to asbestos. This includes, but 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; or
 - (2) Any obligation to share damages with or repay someone else who must pay damages.
- t. **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.

IRFFNC POLICE PROFESSIONAL LIABILITY COVERAGE FORM

COVERAGE B. PERSONAL INJURY LIABILITY

1. Insuring Agreement.

- a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "personal injury" to which this insurance applies. No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under SUPPLEMENTARY PAYMENTS - COVERAGES A AND B. 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;
 - (2) We may investigate and settle any claim or "suit" at our discretion; and
 - (3) Our right and duty to defend end when we have used up the applicable Limit of Insurance in the payment of judgments or settlements under Coverages A or B.
- b. This insurance applies to "personal injury" only if caused by an offense:
 - (1) Committed in the "coverage territory" during the policy period; and
 - (2) Arising out of the conduct of your law enforcement activities.

2. Exclusions.

This insurance does not apply to:

- a. "Personal injury":
 - (1) Arising out of oral or written publication of material, if done by or at the direction of the insured with knowledge of its falsity;
 - (2) Arising out of oral or written publication of material whose first publication took place before the beginning of the policy period;
 - (3) Arising out of the willful violation of any federal, state or local statute, ordinance, rule or regulation committed by or with the knowledge or consent of any insured;
 - (4) Arising out of acts of fraud committed by or at the direction of the insured with affirmative dishonesty or actual intent to deceive or defraud; or
 - (5) For which the insured has assumed liability in a contract or agreement. This exclusion does not apply to liability for damages:
 - (a) Assumed in a mutual law enforcement assistance agreement or contract between political subdivisions;
 - (b) That the insured would have in the absence of the contract or agreement.
- b. "Personal injury" to:
 - (1) An employee of the insured or an auxiliary or volunteer law enforcement officer arising out of and in the course of employment by the insured; or
 - (2) The spouse, child, parent, brother or sister of that employee, auxiliary or volunteer law enforcement officer, as a consequence of (1) above.

This exclusion applies:

 - (1) Whether the insured may be liable as an employer or in any other capacity; and
 - (2) To any obligation to share damages with or repay someone else who must pay damages because of the injury.
- c. To claims or "suits" arising out of the performance of any law enforcement activity for anyone other than the "Named Insured". This exclusion shall not apply if the act or service arises as the result of a mutual law enforcement assistance agreement or contract between political subdivisions, nor does it apply to any departmentally approved activities.

IRFFNC POLICE PROFESSIONAL LIABILITY COVERAGE FORM

- d. "Personal injury" arising out of any:
- (1) Refusal to employ;
 - (2) Termination of employment;
 - (3) Coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, discrimination or other employment-related practices, policies, acts or omissions; or
 - (4) Consequential "personal injury" as a result of (1) through (3) above.

This exclusion applies whether the insured may be held liable as an employer or in any other capacity and to any obligation to share damages with or to repay someone else who must pay damages because of the "personal injury".

- e. Any 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 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.
- f. Claims or "suits" against an insured for acts of another officer or employee unless said officer or employee is also insured for said acts in a policy of insurance issued by us.
- g. 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.
- h. A claim or "suit" arising out of any communicable disease by an insured or the transmission of any communicable disease from one inmate to another.
- i. 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 sexual acts of any nature, kind or description, by whatever name used.

For the limited category of SUITS or CLAIMS against the named insured for vicarious liability based upon alleged acts of sexual assault, sexual battery, sexual abuse, rape, molestation, or other sexual acts by a police officer, a defense only will be provided for the named insured under this section, but without any coverage for any judgment which might be entered against any insured or police officer and without any indemnification for any settlement which might be entered into by or on behalf of any insured or police officer.

However, even where a defense is provided to the named insured under this section, there is no coverage provided for any SUITS or CLAIMS arising from or relating in any way to any alleged acts of sexual assault, sexual battery, sexual abuse, rape, molestation, or sexual acts of any nature, kind or description, by whatever name used, and there is no duty to provide any indemnification for any judgment which might be entered against any insured, nor for any settlement which might be entered into by or on behalf of any insured, arising out of, relating to, or in any way connected with any alleged acts of sexual assault, sexual battery, sexual abuse, rape, molestation, or sexual acts of any nature, kind or description, by whatever name used.

- j. Any claims or "suits" 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:

IRFFNC POLICE PROFESSIONAL LIABILITY COVERAGE FORM

- (1) "Personal injury" arising out of, resulting from, caused by, or contributed to by lead, exposure to lead, use or existence of lead, contact with lead, or the actual, alleged or threaten ingestion, inhalation or absorption of lead in any form;
- (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 j.(2)(b)(i) and j.(2)(b)(ii).
- (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.

k. **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.

1. Any claims or "suits" arising out of the ownership, maintenance, use or entrustment to others of any aircraft (including "unmanned aircraft"), owned or operated by or rented or loaned to any insured. Use includes operation and "loading or unloading." This applies even if the claims against any insured allege negligence or other wrongdoing in the supervision, hiring, employment, training or monitoring of others by that insured, if the "occurrence" which caused the "bodily injury" or "property damage" involved the ownership, maintenance, use or entrustment to others of any aircraft (including "unmanned aircraft"), that is owned or operated by or rented or loaned to any insured.

SUPPLEMENTARY PAYMENTS - COVERAGES A AND B

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

1. All expenses we incur.

IRFFNC POLICE PROFESSIONAL LIABILITY COVERAGE FORM

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 named insured.
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.
7. Expenses incurred by the insured for first aid to others at the time of an "occurrence", for "bodily injury" to which this policy applies.

These payments will not reduce the Limits of Insurance.

SECTION II - WHO IS AN INSURED

1. Each of the following is an insured:
 - a. The insured named in the Declarations.
 - b. Your employees, but only for acts within the scope of their employment by you.
 - c. Volunteers or reserves while performing law enforcement activities for you at your request.However, none of these employees, volunteers or reserves is an insured for:
 - (1) "Bodily injury" or "personal injury" to you or to a co-employee while in the course of his or her employment; or
 - (2) "Bodily injury" or "personal injury" arising out of his or her providing or failing to provide professional health care services; or
 - (3) "Property damage" to property owned or occupied by or rented or loaned to that employee, volunteer or reserve or any of your other employees, volunteers or reserves.
2. The political subdivision in which you are located is an insured, but only with respect to liability of the political subdivision for which an insured, as defined in paragraph 1.a., 1.b., or 1.c. above, is also liable.

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 the sum of damages under Coverage A and Coverage B.
3. Subject to 2. above, the Each Occurrence Limit is the most we will pay for the sum of damages under Coverage A and Coverage B because of all "bodily injury", "property damage" and "personal injury" arising out of any one "occurrence."

IRFFNC POLICE PROFESSIONAL LIABILITY COVERAGE FORM

The limits of this policy apply 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 purposes of determining the Limits of Insurance.

SECTION IV - POLICE PROFESSIONAL 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.

2. Duties In The Event Of "Occurrence", Claim Or "Suit",

- a. You must see to it that we are notified promptly of an "occurrence" which may result in a claim. Notice should include:
 - (1) How, when and where the "occurrence" took place: and
 - (2) The names and addresses of any injured persons and witnesses.
- b. If a claim is made or "suit" is brought against any insured, you must see to it that we receive prompt written notice of the claim or "suit."
- c. You and any other involved 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, other than for first aid, 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.

IRFFNC POLICE PROFESSIONAL LIABILITY COVERAGE FORM

When this insurance is excess, we will have no duty under Coverage A 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:

- (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:
- c. 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 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.

The insurance afforded by this policy for the ownership, maintenance or use of the premises designated in the Declarations (including the ways immediately adjoining such premises on land) and all necessary and incidental operations thereto shall be in excess of any other valid and collectible premises liability insurance available to the insured, whether such premises liability is stated to be primary, contributing, excess, contingent or otherwise, unless such other insurance is written only as a specific excess insurance over the limits of liability provided in this policy.

5. Premium Audit.

- a. We will compute all premiums for this policy in accordance with our rules and rates.
- b. Premium shown in this policy as advance premium is a deposit premium only. At the close of each audit period we will compute the earned premium for that period. The final premium shall be based on the average number of all paid law enforcement officers of the Named Insured, full and part time, during the policy period determined as follows:
 - (1) The Named Insured shall maintain records and report, within thirty days after the end of the policy period, the highest number of paid law enforcement officers on any one day in each month for each month this policy was in effect.
 - (2) The average number of such officers shall be determined by dividing the sum of the number of such officers determined above by the number of months the policy was in effect.

Audit premiums are due and payable on notice to the first Named Insured. If the sum of the advance and audit premiums paid for the policy term is greater than the earned premium, we will return the excess to the first Named Insured.

- c. The first Named Insured must keep records of the information we need for premium computation, and send us copies at such times as we may request.

IRFFNC POLICE PROFESSIONAL LIABILITY COVERAGE FORM

6. 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.

