

ISRB CIRCULAR

IDAHO COMMERCIAL EARTHQUAKE/VOLCANIC ERUPTION: INTRODUCTION OF FLAT DOLLAR DEDUCTIBLE OPTIONS - FILED AND APPROVED BY THE IDAHO DEPARTMENT OF INSURANCE (DOI) ON April 10, 2024.

April 16, 2024

2024-CF-4

CF-2023-ODEQF-ID

SERFF# ISRB-134038961

Forms

FORMS

IMPLEMENTATION

This information is intended exclusively for Idaho Surveying and Rating Bureau, Inc. affiliated companies.

BACKGROUND

The Bureau has received multistate flat-dollar deductible options for earthquake/volcanic eruption. This filing also maintains current percentage deductibles but with revisions to distinguish among the types of deductible options, in Idaho.

This change introduces new forms and revises others. This filing compliments CF-2023-REQL1 (Loss Costs) SERFF # ISRB-134051818, and CF-2023-RDEQR (Rules) SERFF # ISRB-134067970

CHANGES

New Forms

CP 10 28 02 19 Earthquake And Volcanic Eruption Coverage With Flat-Dollar Deductible

CP 10 29 02 19 Earthquake And Volcanic Eruption Coverage (Sub-Limit Form With Flat-Dollar Deductible)

Revised Forms

CP 10 40 10 12 Earthquake And Volcanic Eruption Endorsement [revised title: Earthquake And Volcanic Eruption Coverage With Percentage Deductible]

CP 10 41 08 99 Earthquake Inception Extension

CP 10 45 10 12 Earthquake And Volcanic Eruption Endorsement (Sub-Limit Form) [revised title: Earthquake And Volcanic Eruption Coverage (Sub-Limit Form With Percentage Deductible)]

CP DS 06 10 00 Earthquake – Volcanic Eruption Coverage Schedule [revised title: Earthquake – Volcanic Eruption Coverage Schedule (Sub-Limit Form)]



Idaho Surveying and Rating Bureau, Inc.

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Secretary – General Manager
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EFFECTIVE DATE

The effective date for this change is November 1, 2024.

COMPANY ACTIONS

All correspondence with the Idaho Department of Insurance should refer to CF-2023-ODEQF-ID.

If you have authorized us to file on your behalf and decide:

- To use our revision and effective date, you are not required to file anything with the Idaho Department of Insurance.
- To use our revision with a different effective date, to use our revision with modifications or to not use our revision, then you must make an appropriate submission with the Idaho Department of Insurance.

ATTACHMENT

Final copies of new and revised forms are attached for your information.

PERSON TO CONTACT

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Earthquake/Volcanic Eruption: Introduction Of Flat Dollar Deductible Options Introduced in Idaho

About This Filing

This filing introduces multistate flat-dollar deductible options for earthquake/volcanic eruption, and maintains current percentage deductibles but with revisions to distinguish among the types of deductible options, in Idaho.

New Forms

We are introducing the following forms:

- ◆ **CP 10 28 02 19** Earthquake And Volcanic Eruption Coverage With Flat-Dollar Deductible
- ◆ **CP 10 29 02 19** Earthquake And Volcanic Eruption Coverage (Sub-Limit Form With Flat-Dollar Deductible)

Revised Forms

We are revising the following forms:

- ◆ **CP 10 40 10 12** Earthquake And Volcanic Eruption Endorsement [**revised title:** Earthquake And Volcanic Eruption Coverage With Percentage Deductible]
- ◆ **CP 10 41 08 99** Earthquake Inception Extension
- ◆ **CP 10 45 10 12** Earthquake And Volcanic Eruption Endorsement (Sub-Limit Form) [**revised title:** Earthquake And Volcanic Eruption Coverage (Sub-Limit Form With Percentage Deductible)]
- ◆ **CP DS 06 10 00** Earthquake – Volcanic Eruption Coverage Schedule [**revised title:** Earthquake – Volcanic Eruption Coverage Schedule (Sub-Limit Form)]

We have used a format of ~~striking-through~~ deletions, underlining additions and inserting a revision bar in the left margin to indicate changes from the above-referenced editions to the 02 19 editions. Concurrent with implementation, the 02 19 editions will supersede the prior editions.