7. Separation Of Insureds.

Except with respect to the Limits of Insurance, and any rights or duties specifically assigned in this policy 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.

8. 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.

9. Deductible

- a. Our obligation under Section I Coverage A. and Coverage B. 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 because of "bodily injury", "property damage" and "personal injury" sustained by one person or organization as the result of any one "occurrence."
- c. The deductible amount stated in the Declarations applies to each "occurrence" 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 an "occurrence," 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.

SECTION V - DEFINITIONS

1. "Auto" means a land motor vehicle, trailer or semitrailer designed for travel on public roads, including any attached machinery or equipment. But "auto" does not include "mobile equipment."
2. "Bodily injury" means bodily injury, sickness or disease sustained by a person, including death resulting from any of these at any time.
3. "Coverage territory" means:
 - a. The United States of America (including its territories and possessions), Puerto Rico and Canada;
 - b. International waters or airspace, provided the injury or damage does not occur in the course of travel or transportation to or from any place not included in a. above; or

IRFFNC POLICE PROFESSIONAL LIABILITY COVERAGE FORM

- c. All parts of the world if:
- (1) The injury or damage arises out of the activities of a person whose home is in the territory described in a. above, but is away for a short time on your law enforcement activities; and
 - (2) The insured's responsibility to pay damages is determined in a "suit" on the merits, in the territory described in a. above or in a settlement we agree to.
4. "Loading or unloading" means the handling of property:
- a. After it is moved from the place where it is accepted for movement into or onto an aircraft, watercraft or "auto;"
 - b. While it is in or on an aircraft, watercraft or "auto;" or
 - c. While it is being moved from an aircraft, watercraft or "auto" to the place where it is finally delivered;
- but "loading or unloading" does not include the movement of property by means of a mechanical device, other than a hand truck, that is not attached to the aircraft, watercraft or auto.
5. "Mobile equipment" means any of the following types of land vehicles, including any attached machinery or equipment:
- a. Bulldozers, farm machinery, forklifts and other vehicles designed for use principally off public roads;
 - b. Vehicles maintained for use solely on or next to premises you own or rent;
 - c. Vehicles that travel on crawler treads;
 - d. Vehicles, whether self-propelled or not, maintained primarily to provide mobility to permanently mounted:
 - (1) Power cranes, shovels, loaders, diggers or drills; or
 - (2) Road construction or resurfacing equipment such as graders, scrapers or rollers;
 - e. Vehicles not described in a., b., c. or d. above that are not self-propelled and are maintained primarily to provide mobility to permanently attached equipment of the following types:
 - (1) Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment; or
 - (2) Cherry pickers and similar devices used to raise or lower workers;
 - f. Vehicles not described in a., b., c. or d. above maintained primarily for purposes other than the transportation of persons or cargo.
- However, self-propelled vehicles with the following types of permanently attached equipment are not "mobile equipment" but will be considered "autos:"
- (1) Equipment designed primarily for:
 - (a) Snow removal;
 - (b) Road maintenance, but not construction or resurfacing;
 - (c) Street cleaning;
 - (2) Cherry pickers and similar devices mounted on automobile truck chassis and used to raise or lower workers; and
 - (3) Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment.

IRFFNC POLICE PROFESSIONAL LIABILITY COVERAGE FORM

6. "Occurrence" means an event, including continuous or repeated exposure to substantially the same general harmful conditions, which results in "bodily injury", "personal injury", or "property damage" by any person or organization and arising out of the insured's law enforcement duties.

All claims arising out of (a) a riot or insurrection, (b) a civil disturbance resulting in an official proclamation of a state of emergency, (c) a temporary curfew, or (d) martial law are agreed to constitute one "occurrence".

7. "Personal injury" means injury, other than "bodily injury," arising out of one or more of the following offenses:
- a. False arrest, detention or imprisonment;
 - b. Malicious prosecution;
 - c. Wrongful entry into, or eviction of a person from, a room, dwelling or premises that the person occupies, invasion of the right of private occupancy, or denial of public occupancy;
 - d. Oral or written publication 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 of material that violates a person's right of privacy;
 - f. Assault and battery by a police officer, but only for acts or omissions incident to police arrest, while investigating a potential arrest, while making or attempting to make an arrest, while detaining any person under arrest, or while resisting any person's attempt to avoid or escape an arrest. No act or offense shall be deemed to be or result in "personal injury" for "assault and battery" unless committed in the regular course of the police officer's duty for the named insured and in furtherance of the official police business of the named insured. Any coverage for assault and battery by a police officer is limited to acts or omissions incident to a police arrest, and specifically excludes any coverage, indemnification or defense against any SUITS or CLAIMS arising from or relating in any way to any alleged acts of sexual assault, sexual battery, sexual abuse, rape, molestation, or sexual acts of any nature, kind or description, by whatever name used.
 - g. Erroneous service of process;
 - h. Violation of property rights;
 - i. Discrimination, unless insurance thereof is prohibited by law;
 - j. Humiliation or mental anguish;
 - k. Violation of civil rights protected under 42 USC 1981 et seq. or State Law;
- provided that no offense shall be deemed to be or result in "personal injury" unless committed in the regular course of duty by the insured.
8. "Property damage" means:
- a. Physical injury to tangible property, including all resulting loss of use of that property; or
 - b. Loss of use of tangible property that is not physically injured.
9. "Suit" means a civil proceeding in which damages because of "bodily injury", "property damage," or "personal injury" 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.
10. "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 LIQUOR LIABILITY COVERAGE FORM

Various provisions in the 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, and any other person or organization qualifying as a Named Insured under this policy. The words "we," "us" and "our" refer to the Interlocal Risk Financing Fund of North Carolina (IRFFNC).

The word "insured" means any person or organization qualifying as such under WHO IS AN INSURED (Section II).

Other words and phrases that appear in quotation marks have special meaning. Refer to DEFINITIONS (Section V).

I. LIQUOR LIABILITY COVERAGE

A. Insuring Agreement.

1. We will pay those sums that the insured becomes legally obligated to pay as damages because of "injury" to which this insurance applies if liability for such "injury" is imposed on the insured by reason of the selling, serving or furnishing of any alcoholic beverage. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "injury" to which this insurance does not apply. We may at our discretion investigate any "injury" and settle any claim or "suit" that may result. But:

- a. The amount we will pay for damages is limited as described in Section III - LIMITS OF INSURANCE; and
- b. Our right and duty to defend or settle ends when the limit of insurance has been exhausted by payment of judgments, settlements, or partial payments under the provisions of G.S.1-540.3(a), "Advance Payments."

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under SUPPLEMENTARY PAYMENTS.

2. This insurance applies to "injury" which occurs during the policy period in the "coverage territory."

B. Exclusions.

This insurance does not apply to:

1. "Injury" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" resulting from the use of reasonable force to protect persons or property.
2. Any obligation of the insured under a workers compensation, disability benefits or unemployment compensation law or any similar law.
3. "Bodily injury" to:
 - a. An employee of the insured arising out of and in the course of employment by the insured; or
 - b. The spouse, child, parent, brother or sister of that employee as a consequence of a. above.

This exclusion applies:

- a. Whether the insured may be liable as an employer or in any other capacity; and
- b. To any obligation to share damages with or repay someone else who must pay damages because of the "Injury."

IRFFNC LIQUOR LIABILITY COVERAGE FORM

4. To "injury" arising out of any alcoholic beverage sold, served or furnished while any required license is suspended or after such license expires, is cancelled or revoked.
5. "Injury" arising out of "your product." This exclusion does not apply to "injury" for which the insured or the insured's indemnities may be held liable by reason of:
 - a. Causing or contributing to the intoxication of any person;
 - b. The furnishing of alcoholic beverages to a person under the legal drinking age or under the influence of alcohol; or
 - c. Any statute, ordinance or regulation relating to the sale, gift, distribution or use of alcoholic beverages.
6. Any "injury" with respect to which other insurance is afforded, or would be afforded but for the exhaustion of the limits of insurance.

This exclusion does not apply if the other insurance responds to liability for "injury" imposed on the insured by reason of the selling, serving or furnishing of any alcoholic beverage.
7. 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.
8. "Injury", however caused, arising, directly or indirectly, out of:
 - (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.

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, 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.
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. Prejudgment 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 prejudgment 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 will not reduce the limits of insurance.

IRFFNC LIQUOR LIABILITY COVERAGE FORM

II. WHO IS AN INSURED

A. You are an insured

B. Each of the following is also an insured to the extent indicated:

1. Your elected or appointed directors, officers, officials and members of any boards or commissions, but only with respect to their duties as your directors, officers, officials, or board or commission members.

2. Your employees, other than those included in A. above, but only for acts within the scope of their employment by you or while performing duties related to the conduct of your business. However, none of these employees are covered for:

a. **"Injury"**:

(1) to you or to a co-employee while in the course of his or her employment or performing duties related to the conduct of your business; or

(2) To the spouse, child, parent, brother or sister of that co-employee as a consequence of Paragraph (1) above; or

(3) For which there is any obligation to share damages with or repay someone else who must pay damages because of the injury described in Paragraph (1) or (2) above; or

b. **"property damage"** to property owned or occupied by or rented or loaned to that employee, or any of your other employees or any other insured; or

c. **"Injury"** which is the expected or the intended result of the act of the employee.

3. Any volunteer, other than those included in A, B1 or B2. above but only for acts within the scope of duties assigned by you. However, none of these volunteers are covered for:

a. **"Injury"** to another volunteer acting within the scope of the duties assigned by you; or

b. **"property damage"** to property owned or occupied by or rented or loaned to that volunteer or any other insured; or

c. **"Injury"** which is the expected or the intended result of the act of the volunteer.

No person or organization is an insured with respect to the conduct of any current or past-partnership or joint venture that is not shown as an insured in the Declarations.

III. LIMITS OF INSURANCE

A. The Limits of Insurance shown in the Declarations and the rules below fix the most we will pay regardless of the number of:

1. Insureds;

2. Claims made or "suits" brought; or

3. Persons or organizations making claims or bringing "suits."

B. The Aggregate Limit is the most we will pay for all "injury" as the result of the selling, serving or furnishing of alcoholic beverages.

C. Subject to the Aggregate Limit, the Each Common Cause Limit is the most we will pay for all "injury" sustained by one or more persons or organizations as the result of the selling, serving or furnishing of any alcoholic beverage to any one person.

IRFFNC LIQUOR LIABILITY COVERAGE FORM

IV. LIQUOR LIABILITY CONDITIONS

A. Bankruptcy.

Bankruptcy or insolvency of the insured or of the insured's estate will not relieve us of our obligations under this Coverage Part.

B. Duties In The Event Of Injury, Claim Or Suit.

1. You must see to it that we are notified as soon as practicable of an "injury" which may result in a claim. To the extent possible, notice should include:
 - a. How, when and where the "injury" took place;
 - b. The names and addresses of any injured persons and witnesses; and
 - c. The nature and location of any "injury" or damage arising out of each common cause.
2. If a claim is made or "suit" is brought against any insured, you must:
 - a. Immediately record the specifics of the claim or "suit" and the date received; and
 - b. Notify us as soon as practicable.

You must see to it that we receive written notice of the claim or "suit" as soon as practicable.

3. You and any other involved insured must:
 - a. Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or "suit."
 - b. Authorize us to obtain records and other information;
 - c. Cooperate with us in the investigation, settlement or defense of the claim or "suit"; and
 - d. 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" to which this insurance may also apply.
4. No insureds will, except at that insured's own cost, voluntarily make a payment, assume any obligation, or incur any expense, other than for first aid, without our consent.

C. Legal Action Against Us.

No person or organization has a right under this Coverage Part:

1. To join us as a party or otherwise bring us into a "suit" asking for damages from an insured; or
2. To sue us on this Coverage Part 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 Coverage Part 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.

D. Other Insurance.

If other valid and collectible insurance is available to the insured for a loss we cover under this Coverage Part, our obligations are limited as follows:

1. Primary Insurance

This insurance is primary. Our obligations are not affected unless any of the other insurance is also primary. Then, we will share with all that other insurance by the method described in 2. below.

IRFFNC LIQUOR LIABILITY COVERAGE FORM

2. Method of Sharing

If all of the other insurance permits contribution by equal shares, we will follow this method also. Under this approach each insurer contributes equal amounts until it has paid its applicable limit of insurance or none of the loss remains, whichever comes first.

If any of the other insurance does not permit contribution by equal shares, we will contribute by 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.

E. Premium Audits

1. We will compute all premiums for this Coverage Part in accordance with our rules and rates.
2. The insured must keep records (sales) of the information we need for premium computation, and send us copies at such times as we may request.

F. Representations.

By accepting this policy, you agree:

1. The statements in the Exposure Summary are accurate and complete;
2. Those statements are based upon representations you made to us; and
3. We have issued this policy in reliance upon your representations.

G. Separations Of Insureds.

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

1. As if each insured were the only insured; and
2. Separately to each insured against whom claim is made or "suit" is brought.

H. Transfer Of Rights Of Recovery Against Other To Us.

If the insured has rights to recover all or part of any payment we have made under this Coverage Part, 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.

V. DEFINITIONS

A. "Bodily injury" means bodily injury, sickness or disease sustained by a person, including death resulting from any of these at any time.

B. "Coverage territory" means:

1. The United States of America (including its territories and possession), Puerto Rico and Canada;
2. International waters or airspace, provided the "injury" or damage does not occur in the course of travel or transportation to or from any place not included in A. above; or
3. All parts of the world if:
 - a. The "injury" or damage arises out of:
 - (1) Goods or products sold by you in the territory described in 1. above; or
 - (2) The activities of a person whose home is in the territory described in 1. above, but is away for a short time on your business; and
 - b. The insured's responsibility to pay damages is determined in a "suit" on the merits, in the territory described in B.1. above or in a settlement we agree to.

IRFFNC LIQUOR LIABILITY COVERAGE FORM

C. "Injury" means damages because of "bodily injury" and "property damage," including damages for care, loss of services or loss of support.

D. "Property damage" means:

1. 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
2. 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 common cause that caused it.

E. "Suit" means a civil proceeding in which damages because of "injury" to which this insurance applies are alleged. "Suit" includes:

1. An arbitration proceeding in which such damages are claimed and to which you must submit or do submit with our consent; or
2. Any other alternative dispute resolution proceeding in which such damages are claimed and to which you submit with our consent.

F. "Your product":

1. Means:

(a) Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:

(1) You;

(2) Others trading under your name; or

(3) A person or organization whose business or assets you have acquired; and

(b) Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.

2. Includes:

(a) Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your product"; and

(b) The providing of or failure to provide warnings or instructions.

3. Does not include vending machines or other property rented to or located for the use of others but not sold.

VI. DEDUCTIBLE

IRFFNC shall only be liable for those amounts payable hereunder in settlement or satisfaction of claims, judgments, or awards, defense costs, charges and expenses which are in excess of the deductible stated in the Declarations. This deductible shall apply separately to each occurrence and shall be borne by the insured and remain uninsured.

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 common cause. IRFFNC shall be liable only for the amount in excess of the Deductible stated in the Declarations.

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

LIQUOR LIABILITY COVERAGE FORM ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EXCLUSION - YEAR 2000 COMPUTER - RELATED AND OTHER ELECTRONIC PROBLEMS

This endorsement modifies coverage provided under the following:

IRFFNC LIQUOR LIABILITY COVERAGE FORM

The following exclusion is added to Paragraph **B.**, **Exclusions** of **Section I – LIQUOR LIABILITY COVERAGE**:

B. Exclusions

This coverage does not apply to “injury” arising directly or indirectly out of:

1. Any actual or alleged 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 **2.a.(1)** of this endorsement.

due to the inability to correctly recognize, process, distinguish, interpret or accept the year 2000 and beyond.

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 **2.a.** of this endorsement.

IRFFNC BUILDING AND PERSONAL PROPERTY 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 (IRFFNC) providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section I. COMMERCIAL PROPERTY – COVERAGE, H. DEFINITIONS, III. COMMERCIAL PROPERTY – CAUSES OF LOSS – SPECIAL FORM, F. DEFINITIONS and V. COMMERCIAL PROPERTY - EXTRA EXPENSE, E. DEFINITIONS.

I. COMMERCIAL PROPERTY - COVERAGE

A. COVERAGE

We will pay for direct physical loss of or damage to Covered Property at the premises described in the most recent Commercial Property Schedule on file with IRFFNC for which location values are shown and included in the Limits of Insurance shown in the Declarations caused by or resulting from any Covered Cause of Loss.

1. Covered Property

Covered Property, as used in this Coverage Part, means the type of property described in this Section, **A.1.**, and limited in **A.2.**, Property Not Covered, if a Limit of Insurance is shown in the Commercial Property Schedule for that type of property.

a. **Building**, meaning the building or structure described in the Declarations, including:

- (1) Completed additions;
- (2) Permanently installed fixtures, machinery and equipment;
- (3) Outdoor fixtures;
- (4) Personal property owned by you that is used to maintain or service the building or structure or its premises, including:
 - (a) Fire extinguishing equipment;
 - (b) Outdoor furniture;
 - (c) Floor coverings; and
 - (d) Appliances used for refrigerating, ventilating, cooking, dishwashing, or laundering;
- (5) If not covered by other insurance:
 - (a) Additions under construction, alterations and repairs to the building or structure;
 - (b) Materials, equipment, supplies and temporary structures, on or within 500 feet of the described premises, used for making additions, alterations or repairs to the building or structure.

b. **Your Business Personal Property** located in or on the building described in the Property Schedule or in the open (or in a vehicle) within 500 feet of the described premises, consisting of the following unless otherwise specified in the Property Schedule:

- (1) Furniture and fixtures;
- (2) Machinery and equipment;
- (3) "Stock";

IRFFNC BUILDING AND PERSONAL PROPERTY COVERAGE FORM

- (4) All other personal property owned by you and used in your business;
- (5) Labor, materials or services furnished or arranged by you on personal property of others;
- (6) Your use interest as tenant in improvements and betterments. Improvements and betterments are fixtures, alterations, installations or additions:
 - (a) Made a part of the building or structure you occupy but do not own; and
 - (b) You acquired or made at your expense but cannot legally remove.
- (7) Leased personal property for which you have a contractual responsibility to insure, unless otherwise provided for under Personal Property of Others.