Related Filing(s)

The following companion filing is being filed with a concurrent effective date:

- ◆ CF-2023-RDEQR (Rules)
- ◆ CF-2023-REQLC (Loss Costs)

Explanation of Changes

CP 10 28 Earthquake And Volcanic Eruption Coverage With Flat Dollar Deductible

This new endorsement is based on current endorsement CP 10 40, and includes a Schedule, as in the revised edition of CP 10 40 discussed below. The only difference between these two forms is that new endorsement CP 10 28 provides for a flat-dollar deductible instead of the traditional percentage deductible.

Under the terms of CP 10 28, flat-dollar deductibles apply by location in each occurrence of loss. A building can be identified as a separate location.

CP 10 29 Earthquake And Volcanic Eruption Coverage (Sub-Limit Form With Flat-Dollar Deductible)

This new endorsement is based on current endorsement CP 10 45. The only difference between these two forms is that new endorsement CP 10 29 provides for a flat-dollar deductible instead of the traditional percentage deductible.

Under the terms of CP 10 29, flat-dollar deductibles apply by location in each occurrence of loss. A building can be identified as a separate location.

CP 10 40 Earthquake And Volcanic Eruption Coverage With Percentage Deductible

The revised title of this endorsement makes reference to the type of deductible provided within the body of the endorsement. There is no change to the deductible clause.

In addition, a Schedule is added to CP 10 40 to enable identification of the location(s) and entry of related coverage elements: percentage deductible, limit of insurance and masonry veneer option. The Schedule includes a distinct section for recognizing the Earthquake-Sprinkler Leakage Only option. All of the aforementioned aspects of coverage would currently be addressed in the Declarations. The Schedule offers a convenient means of showing the information pertaining to the endorsement, but as indicated in the footnote to the Schedule, it remains permissible to use the Declarations instead for that purpose.

CP 10 41 Earthquake Inception Extension

This form is revised to make reference to the new earthquake/volcanic eruption coverage endorsements, as well as the revised titles of current earthquake/volcanic eruption coverage endorsements.

CP 10 45 Earthquake And Volcanic Eruption Coverage (Sub-Limit Form With Percentage Deductible)

The revised title of this endorsement makes reference to the type of deductible provided within the body of the endorsement. There is no change to the deductible clause.

CP DS 06 Earthquake – Volcanic Eruption Coverage Schedule (Sub-Limit Form)

The title of this form is revised to indicate that it is used with earthquake/volcanic eruption sub-limit endorsements. The section of the schedule pertaining to the property damage deductible is revised to recognize the options of flat-dollar and percentage deductibles. In addition, we have made several edits in support of the expanded options addressed in this filing.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EARTHQUAKE AND VOLCANIC ERUPTION COVERAGE WITH FLAT-DOLLAR DEDUCTIBLE

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY COVERAGE PART
STANDARD PROPERTY POLICY

SCHEDULE

Earthquake And Volcanic Eruption Coverage				
Building Number/ Premises Number	Deductible	Limit Of Insurance	Including Masonry Veneer Option	
	\$	\$	Yes	No
	\$	\$	Yes	No
	\$	\$	Yes	No
Earthquake – Sprinkler Leakage Only*				
Building Number/Premises Number	Limit Of Insurance			
	\$			
	\$			
	\$			
*The Deductible for Earthquake – Sprinkler Leakage Only is the same Deductible that applies to Fire.				
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.				

- A.** When this endorsement is attached to the Standard Property Policy, the terms Coverage Part and Coverage Form in this endorsement are replaced by the term policy.
- B.** This endorsement applies to the Covered Property and Coverages for which a Limit Of Insurance is shown in the Schedule.
- C. Additional Covered Causes Of Loss**
 - 1.** The following are added to the Covered Causes of Loss:
 - a.** Earthquake.
 - b.** Volcanic Eruption, meaning the eruption, explosion or effusion of a volcano.

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

- 2.** If the Schedule indicates that this endorsement covers Earthquake – Sprinkler Leakage Only, then the Covered Causes of Loss in Paragraph **C.1.** of this endorsement do not apply, and the following apply instead:
 - a.** Sprinkler Leakage resulting from Earthquake.