Your Business Personal Property does not include the following:

- (1) Fine Arts;
- (2) Computer Equipment, which 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.
- (3) Media, which 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.
- (4) "Data", which means information stored on media and includes facts, instructions and "computer programs" converted to a form usable in a data processing operation.
- (5) "Computer programs", which means "data" used to direct computer equipment.

c. Personal Property of Others for which you are legally liable that is:

- (1) In your care, custody or control; and
- (2) Located in or on the building described in the Property schedule or in the open (or in a vehicle) within 500 feet of the described premises.

However, our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

Personal Property of Others does not include the following:

- (1) Fine Arts;
- (2) Computer Equipment, which 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.
- (3) Media, which 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.
- (4) "Data", which means information stored on media and includes facts, instructions and "computer programs" converted to a form usable in a data processing operation.
- (5) "Computer programs", which means "data" used to direct computer equipment.

IRFFNC BUILDING AND PERSONAL PROPERTY COVERAGE FORM

2. Property not Covered

Covered Property does not include:

- a. Accounts, bills, currency, deeds, food stamps or other evidences of debt, money, notes or securities. Lottery tickets held for sale are not securities.
- b. Animals, unless owned by others and boarded by you, or if owned by you, only as "stock" while inside of buildings;
- c. Automobiles held for sale;
- d. Dams, levees or dikes and the related structures that regulate or direct the flow of water, including but not limited to the drain valve, intake area, spillway conduit, penstock and tunnel, flues, and grills;
- e. Bridges (except for pedestrian-only bridges), walks, patios, roadways or other paved surfaces;
- f. Contraband, or property in the course of illegal transportation or trade;
- g. The cost of excavations, grading, backfilling or filling;
- h. Foundations of building, structures, machinery or boilers if their foundations are below:
 - (1) The lowest basement floor; or
 - (2) The surface of the ground, if there is no basement;However, structures, machinery and equipment in connection with water or sewer treatment operations shall be considered covered property.
- i. Land (including land on which the property is located), water, growing crops or lawns;
- j. Personal property while airborne or waterborne;
- k. Bulkheads, pilings or wharves;
 - l. Piers, boardwalks or docks unless listed on the Property schedule;
- m. Property that is covered under another coverage form of this or any other policy in which it is more specifically described, except for the excess of the amount due (whether you can collect on it or not) from that other insurance;
- n. Retaining walls that are not part of a building;
- o. Underground pipes, flues or drains, unless within the fenced area of a covered water or sewer treatment plant.
- p. The cost to research, replace or restore the information on valuable papers and records, including those which exist on electronic or magnetic media, except as provided in the Coverage Extensions. Valuable papers and records include but are not limited to books of account, manuscripts, abstracts, drawings and card index systems. But valuable papers and records do not include computer software or electronic data.
- q. Vehicles or self-propelled machines (including aircraft or watercraft) that:
 - (1) Are licensed for use on public roads; or
 - (2) Are operated principally away from the described premises.

This paragraph does not apply to:

- (a) Vehicles or self-propelled machines or autos you manufacture, process or warehouse;
- (b) Vehicles or self-propelled machines, other than autos, you hold for sale;

IRFFNC BUILDING AND PERSONAL PROPERTY COVERAGE FORM

- (c) Rowboats or canoes out of water at the described premises; or
- (d) Trailers, but only to the extent provided for in the Coverage Extension for Non-Owned Detached Trailers.
- r. The following property while outside of buildings:
 - (1) Grain, hay, straw or other crops;
 - (2) Fences (unless listed on the Property Schedule), signs (other than signs attached to buildings), trees, shrubs or plants, all except as provided in the Coverage Extensions.
- s. Fine Arts;
- t. Computer Equipment, Media and Data.

3. Covered Causes Of Loss

See Section III, Commercial Property - Causes of Loss.

4. Additional Coverages

a. Debris Removal

- (1) We will pay your expense to remove debris of Covered Property 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 of the date of direct physical loss or damage.
- (2) Debris Removal does not apply to costs to:
 - (a) Extract "pollutants" from land or water; or
 - (b) Remove, restore, or replace polluted land or water.
- (3) We will pay up to an additional \$10,000 for debris removal expense, for each location, in any one occurrence of physical loss or damage to Covered Property, if one or both of the following circumstances apply:
 - (a) The total of the actual debris removal expense plus the amount we pay for direct physical loss or damage exceeds the Limit of Insurance on the Covered Property that has sustained loss or damage.
 - (b) The actual debris removal expense exceeds 25% of the sum of the deductible plus the amount that we pay for direct physical loss or damage to the Covered Property that has sustained loss or damage.

Therefore, if (3) (a) and/or (3) (b) apply, our total payment for direct physical loss or damage and debris removal expense may reach but will never exceed the Limit of Insurance on the Covered Property that has sustained loss or damage, plus \$10,000.

b. Preservation of Property

If it is necessary to move Covered Property from the described premises to preserve it from loss or damage by a Covered Cause of Loss, we will pay for any direct physical loss or damage to that property:

- (1) While it is being moved or while temporarily stored at another location; and
- (2) Only if the loss or damage occurs within 30 days after the property is first moved.

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c. Fire Department Service Charge

When the fire department is called to save or protect Covered Property from a Covered Cause of Loss, we will pay up to \$2,500 for your liability for fire department service charges:

- (1) Assumed by contract or agreement prior to loss; or
- (2) Required by local ordinance.

No deductible applies to this additional coverage.

d. Pollutant Cleanup and Removal

We will pay your expense to extract "pollutants" from land or water at the described premises if the release, discharge, dispersal, seepage, migration or escape of the "pollutants" is caused by or results 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 of the date on which the Covered Cause of Loss 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 or water.

The most we will pay under this Additional Coverage for each described premises is \$25,000 for the sum of all such covered expenses arising out of Covered Causes of Loss occurring during each separate 12-month period of this policy.

5. Coverage Extensions

Except as otherwise provided, the following Extensions apply to property located in or on the building described in the Property Schedule or in the open (or in a vehicle) within 500 feet of the described premises:

a. Newly Acquired or Constructed Property

(1) Buildings

If this policy covers Building, you may extend that insurance to apply to:

- (a) Your new buildings while being built on the described premises; and
- (b) Buildings you acquire at locations, other than the described premises, intended for:
 - (i) Similar use as the building described in the Property schedule; or
 - (ii) Use as a warehouse.

The most we will pay for loss or damage under this Extension is \$500,000 at each building.

(2) Your Business Personal Property

(a) If this policy covers Your Business Personal Property, you may extend that insurance to apply to:

- (i) Business personal property, including such property that you newly acquire, at any location you acquire other than at fairs, trade shows or exhibitions;
- (ii) Business personal property, including such property that you newly acquire, located at your newly constructed or acquired buildings at the location described in the Property Schedule; or
- (iii) Business personal property that you newly acquire, located at the described premises.

The most we will pay for loss or damage under this Extension is \$250,000 at each building.

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(b) This Extension does not apply to:

- (i) Personal property of others that is temporarily in your possession in the course of installing or performing work on such property; or
- (ii) Personal property of others that is temporarily in your possession in the course of your manufacturing or wholesaling activities.

(3) Period of Coverage

With respect to insurance on or at each newly acquired or constructed property, coverage will end when any of the following first occurs:

- (a) This policy expires;
- (b) 30 days expire after you acquire the property or begin construction of that part of the building that would qualify as covered property; or
- (c) You report values to us.

We will charge you additional premium for values reported from the date you acquire the property or begin construction of that part of the building that would qualify as covered property.

b. Personal Effects and Property of Others

You may extend the insurance that applies to Your Business Personal Property to apply to:

- (1) Personal effects owned by you, your officers or your employees. This extension does not apply to loss or damage by theft.
- (2) Personal property of others in your care, custody or control.

The most we will pay for loss or damage for items (1) and (2) above is \$10,000 at each described premises. Our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

- (3) Personal property of volunteer firefighters and rescue workers at a non-scheduled location involving an emergency response on behalf of the insured. The most we will pay is \$500 per volunteer.

c. Valuable Papers and Records - Cost of Research

You may extend the insurance that applies to Your Business Personal Property to apply to your costs to research, replace or restore the lost information on lost or damaged valuable papers and records for which duplicates do not exist. But this Extension does not apply to valuable papers and records which exist as electronic data.

Valuable papers and records include but are not limited to books of account, manuscripts, abstracts, drawings and card index systems. Valuable papers and records do not include prepackaged software programs or electronic data existing on film, tape, drum, cell, or other data processing, recording or storage media.