- b. Sprinkler Leakage resulting from Volcanic Eruption. Volcanic Eruption means the eruption, explosion or effusion of a volcano.

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

D. Exclusions, Limitations And Related Provisions

1. The Exclusions and Limitation(s) sections of the Causes Of Loss Form (and the Exclusions section of the Mortgageholders Errors And Omissions Coverage Form and the Standard Property Policy) apply to coverage provided under this endorsement, except as provided in Paragraphs **D.2.** and **D.3.** below.
2. To the extent that the Earth Movement Exclusion might conflict with coverage provided under this endorsement, the **Earth Movement** Exclusion does not apply.
3. The exclusion of collapse, in the Causes Of Loss – Special Form and Mortgageholders Errors And Omissions Coverage Form, does not apply to collapse caused by Earthquake or Volcanic Eruption.
4. The Additional Coverage – Collapse, in the Causes Of Loss – Broad Form, Causes Of Loss – Special Form and Mortgageholders Errors And Omissions Coverage Form, does not apply to the coverage provided under this endorsement. This endorsement includes coverage for collapse caused by Earthquake or Volcanic Eruption.
5. We will not pay for loss or damage caused directly or indirectly by tidal wave or tsunami, even if attributable to an Earthquake or Volcanic Eruption.
6. We will not pay for loss or damage caused by or resulting from any Earthquake or Volcanic Eruption that begins before the inception of this insurance.
7. The Ordinance Or Law Exclusion in this Coverage Part continues to apply with respect to any loss under this Coverage Part including any loss under this endorsement, unless Ordinance Or Law Coverage is added by endorsement.

8. We will not pay for loss of or damage to exterior masonry veneer (except stucco) on wood frame walls caused by or resulting from Earthquake or Volcanic Eruption. The value of such veneer will not be included in the value of Covered Property or the amount of loss when applying the Property Damage Deductible applicable to this endorsement.

This limitation, **D.8.**, does not apply if:

- a. The Schedule indicates that the "Including Masonry Veneer" option applies or the premises description in the Declarations specifically states "Including Masonry Veneer"; or
 - b. Less than 10% of the total outside wall area is faced with masonry veneer (excluding stucco).
9. Under this Coverage Part, as set forth under Property Not Covered in the Coverage Form to which this endorsement is attached, land is not covered property, nor is the cost of excavations, grading, backfilling or filling. Therefore, coverage under this endorsement does not include the cost of restoring or remediating land.

E. Property Damage Deductible

1. The provisions of Paragraph **E.3.** of this endorsement are applicable to all Coverage Forms except:
 - a. Business Income (And Extra Expense) Coverage Form;
 - b. Business Income (Without Extra Expense) Coverage Form; and
 - c. Extra Expense Coverage Form.
2. If the Schedule indicates that this endorsement covers Earthquake – Sprinkler Leakage Only, then the Deductible provisions set forth in Paragraph **E.3.** of this endorsement do not apply to such coverage. The applicable Deductible for such coverage is the same Deductible that applies to Fire.

3. The Deductible, if any, in this Coverage Part is replaced by the following with respect to Earthquake and Volcanic Eruption:

Deductible Clause

- a. The Deductible provisions apply to each Earthquake or Volcanic Eruption. A single Earthquake or Volcanic Eruption is defined in Paragraph C. of this endorsement.
- b. We will not pay for loss or damage until the amount of loss or damage exceeds the applicable Deductible. Subject to the provisions of 3.c. below, we will then pay the amount of loss or damage in excess of that Deductible, up to the applicable Limit of Insurance, after any reduction required by any of the following: Coinsurance Condition, Agreed Value Optional Coverage, Additional Condition – Need For Adequate Insurance or Additional Condition – Need For Full Reports.
- c. Applicable Deductibles by location are shown in the Schedule. If a Deductible is shown for a particular building, then that building is considered to be a separate location for the purpose of this Deductible Clause.

The Deductible specified for a particular location applies to all property at that location. Therefore, if a building is shown in the Schedule as a separate location, all Covered Property at that location is subject to that Deductible. The Deductible will apply only once at that location in each occurrence of Earthquake or Volcanic Eruption.