The most we will pay under this Extension is \$100,000 in any one occurrence.

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d. Property Off - Premises

- (1) You may extend the insurance provided by this Coverage Form to apply to your Covered Property, while it is away from the described premises, if it is:
 - (a) Temporarily at a location you do not own, lease or operate;
 - (b) In storage at a location you lease, provided the lease was executed after the beginning of the current policy term; or
 - (c) At any fair, trade show or exhibition.
- (2) This Extension does not apply to property:
 - (a) In or on a vehicle; or
 - (b) In the care, custody or control of your salesperson, unless the property is in such care, custody or control at a fair, trade show or exhibition.

The most we will pay for loss or damage under this Extension is \$50,000.

This Extension applies only if loss or damage is caused by a Covered Cause of Loss.

e. Outdoor Property

- (1) You may extend the insurance provided by this Coverage Form to apply to trees, shrubs and plants, including debris removal expense, caused by or resulting from any of the following causes of loss if they are Covered Causes of Loss:
 - (a) Fire;
 - (b) Lightning;
 - (c) Explosion;
 - (d) Riot or Civil Commotion;
 - (e) Aircraft;

The most we will pay for loss or damage under this extension for trees, shrubs, and plants is \$2,500 per occurrence and the coverage is a covered cause of loss. This limit applies to any one occurrence, regardless of the types or number of items lost or damaged in that occurrence.

- (2) You may extend the insurance provided by this Coverage Form to apply to your outdoor fences and signs (other than signs attached to buildings), including debris removal expense, caused by or resulting from any of the Covered Causes of Loss. Outdoor fences and signs do not have to be within 500 feet of the described premises for extension 5.e.(2) to apply.

The most we will pay for loss or damage under this Extension is \$20,000. This limit applies to any one occurrence, regardless of the types or number of fences or signs lost or damaged in that occurrence.

f. Non-Owned Detached Trailers

- (1) You may extend the insurance that applies to Your Business Personal Property to apply to loss or damage to trailers that you do not own, provided that:
 - (a) The trailer is used in your business;
 - (b) The trailer is in your care, custody or control at the premises described in the Property schedule; and
 - (c) You have a contractual responsibility to pay for loss or damage to the trailer.
- (2) We will not pay for any loss or damage that occurs:
 - (a) While the trailer is attached to any motor vehicle or motorized conveyance, whether or not the motor vehicle or motorized conveyance is in motion;

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- (b) During hitching or unhitching operations, or when a trailer becomes accidentally unhitched from a motor vehicle or motorized conveyance.
- (3) The most we will pay for loss or damage under this Extension is \$5,000.
- (4) This insurance is excess over the amount due (whether you can collect on it or not) from any other insurance covering such property.

g. Accounts Receivable.

- (1) Coverage:

We will pay:

- (a) All Amounts due from your customers that you were unable to collect;
- (b) Interest charges on any loan required to offset amounts you are unable to collect pending our payment of these amounts;
- (c) Collection expenses in excess of your normal collection expenses that are made necessary by the loss; and
- (d) Other reasonable expenses that you incur to reestablish your records of account receivable;

that results from Covered Causes of Loss to your records of accounts receivable.

- (2) Determination of receivables - If you cannot accurately establish the amount of accounts receivable outstanding as of the time of loss, the following method will be used:
 - (a) Determine the total of the average monthly amounts of accounts receivable for the 12 months immediately preceding the month in which the loss occurs; and
 - (b) Adjust that total for any normal fluctuations in the amount of accounts receivable for the month in which the loss occurred or for any demonstrated variance from the average for that month.
- (3) Reduction of receivables - The following will be deducted from the total amount of accounts receivable:
 - (a) The amount of accounts for which there is no loss;
 - (b) The amount of the accounts that you are able to reestablish or collect; and
 - (c) An amount to allow for probable bad debts that you are normally unable to collect; and
 - (d) All unearned interest and service charges.

The most we will pay for an accidental loss or damage in any one occurrence is \$100,000.

h. Unscheduled Covered Property

- (1) You may extend the insurance provided by this Coverage Form to apply to unscheduled Covered Property at the premises described in the most recent Commercial Property Schedule on file with IRFFNC caused by or resulting from any Covered Cause of Loss.
- (2) Covered Property, as used in this Coverage Part means the type of property described in IRFFNC Building and Personal Property Coverage Form, Section **A.1.**, and limited in **A.2.**, Property Not Covered.

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- (3) This extension applies to property located in or on the building described in the Property Schedule or in the open (or in a vehicle) within 500 feet of the described premises:

The most we will pay for loss or damage under this Extension is \$250,000 per occurrence and annual aggregate and coverage will only be extended after all other means of recovery have been exhausted.

Each of these Extensions is additional insurance.

B. EXCLUSIONS AND LIMITATIONS

See Section III, Commercial Property - Causes of Loss.

C. LIMITS OF INSURANCE

We will pay for all loss or damage to scheduled property less any applicable deductible. If the total amount of the loss exceeds the Limit of Insurance shown in the Declarations, the limit will be amended and an additional premium will be charged.

The limits applicable to the Coverage Extensions and the Fire Department Service Charge Additional Coverage are in addition to the Limits of Insurance.

Payments under the Preservation of Property Additional Coverages will not increase the applicable Limit of Insurance.

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.

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E. LOSS CONDITIONS

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

1. Abandonment

There can be no abandonment of any property to us.

2. 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. You and we must notify the other of the appraiser selected within 20 days of the written demand for appraisal. The two appraisers will select an umpire. If the appraisers do not agree on the selection of an umpire within 15 days, they must request selection of an umpire 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 the appraised value of the property or amount of loss. If you make a written demand for an appraisal of the loss, each party will:

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

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

3. Duties In The Event Of Loss Or Damage

- a. 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) At our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.
 - (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) Send us a signed, sworn statement of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.
- (8) Cooperate with us in the investigation or settlement of the claim.

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- 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 a insured's books and records. In the event of an examination, a insured's answers must be signed.

4. Loss Payment

- a. In the event of loss or damage covered by this Coverage Form, at our option, we will either:

- (1) Pay the value of lost or damaged property;
- (2) Pay the cost of repairing or replacing the lost or damaged property;
- (3) Take all or part of the property at an agreed or appraised value; or
- (4) Repair, rebuild or replace the property with other property of like kind and quality.

We will determine the value of lost or damaged property, or the cost of its repair or replacement, in accordance with the applicable terms of the Valuation Condition in this Coverage Form or any applicable provision which amends or superseded the Valuation Condition.

- b. We will not pay you more than your financial interest in the Covered Property.
- c. We will give notice of our intentions within 30 days after we receive the sworn proof of loss.
- d. 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 claims against us for the owners' property. We will not pay the owners more than their financial interest in the Covered Property.
- e. We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.
- f. 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 of the terms of this Coverage Part; and
- (1) We have reached agreement with you on the amount of loss; or
 - (2) An appraisal award has been made.

5. 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.

Any salvage value of property so acquired which may be sold or utilized by the insured upon resumption of normal operations shall be taken into consideration in the adjustment of any loss hereunder.

6. Vacancy

a. Description of Terms

- (1) As used in this Vacancy Condition, the term building and the term vacant have the meanings set forth in **(1)(a)** and **(1)(b)** below:
 - (a) When this policy is issued to a tenant, and with respect to that tenant's interest in Covered Property, building means the unit or space rented or leased to the tenant. Such building is vacant when it does not contain enough business personal property to conduct its customary operations.

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- (b) When this policy is issued to the owner or general lessee of a building, building means the entire building. Such building is vacant unless at least 31% of its total square footage is:
- (i) Rented to a lessee or sub-lessee and used by the lessee or sub-lessee to conduct its customary operations; and/or
 - (ii) Used by the building owner to conduct its customary operations.
- (2) Buildings under active and on-going construction or renovation are not considered vacant.

b. Vacancy Provisions

If the building where loss or damage occurs has been vacant for more than 60 consecutive days before that loss or damage occurs:

- (1) We will not pay for any loss or damage caused by any of the following:
- (a) Vandalism;
 - (b) Sprinkler leakage, unless you have protected the system against freezing;
 - (c) Building glass breakage;
 - (d) Water damage;
 - (e) Theft; or
 - (f) Attempted theft.
- (2) With respect to Covered Causes of Loss other than those listed in **b.(1)(a)** through **b.(1)(f)** above, we will reduce the amount we would otherwise pay for the loss or damage by 15%.