If one occurrence of Earthquake or Volcanic Eruption results in loss or damage at more than one location, the applicable Deductible will apply separately to loss or damage at each location that has sustained loss or damage, in accordance with the information shown in the Schedule for locations and Deductibles. Therefore, for example, if an Earthquake damages two buildings which are shown in the Schedule as separate locations, the applicable Deductible will be applied separately to the loss at each location.

- d. If there is loss or damage caused by Earthquake or Volcanic Eruption, and loss or damage caused by a Cause of Loss (e.g., fire) that is covered by means of an exception to the Earth Movement Exclusion, then the only applicable Deductible provisions are those stated in this endorsement.

EXAMPLE – APPLICATION OF DEDUCTIBLE

This example assumes:

- That the loss at each location is less than the sum of the Limit of Insurance and the Deductible applicable to that location.
- An Earthquake damages Buildings 1 and 2, and Business Personal Property at those buildings.

Location	Deductible	Loss to Building	Loss to Business Personal Property
Building Loc. 1	\$10,000	\$50,000	\$50,000
Building Loc. 2	\$10,000	\$10,000	\$20,000

Calculation of Loss Payment

Building Location 1

Total amount of loss	\$100,000
Minus deductible	<u>– \$10,000</u>
Loss Payment	\$90,000

Building Location 2

Total amount of loss	\$30,000
Minus deductible	<u>– \$10,000</u>
Loss Payment	\$20,000

F. Business Income And Extra Expense Period Of Restoration

This Paragraph F. is applicable only to the Coverage Forms specified below:

1. Business Income (And Extra Expense) Coverage Form;
2. Business Income (Without Extra Expense) Coverage Form; and
3. Extra Expense Coverage Form.

The "period of restoration" definition stated in the Coverage Form, or in any endorsement amending the beginning of the "period of restoration", applies to each Earthquake or Volcanic Eruption. A single Earthquake or Volcanic Eruption is defined in Paragraph C. of this endorsement.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EARTHQUAKE AND VOLCANIC ERUPTION COVERAGE (SUB-LIMIT FORM WITH FLAT-DOLLAR DEDUCTIBLE)

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY COVERAGE PART
STANDARD PROPERTY POLICY

A. When this endorsement is attached to the Standard Property Policy, the terms Coverage Part and Coverage Form in this endorsement are replaced by the term policy.

B. This endorsement applies to the Covered Property and Coverages for which an Earthquake – Volcanic Eruption Limit Of Insurance is shown in the Earthquake – Volcanic Eruption Coverage Schedule or in the Declarations.

C. Additional Covered Causes Of Loss

1. The following are added to the Covered Causes of Loss:

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

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

2. If the Earthquake – Volcanic Eruption Coverage Schedule or the Declarations indicates that this endorsement covers Earthquake – Sprinkler Leakage Only, then the Covered Causes of Loss in Paragraph **C.1.** of this endorsement do not apply, and the following apply instead:

- a. Sprinkler Leakage resulting from Earthquake.
- b. Sprinkler Leakage resulting from Volcanic Eruption. Volcanic Eruption means the eruption, explosion or effusion of a volcano.

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

D. Exclusions, Limitations And Related Provisions

1. The Exclusions and Limitation(s) sections of the Causes Of Loss Form (and the Exclusions section of the Mortgageholders Errors And Omissions Coverage Form and the Standard Property Policy) apply to coverage provided under this endorsement, except as provided in Paragraphs **D.2.** and **D.3.** below.
2. To the extent that the Earth Movement Exclusion might conflict with coverage provided under this endorsement, the Earth Movement Exclusion does not apply.
3. The exclusion of collapse, in the Causes Of Loss – Special Form and Mortgageholders Errors And Omissions Coverage Form, does not apply to collapse caused by Earthquake or Volcanic Eruption.
4. The Additional Coverage – Collapse, in the Causes Of Loss – Broad Form, Causes Of Loss – Special Form and Mortgageholders Errors And Omissions Coverage Form, does not apply to the coverage provided under this endorsement. This endorsement includes coverage for collapse caused by Earthquake or Volcanic Eruption.
5. We will not pay for loss or damage caused directly or indirectly by tidal wave or tsunami, even if attributable to an Earthquake or Volcanic Eruption.