7. Valuation

Property not included on the most recent Commercial Property Schedule is not covered. We will determine the value of Covered Property in the event of loss or damage as follows:

- a. Except as provided in b., c., d., e. and f. below, we will determine the value of Covered Property as Actual Cash Value as of the time of loss or damage, and we will not pay more for loss or damage on an actual cash value basis than the least of the following amounts:
- (1) The actual cash value of the lost or damaged property at the time of the loss or damage;
 - (2) The amount actually spent that is necessary to repair or replace the lost or damaged property, less the applicable deductibles;
 - (3) The cost to repair or replace the property with similar kind or quality using readily available materials and workmanship, less applicable deductibles;
 - (4) The "reproduction cost" to repair or replace the lost or damaged property, less applicable deductibles;
 - (5) The Actual Cash Value of the property involved, as shown on the most recent Commercial Property Schedule on file with IRFFNC, less applicable deductibles; or
 - (6) The Limits of Insurance as shown in the Declarations or endorsed onto this policy.
- b. If the Limit of Insurance shown on the most recent Commercial Property Schedule on file with IRFFNC for the location is equal to at least the Actual Cash Value of the property at the time of loss, and the cost to repair or replace the damaged building property is \$2,500 or less, we will pay the cost of building repairs or replacement.
- c. "Stock" you have sold but not delivered at the selling price less discounts and expense you otherwise would have had.
- d. Glass at the cost of replacement with safety glazing material if required by law.
- e. Tenant's Improvements and Betterments at:

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- (1) Actual cash value of the lost or damaged property if you make repairs promptly.
- (2) A proportion of your original cost if you do not make repairs promptly. We will determine the proportionate value as follows:
 - (a) Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and
 - (b) Divide the amount determined in (a) above by the number of days from the installation of improvement to the expiration of the lease.

If your lease contains a renewal option, the expiration of the renewal option period will replace the expiration of the lease in this procedure.

- (3) Nothing if others pay for repairs or replacement.
- f. Valuable Papers and Records, including those which exist on electronic or magnetic media (other than prepackaged software programs) at the cost of:
- (1) Blank materials for reproducing the records; and
 - (2) Labor to transcribe or copy the records when there is a duplicate.

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F. ADDITIONAL CONDITIONS

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

1. Mortgageholders

- a. The term mortgageholder includes trustee.
- b. We will pay for covered loss of or damage to buildings or structures to each mortgageholder shown in the Mortgageholders Schedule in their order of precedence, as interests may appear.
- c. The mortgageholder has the right to receive loss payment even if the mortgageholder has started foreclosure or similar action on the building or structure.
- d. If we deny your claim because of your acts or because you have failed to comply with the terms of this Coverage Part the mortgageholder will still have the right to receive loss payment if the mortgageholder:
 - (1) Pays any premium due under this Coverage Part at our request if you have failed to do so;
 - (2) Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so; and
 - (3) Has notified us of any changes in ownership, occupancy or substantial change in risk known to the mortgageholder.

All of the terms of this Coverage Part will then apply directly to the mortgageholder.

- e. If we pay the mortgageholder for any loss or damage and deny payment to you because of your acts or because you have failed to comply with the terms of this Coverage Part:
 - (1) The mortgageholder's rights under the mortgage will be transferred to us to the extent of the amount we pay; and
 - (2) The mortgageholder's right to recover the full amount of the mortgage holder's claim will not be impaired.

At our option, we may pay to the mortgageholder the whole principal on the mortgage plus any accrued interest. In this event, your mortgage and note will be transferred to us and you will pay your remaining mortgage debt to us.

- f. If we cancel this policy, we will give written notice to the mortgage holder at least:
 - (1) 15 days before the effective date of cancellation if we cancel for your nonpayment of premium; or
 - (2) 30 days before the effective date of cancellation if we cancel for any other reason.

- g. If we elect not to renew this policy, we will give written notice to the mortgage holder at least 10 days before the expiration date of this policy.

2. Per Occurrence Limit

The amount of coverage shown as Limits of Insurance in the Declarations, or endorsed onto this policy, is a Per Occurrence Limit.

You agree that the statement of values on file with IRFFNC shall be adjusted annually by IRFFNC to reflect the limit for each location and shall be the values used in determining the premium charged for this optional coverage.

Location shall mean premises described in the most recent Property Schedule on file with IRFFNC for which location values are shown.

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G. OPTIONAL COVERAGE – REPLACEMENT COST

This optional coverage applies only to property shown as covered for Replacement Cost on the most recent Commercial Property Schedule on file with IRFFNC. Property not included on the most recent Commercial Property Schedule is not covered.

1. Replacement Cost replaces Actual Cash Value in the Loss Condition, Valuation, of this Coverage Form. Replacement Cost means the cost to replace or rebuild the covered property to the condition of the property prior to the loss or damage occurrence without deduction for depreciation. For Covered Property that is considered to be “historic property,” replacement cost will be valued at the “reproduction cost” of the property at the time and place where the damage occurs.
2. This Optional Coverage does not apply to:
 - (a) Personal property of others
 - (b) Contents of a residence;
 - (c) Manuscripts;
 - (d) Works of art, antiques or rare articles, including etchings, pictures, statuary, marbles, bronzes, porcelains and bric-a-brac; or
 - (e) "Stock," unless the Including "Stock" option is shown in the Declarations.

Under the terms of this Replacement Cost Optional Coverage, tenants' improvements and betterments are not considered to be the personal property of others.

3. You may make a claim for loss or damage covered by this insurance on an actual cash value basis instead of on a replacement cost basis. In the event you elect to have loss or damage settled on an actual cash value basis, you may still make a claim for the additional coverage this Optional Coverage provides if you notify us of your intent to do so within 180 days after the loss or damage.
4. We will not pay on a replacement cost or “reproduction cost” basis for any loss or damage:
 - (a) Until the lost or damaged property is actually repaired or replaced:
 - (1) on the described premises; or
 - (2) at some other location in the State of North Carolina; and
 - (b) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage.

With respect to tenants' improvements and betterments, the following also apply:

- (c) If the conditions in d.(1) and d.(2) above are not met, the value of tenants' improvements and betterments will be determined as a proportion of your original cost, as set forth in the Valuation Condition of this Coverage Form; and
 - (d) We will not pay for loss or damage to tenants' improvements and betterments if others pay for repairs or replacement.
5. We will not pay more for loss or damage on a replacement cost basis than the least of:
 - (a) The Limit of Insurance applicable to the lost or damaged property;
 - (b) The cost to replace the lost or damaged property with other property
 - (1) Of similar kind using readily available material and workmanship; and
 - (2) Used for the same purpose;
 - (c) The “reproduction cost” to replace or repair the lost or damaged property; or

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(d) The amount actually spent that is necessary to repair or replace the lost or damaged property.

If a building is rebuilt at a new premises, the cost described in 5.b. above is limited to the cost which would have been incurred if the building had been rebuilt at the original premises.

H. DEFINITIONS

1. **"Actual cash value"** means the cost to replace or rebuild the property using readily available materials and workmanship less normal depreciation for age, use, occupancy and the condition of the property prior to the loss or damage occurrence. This does not include use of the same materials as were present in the original construction or production, nor does it include employment or workmanship or craftsmanship skills which either no longer exist or are not locally available.
2. **"Historic Property"** means any property listed in a Federal, State, County or Municipal Historic Register or otherwise designated by the member to be historic property. "Historic Property" shall also mean any property constructed or produced if it has "Historic Value" to the community in which it is situated.
3. **"Historic Value"** means that the property depicts or represents a designated period of history of human activity in the community where the property is situated, and that such property was originally built or produced during the period that it depicts or represents. Later representations built or produced to depict or represent such a period are not considered to have "Historic Value" and will not be considered as "Historic Property."
4. **"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.
5. **"Reproduction Cost"** means the cost to rebuild, replace or repair the damaged or destroyed "Historic Property" so that it will look and function as the original. Such rebuilding, replacing or repair will be done using readily available materials and workmanship. "Reproduction Cost" does not include use of the same materials as were present in the original construction or production, nor does it include employment or workmanship or craftsmanship skills which either no longer exist or are not locally available.
6. **"Stock"** means merchandise held in storage or for sale, raw materials and in-process or finished goods, including supplies used in their packing or shipping.

II. COMMERCIAL PROPERTY - CONDITIONS

A. CONCEALMENT, MISREPRESENTATION OR FRAUD

This Coverage Part is void in any case of fraud by you as it relates to this Coverage Part 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 Coverage Part;
2. The Covered Property; or
3. Your interest in the Covered Property.
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.

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C. INSURANCE UNDER TWO OR MORE COVERAGE PARTS

If coverage under two or more parts of this policy apply to the same loss or damage, we will not pay more than the actual amount of the loss or damage.

D. LEGAL ACTION AGAINST US

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

1. There has been full compliance with all of the terms of this policy; and
2. The action is brought within 3 years after the date on which the direct physical loss or damage occurred.

E. LIBERALIZATION

If we adopt any revision that would broaden the coverage under this policy without additional premium within 45 days prior to or during the policy period, the broadened coverage will immediately apply to this policy.

F. NO BENEFIT TO BAILEE

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

G. OTHER INSURANCE

1. You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this policy. 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 policy 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.

H. POLICY PERIOD, COVERAGE TERRITORY

Under this Coverage Part:

1. We cover loss or damage commencing:
 - a. During the policy period shown in the Declarations; and
 - b. Within the coverage territory.
2. The coverage territory is:
 - a. The United States of America (including its territories and possessions);
 - b. Puerto Rico; and
 - c. Canada.

I. TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US

If any person or organization to or for whom we make payment under this policy 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:

1. Prior to a loss to your Covered Property or Covered Income.

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2. After a loss to your Covered Property or Covered Income only if, at time of loss, that party is one of the following:
 - a. Someone covered by this Coverage Part;
 - b. Your tenant.

This will not restrict your insurance.

III. COMMERCIAL PROPERTY - CAUSES OF LOSS – SPECIAL FORM

A. COVERED CAUSES OF LOSS

Covered Causes of Loss means RISKS OF DIRECT PHYSICAL LOSS unless the loss is:

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

that follow.

B. EXCLUSIONS

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

a. Governmental Action

Seizure or destruction of property by order of governmental authority.

But we will pay for loss or damage caused by or resulting from acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread, if the fire would be covered under this Coverage Part.

b. Nuclear Hazard

Nuclear reaction or radiation, or radioactive contamination, however caused.

But if nuclear reaction or radiation or radioactive contamination, results in fire, we will pay for the loss or damage caused by that fire.

c. Utility Services

The failure of power or other utility service supplied to the described premises, however caused, if the failure occurs away from the described premises.

But if the failure of power or other utility service results in a Covered Cause of Loss, we will pay for that resulting loss or damage caused by that Covered Cause of Loss.

d. War and Military Action

- (1) War, including undeclared or civil war;
- (2) Warlike action by a military force, including action 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.

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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;
- (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.

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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.

Exclusions B.1.a. through B.1.f. apply whether or not the loss event results in widespread damage or affects a substantial area.

2. We will not pay for loss or damage caused by or resulting from any of the following:
- a. Artificially generated electric current, including electric arcing, that disturbs electrical devices, appliances or wires.
But if artificially generated electrical current results in fire, we will pay for the loss or damage caused by that fire.
 - b. Delay, loss of use or loss of market.
 - c. Smoke, vapor or gas from agricultural smudging or industrial operations.
 - d. (1) Wear and tear;
(2) Rust, corrosion, fungus, decay, deterioration, hidden or latent defect or any quality in property that causes it to damage or destroy itself;
(3) Smog;
(4) Settling, cracking, shrinking or expansion;
(5) Nesting or infestation, or discharge or release of waste products or secretions, by insects, birds, rodents or other animals;
(6) Mechanical breakdown including rupture or bursting caused by centrifugal force. But if mechanical breakdown results in elevator collision, we will pay for the loss or damage caused by that elevator collision;
(7) The following causes of loss to personal property:
 - (a) Dampness or dryness of atmosphere;
 - (b) Changes in or extremes of temperature; or
 - (c) Marring or scratching.

But if an excluded cause of loss that is listed in 2.d.(1) through (7) results in a "specified cause of loss" or building glass breakage, we will pay for the loss or damage caused by that "specified cause of loss" or building glass breakage.

- e. Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control. But if explosion of steam boilers, steam pipes, steam engines or steam turbines results in fire or combustion explosion, we will pay for the loss or damage caused by that fire or combustion explosion. We will also pay for loss or damage caused by or resulting from the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.

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- f. Continuous or repeated seepage or leakage of water that occurs over a period of 14 days or more.
- g. Water, other liquids, powder or molten material that leaks or flows from plumbing, heating, air conditioning or other equipment (except fire protective systems) caused by or resulting from freezing, unless:
 - (1) You do your best to maintain heat in the building or structure; or
 - (2) You drain the equipment and shut off the water supply if the heat is not maintained.
- h. Dishonest or criminal act by you, any of your partners, managers, employees (including leased employees), directors, trustees, authorized representatives or anyone to whom you entrust the property for any purpose:
 - (1) Acting alone or in collusion with others; or
 - (2) Whether or not occurring during the hours of employment.

This exclusion does not apply to acts of destruction by your employees (including leased employees); but theft by employees (including leased employees) is not covered.
- i. Voluntary parting with any property by you or anyone else to whom you have entrusted the property if induced to do so by any fraudulent scheme, trick, device or false pretense.
- j. Rain, snow, ice or sleet to personal property in the open.
- k. Collapse, except as provided below in the Additional Coverage for Collapse. But if collapse results in a Covered Cause of Loss at the described premises, we will pay for the loss or damage caused by that Covered Cause of Loss.
- l. Neglect of an insured to use all reasonable means to save and preserve property from further damage at and after the time of loss.
- m. 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 "specified causes of loss". But if the discharge, dispersal, seepage, migration, release or escape of "pollutants" results in a "specified cause of loss", we will pay for the loss or damage caused by that "specified cause of loss". This exclusion does not apply to damage to glass caused by chemicals applied to the glass.
- n. Any loss, cost, or expense arising out of any:
 - (1) 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
 - (2) 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."

IRFFNC shall have no duty of any kind with respect to any such loss, demand, claim or suit.
- o. Loss, demand, claim or suit arising out of or related in any way to asbestos or asbestos-containing materials.

IRFFNC shall have no duty of any kind with respect to any such loss, demand, claim or suit.
- p. Water pressure, wind-driven water, ice or impact of watercraft to piers, wharves, pilings, boardwalks, docks, bridges or any structures located on piers, wharves, pilings, boardwalks, docks or bridges.

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3. We will not pay for loss or damage caused by or resulting from any of the following, 3.a. through 3.c. But if an excluded cause of loss that is listed in 3.a. through 3.c. results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of 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 or damage.
 - b. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.
 - c. Faulty, inadequate or defective:
 - (1) Planning, zoning, development, surveying, siting;
 - (2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
 - (3) Materials used in repair, construction, renovation or remodeling; or
 - (4) Maintenance;of part or all of any property on or off the described premises.

4. Special Exclusions

The following provisions apply only to the specified Coverage Forms.

- a. Business Income (Without Extra Expense) Coverage Form, Extra Expense Coverage Form or Commercial Property – Extra Expense

We will not pay for:

- (1) Any loss caused directly or indirectly by the failure of power or other utility service supplied to the described premises, however caused, if the failure occurs outside of a covered building.

But if the failure of power or other utility service results in a Covered Cause of Loss, we will pay for the loss resulting from that Covered Cause of Loss.

- (2) Any loss caused by or resulting from:

- (a) Damage or destruction of "finished stock," or
- (b) The time required to reproduce "finished stock."

This exclusion does not apply to Extra Expense.

- (3) Any increase of loss caused by or resulting from:

- (a) Delay in rebuilding, repairing or replacing the property or resuming "operations," due to interference at the location of the rebuilding, repair or replacement by strikers or other persons; or
- (b) Suspension, lapse or cancellation of any license, lease or contract. But if the suspension, lapse or cancellation is directly caused by the suspension of "operations," we will cover such a loss that affects your Business Income during the "period of restoration."

- (4) Any Extra Expense directly or indirectly caused by or resulting from suspension, lapse, or cancellation of any license, lease or contract beyond the "period of restoration";

- (5) Any other consequential loss.

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b. Leasehold Interest Coverage Form

- (1) We will not pay for any loss caused by:
 - (a) Your cancelling the lease;
 - (b) The suspension, lapse or cancellation of any license; or
 - (c) Any other consequential loss.

c. Legal Liability Coverage Form

- (1) The following Exclusions do not apply to insurance under this Coverage Form:
 - (a) Paragraph B.1.a., Governmental Action;
 - (b) Paragraph B.1.b., Nuclear Hazard;
 - (c) Paragraph B.1.c., Utility Services;
 - (d) Paragraph B.1.d., War and Military Action.
- (2) The following additional exclusions apply to insurance under this Coverage Form:
 - (a) Contractual Liability

We will not defend any claim or "suit," or pay damages that you are legally liable to pay, solely by reason of your assumption of liability in a contract or agreement. But this exclusion does not apply to a written lease agreement in which you have assumed liability for building damage resulting from an actual or attempted burglary or robbery, provided that:

 - (i) Your assumption of liability was executed prior to the accident; and
 - (ii) The building is Covered Property under this Coverage Form.

- (b) Nuclear Hazard

We will not defend any claim or "suit," or pay damages, loss, expense or obligation, resulting from nuclear reaction or radiation, or radioactive contamination, however caused.

C. LIMITATIONS

The following limitations apply to all policy forms and endorsements, unless otherwise stated.