- 6. We will not pay for loss or damage caused by or resulting from any Earthquake or Volcanic Eruption that begins before the inception of this insurance.
- 7. The Ordinance Or Law Exclusion in this Coverage Part continues to apply with respect to any loss under this Coverage Part including any loss under this endorsement, unless Ordinance Or Law Coverage is added by endorsement.
- 8. We will not pay for loss of or damage to exterior masonry veneer (except stucco) on wood frame walls caused by or resulting from Earthquake or Volcanic Eruption. The value of such veneer will not be included in the value of Covered Property or the amount of loss when applying the Property Damage Deductible applicable to this endorsement.

This limitation, **D.8.**, does not apply if:

- a. The Earthquake – Volcanic Eruption Coverage Schedule or the Declarations indicates that the "Including Masonry Veneer" option applies; or
- b. Less than 10% of the total outside wall area is faced with masonry veneer (excluding stucco).

- 9. Under this Coverage Part, as set forth under Property Not Covered in the Coverage Form to which this endorsement is attached, land is not covered property, nor is the cost of excavations, grading, backfilling or filling. Therefore, coverage under this endorsement does not include the cost of restoring or remediating land.

E. No Coinsurance

The Coinsurance Condition in this Policy, if any, does not apply to the coverage provided under this endorsement.

Various Coverage Extensions, in the Coverage Form to which this endorsement is attached, require coinsurance. The coinsurance requirement for such Coverage Extensions is eliminated with respect to coverage provided under this endorsement.

F. Limit Of Insurance

1. General Information

The term Limit of Insurance means the Limit of Insurance applicable to Earthquake – Volcanic Eruption for the Covered Property or Coverage under which loss or damage is sustained.

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

2. Annual Aggregate Limit

The Limit of Insurance for Earthquake – Volcanic Eruption is an annual aggregate limit and as such is the most we will pay for the total of all loss or damage that is caused by Earthquake or Volcanic Eruption in a 12-month period (starting with the beginning of the present annual policy period), even if there is more than one Earthquake or Volcanic Eruption during that period of time. Thus, if the first Earthquake or Volcanic Eruption does not exhaust the Limit of Insurance, then the balance of that Limit is available for a subsequent Earthquake(s) or Volcanic Eruption(s).

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

3. Increased Annual Aggregate Limit Option

If the Earthquake – Volcanic Eruption Coverage Schedule or the Declarations indicates that the Increased Annual Aggregate Limit Option applies, then the following applies instead of Paragraph **F.2.** above:

The Limit of Insurance for Earthquake – Volcanic Eruption is the most we will pay in a single Earthquake or Volcanic Eruption (as defined in Section **C.** of this endorsement) for loss or damage caused by the Earthquake or Volcanic Eruption. If there is more than one Earthquake or Volcanic Eruption in a 12-month period (starting with the beginning of the present annual policy period), the most we will pay for the total of all loss or damage sustained during that period of time and caused by Earthquake or Volcanic Eruption is two times the Limit of Insurance.

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

4. Additional Coverages And Coverage Extensions

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

5. Limitation

For property or coverage that is subject to a Blanket Limit on Earthquake – Volcanic Eruption (as shown in the Earthquake – Volcanic Eruption Coverage Schedule or in the Declarations), we will not pay more than we would pay in the absence of such Blanket Limit. Therefore, the maximum amount payable for any such item of property or coverage is the Limit of Insurance or stated value (as shown in a Statement of Values on file with us) specific to that item of property or coverage for Covered Causes of Loss other than Earthquake – Volcanic Eruption.

6. Ensuing Loss

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

EXAMPLES – ENSUING LOSS

Two examples follow using these facts: The Commercial Property Coverage Part, in these examples, includes the Causes Of Loss – Basic Form (which covers fire) and this Earthquake And Volcanic Eruption Coverage endorsement. A building is damaged by Earthquake, and by Fire which is caused by the Earthquake. The value of the damaged building is \$1,000,000. The Limit of Insurance applicable to the building, for the Basic Causes of Loss, is \$800,000. The Limit of Insurance for Earthquake – Volcanic Eruption is \$400,000. The Earthquake Deductible amount is \$50,000.