1. We will not pay for loss of or damage to property, as described and limited in this section. In addition, we will not pay for any loss that is a consequence of loss or damage as described and limited in this section.
 - a. Steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment. But we will pay for loss of or damage to such equipment caused by or resulting from an explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.
 - b. Hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment, other than an explosion.
 - c. The interior of any building or structure or to personal property in the building or structure, caused by or resulting from rain, snow, sleet, ice, sand or dust, whether driven by wind or not, unless:
 - (1) The building or structure first sustains damage by a Covered Cause of Loss to its roof or walls through which the rain, snow, sleet, ice, sand or dust enters; or

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- (2) The loss or damage is caused by or results from thawing of snow, sleet or ice on the building or structure.
 - d. Building materials and supplies not attached as part of the building or structure caused by or resulting from theft. However, this limitation does not apply to Business Income coverage or Extra Expense coverage.
 - e. Property that is missing, where the only evidence of the loss or damage is a shortage disclosed on taking inventory, or other instances where there is no physical evidence to show what happened to the property.
 - f. Gutters and downspouts caused by or resulting from weight of snow, ice or sleet.
 - g. Property that has been transferred to a person or to a place outside the described premises on the basis of unauthorized instructions.
2. We will not pay for loss of or damage to the following types of property unless caused by the "specified causes of loss" or building glass breakage:
- a. Valuable papers and records, such as books of account, manuscripts, abstracts, drawings and card index systems. Valuable papers and records do not include prepackaged software programs or electronic data existing on film, tape, drum, cell, or other data processing, recording or storage media.
 - b. Animals, and then only if they are killed or their destruction is made necessary.
 - c. Fragile articles such as glassware, statuary, marbles, chinaware and porcelains, if broken. This restriction does not apply to:
 - (1) Glass that is part of a building or structure;
 - (2) Containers of property held for sale; or
 - (3) Photographic or scientific instrument lenses.
 - d. Builders' machinery, tools, and equipment owned by you or entrusted to you, provided such property is Covered Property.

However, this limitation does not apply:

 - (1) If the property is located on or within 500 feet of the described premises, unless the premises is insured under the Builders Risk Coverage Form; or
 - (2) To Business Income coverage or to Extra Expense coverage.
3. The special limit shown for each category, a. through d., is the total limit for loss of or damage to all property in that category. The special limit applies to any one occurrence of theft, regardless of the types or number of articles that are lost or damaged in that occurrence. The special limits are:
- a. \$2,500 for furs, fur garments and garments trimmed with fur.
 - b. \$2,500 for jewelry, watches, watch movements, jewels, pearls, precious and semiprecious stones, bullion, gold, silver, platinum and other precious alloys or metals. This limit does not apply to jewelry and watches worth \$100 or less per item.
 - c. \$2,500 for patterns, dies, molds and forms.
 - d. \$250 for stamps, tickets, including lottery tickets held for sale and letters of credit.

These special limits are part of, not in addition to, the Limit of Insurance applicable to the Covered Property.

This limitation, C.3., does not apply to Business Income coverage or to Extra Expense coverage.

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4. We will not pay the cost to repair any defect to a system or appliance from which water, other liquid, powder or molten material escapes. But we will pay the cost to repair or replace damaged parts of fire extinguishing equipment if the damage:
 - a. Results in discharge of any substance from an automatic fire protection system; or
 - b. is directly caused by freezing.

However, this limitation does not apply to Business Income coverage or to Extra Expense coverage.

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

D. ADDITIONAL COVERAGE - COLLAPSE

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

1. With respect to buildings:

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

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

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

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

3. With respect to the following property:

- a. Outdoor radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers;
- b. Awnings, gutters and downspouts;
- c. Yard fixtures;
- d. Outdoor swimming pool;

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- e. Fences;
- f. Piers, wharves and docks;
- g. Beach or diving platforms or appurtenances;
- h. Retaining walls; and
- i. Walks, roadways and other paved surfaces;

if the collapse is caused by a cause of loss listed in **2.b.** through **2.f.**, we will pay for loss or damage to that property only if:

- a. Such loss or damage is a direct result of the collapse of a building insured under this Coverage Form; and
- b. The property is Covered Property under this Coverage Form.

- 4.** If personal property abruptly falls down or caves in and such collapse is not the result of collapse of a building, we will pay for loss or damage to Covered Property caused by such collapse of personal property only if:
- a. The collapse was caused by a Cause of Loss listed in **2.a.** through **2.f.** above;
 - b. The personal property which collapses is inside a building; and
 - c. The property which collapses is not of a kind listed in **3.** above, regardless of whether that kind of property is considered to be personal property or real property.

The coverage stated in this Paragraph 4. does not apply to personal property if marring and/or scratching is the only damage to that personal property caused by the collapse.

Collapse of personal property does not mean cracking, bulging, sagging, bending, leaning, sewing, shrinkage or expansion.

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

E. ADDITIONAL COVERAGE EXTENSIONS

1. Property in Transit.

This Extension applies only to your personal property to which this form applies.

- a. You may extend the insurance provided by this Coverage Part to apply to your personal property (other than property in the care, custody or control of your salespersons) in transit more than 500 feet from the described premises. Property must be in or on a motor vehicle you own, lease or operate while between points in the coverage territory.
- b. Loss or damage must be caused by or result from one of the following causes of loss:
 - (1) Fire, lightning, explosion, windstorm or hail, riot or civil commotion, or vandalism.
 - (2) Vehicle collision, upset or overturn. Collision means accidental contact of your vehicle with another vehicle or object. It does not mean your vehicle's contact with the road bed.
 - (3) Theft of an entire bale, case or package by forced entry into a securely locked body or compartment of the vehicle. There must be visible marks of the forced entry.
- c. The most we will pay for loss or damage under this Extension is \$50,000.

This Coverage Extension is additional insurance.

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2. Water, Other Liquids, Powder Or Molten Material Damage.

If loss or damage caused by or resulting from a covered water or other liquid, powder or molten material damage loss occurs, we will also pay the cost to tear out and replace any part of the building or structure to repair damage to the system or appliance from which the water or other substance escapes. This Coverage Extension does not increase the Limit of Insurance.

F. DEFINITIONS

1. **"Specified Causes of Loss"** means the following:

Fire; lightning; explosion; windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; falling objects; weight of snow, ice or sleet; water damage.

a. **"Sinkhole collapse"** means the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or dolomite. This cause of loss does not include:

- (1) The cost of filling sinkholes; or
- (2) Sinking or collapse of land into man-made underground cavities.

b. **"Falling objects"** does not include loss or damage to:

- (1) Personal property in the open; or
- (2) The interior of a building or structure, or property inside a building or structure, unless the roof or an outside wall of the building or structure is first damaged by a falling object.

c. **"Water damage"** means accidental discharge or leakage of water or steam as the direct result of the breaking apart or cracking of a plumbing, heating, air conditioning or other system or appliance (other than a sump system including its related equipment and parts), that is located on the described premises and contains water or steam.

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

IV. COMMERCIAL PROPERTY - ORDINANCE OR LAW

1. If a Covered Cause of Loss occurs to covered building property, we will pay for:

a. The loss in value of the undamaged portion of the building as a consequence of enforcement of any ordinance or law that:

- (1) Requires the demolition of parts of the same property not damaged by a Covered Cause of Loss;
- (2) Regulates the construction or repair of buildings or establishes zoning or land use requirements at the described premises; and
- (3) Is in force at the time of loss.

b. The cost to demolish and clear the site of undamaged parts of the property caused by enforcement of the building, zoning, or land use ordinance or law.

c. The increased cost to:

- (1) Repair or reconstruct damaged portions of that Building property; and/or
- (2) Reconstruct or remodel undamaged portions of that Building property, whether or not demolition is required;

when the increased cost is a consequence of enforcement of building, zoning or land use ordinance or law.

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However:

- (1) This coverage applies only if the restored or remodeled property is intended for similar occupancy as the current property, unless such occupancy is not permitted by zoning or land use ordinance or law.
 - (2) We will not pay for the increased cost of construction if the building is not repaired, reconstructed or remodeled.
 2. However, we will not pay under this coverage for the costs associated with the enforcement of any ordinance or law which 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."
 3. We will not pay for increased construction costs under this coverage.
 - a. Until the property is actually repaired or replaced, at the same premises or elsewhere; and
 - b. Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not to exceed 2 years. We may extend this period in writing during the 2 years.
 4. a. If the property is repaired or replaced on the same premises, we will not pay more than the amount you actually spend to:
 - (1) Demolish and clear the site;
 - (2) Repair, rebuild, or construct the property, but not for more than the property of the same height, floor area, and style on the same premises.The most we will pay under 4.a. is 25% of the loss to the property involved.
 - b. If the property is not repaired or replaced on the same premises, we will not pay more than:
 - (1) The amount you actually spend to demolish and clear the site of the described premises; and
 - (2) The cost to replace, on the same premises, the damaged or destroyed property with other property:
 - (a) Of comparable material and quality;
 - (b) Of the same height, floor area, and style; and
 - (c) Used for the same purpose.The most we will pay under 4.b. is 25% of the loss to the property involved.
 - c. For all loss or damage in any occurrence we will not pay more than the Limit of Insurance applicable to the covered building property.
5. The terms of this Additional Coverage apply separately to each building to which the Additional Coverage applies.
6. Under this Additional Coverage, we will not pay for loss due to any ordinance or law that:
 - a. You were required to comply with before the loss, even if the building was undamaged; and
 - b. You failed to comply with.