Example 1

The damage due to Earthquake is \$500,000.

The damage due to Fire is \$500,000.

Payment for Earthquake damage is \$400,000 (\$500,000 damage minus \$50,000 Earthquake deductible = \$450,000; Limit is \$400,000).

Payment for Fire damage is \$400,000 (\$500,000 damage capped at the difference between the Basic Limit and the Earthquake Limit).

Total Loss Payment is \$800,000.

Example 2

The damage due to Earthquake is \$800,000.

The damage due to Fire is \$100,000.

Payment for Earthquake damage is \$400,000 (\$800,000 damage minus \$50,000 Earthquake deductible = \$750,000; Limit is \$400,000).

Payment for Fire damage is \$100,000 (amount of damage).

Total Loss Payment is \$500,000.

G. Property Damage Deductible

1. The provisions of Section **G.3.** of this endorsement are applicable to all Coverage Forms except:
 - a. Business Income (And Extra Expense) Coverage Form;
 - b. Business Income (Without Extra Expense) Coverage Form;
 - c. Extra Expense Coverage Form.
2. If the Declarations indicates that this endorsement covers Earthquake – Sprinkler Leakage Only, then the Deductible provisions set forth in Paragraph **G.3.** of this endorsement do not apply to such coverage. The applicable Deductible for such coverage is the same Deductible that applies to Fire.
3. The Deductible, if any, in this Coverage Part is replaced by the following with respect to Earthquake and Volcanic Eruption:

Deductible Clause

- a. The Deductible provisions apply to each Earthquake or Volcanic Eruption. A single Earthquake or Volcanic Eruption is defined in Paragraph **C.** of this endorsement.
- b. We will not pay for loss or damage until the amount of loss or damage exceeds the applicable Deductible. Subject to the provisions of **3.c.** below, we will then pay the amount of loss or damage in excess of that Deductible, up to the applicable Limit of Insurance.

- c. Applicable Deductibles by location are shown in the Earthquake-Volcanic Eruption Coverage Schedule or in the Declarations with respect to Earthquake and Volcanic Eruption. If a Deductible is shown for a particular building, then that building is considered to be a separate location for the purpose of this Deductible Clause.

The Deductible specified for a particular location applies to all property at that location. Therefore, if a building is shown in the aforementioned Schedule or Declarations as a separate location, all Covered Property at that location is subject to that Deductible. The Deductible will apply only once at that location in each occurrence of Earthquake or Volcanic Eruption.

If one occurrence of Earthquake or Volcanic Eruption results in loss or damage at more than one location, the applicable Deductible will apply separately to loss or damage at each location that has sustained loss or damage, in accordance with the information shown for locations and Deductibles in the Earthquake-Volcanic Eruption Coverage Schedule or in the Declarations with respect to Earthquake and Volcanic Eruption. Therefore, for example, if an Earthquake damages two buildings which are shown in such Schedule or Declarations as separate locations, the applicable Deductible will be applied separately to the loss at each location.

- d. If there is loss or damage caused by Earthquake or Volcanic Eruption, and loss or damage caused by a Cause of Loss (e.g., fire) that is covered by means of an exception to the Earth Movement Exclusion, then the only applicable Deductible provisions are those stated in this endorsement.

EXAMPLE – APPLICATION OF DEDUCTIBLE

This example assumes:

- That the loss at each location is less than the sum of the Limit of Insurance and the Deductible applicable to that location.
- An Earthquake damages Buildings 1 and 2, and Business Personal Property at those buildings.

Location	Deductible	Loss to Building	Loss to Business Personal Property
Building Loc. 1	\$10,000	\$50,000	\$50,000
Building Loc. 2	\$10,000	\$10,000	\$20,000

Calculation of Loss Payment

Building Location 1

Total amount of loss	\$100,000
Minus deductible	<u>– \$10,000</u>
Loss Payment	\$90,000

Building Location 2

Total amount of loss	\$30,000
Minus deductible	<u>– \$10,000</u>
Loss Payment	\$20,000

H. Business Income And Extra Expense Period Of Restoration

This Section H. is applicable only to the Coverage Forms specified below:

1. Business Income (And Extra Expense) Coverage Form;
2. Business Income (Without Extra Expense) Coverage Form;
3. Extra Expense Coverage Form.

The "period of restoration" definition stated in the Coverage Form, or in any endorsement amending the beginning of the "period of restoration", applies to each Earthquake or Volcanic Eruption. A single Earthquake or Volcanic Eruption is defined in Paragraph C. of this endorsement.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EARTHQUAKE AND VOLCANIC ERUPTION COVERAGE WITH PERCENTAGE DEDUCTIBLE

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY COVERAGE PART
STANDARD PROPERTY POLICY

SCHEDULE

Earthquake And Volcanic Eruption Coverage					
Building Number/ Premise Number	Percentage Deductible	Limit Of Insurance	Including Masonry Veneer Option		
	% \$			Yes	No
	% \$			Yes	No
	% \$			Yes	No
Earthquake – Sprinkler Leakage Only*					
Building Number/Premises Building	Limit Of Insurance				
	\$				
	\$				
	\$				
*The Deductible for Earthquake – Sprinkler Leakage Only is the same Deductible that applies to Fire.					
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.					

- A.** When this endorsement is attached to the Standard Property Policy, the terms Coverage Part and Coverage Form in this endorsement are replaced by the term policy.
- B.** This endorsement applies to the Covered Property and Coverages for which a Limit Of Insurance is shown in the Schedule.
- C. Additional Covered Causes Of Loss**
 - 1.** The following are added to the Covered Causes Of Loss:
 - a.** Earthquake.
 - b.** Volcanic Eruption, meaning the eruption, explosion or effusion of a volcano.

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

- 2.** If the Schedule indicates that this endorsement covers Earthquake – Sprinkler Leakage Only, then the Covered Causes of Loss in Paragraph **C.1.** of this endorsement do not apply, and the following apply instead:
 - a.** Sprinkler Leakage resulting from Earthquake.
 - b.** Sprinkler Leakage resulting from Volcanic Eruption. Volcanic Eruption means the eruption, explosion or effusion of a volcano.

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

D. Exclusions, Limitations And Related Provisions

1. The Exclusions and Limitation(s) sections of the Causes Of Loss Form (and the Exclusions section of the Mortgageholders Errors And Omissions Coverage Form and the Standard Property Policy) apply to coverage provided under this endorsement, except as provided in Paragraphs **D.2.** and **D.3.** below.
2. To the extent that the Earth Movement Exclusion might conflict with coverage provided under this endorsement, the Earth Movement Exclusion does not apply.
3. The exclusion of collapse, in the Causes Of Loss – Special Form and Mortgageholders Errors And Omissions Coverage Form, does not apply to collapse caused by Earthquake or Volcanic Eruption.
4. The Additional Coverage – Collapse, in the Causes Of Loss – Broad Form, Causes Of Loss – Special Form and Mortgageholders Errors And Omissions Coverage Form, does not apply to the coverage provided under this endorsement. This endorsement includes coverage for collapse caused by Earthquake or Volcanic Eruption.
5. We will not pay for loss or damage caused directly or indirectly by tidal wave or tsunami, even if attributable to an Earthquake or Volcanic Eruption.
6. We will not pay for loss or damage caused by or resulting from any Earthquake or Volcanic Eruption that begins before the inception of this insurance.
7. The Ordinance Or Law Exclusion in this Coverage Part continues to apply with respect to any loss under this Coverage Part including any loss under this endorsement, unless Ordinance Or Law Coverage is added by endorsement.
8. We will not pay for loss of or damage to exterior masonry veneer (except stucco) on wood frame walls caused by or resulting from Earthquake or Volcanic Eruption. The value of such veneer will not be included in the value of Covered Property or the amount of loss when applying the Property Damage Deductible applicable to this endorsement.

This limitation, **D.8.**, does not apply if:

- a. The Schedule indicates that the "Including Masonry Veneer" option applies or the premises description in the Declarations specifically states "Including Masonry Veneer"; or
 - b. Less than 10% of the total outside wall area is faced with masonry veneer (excluding stucco).
9. Under this Coverage Part, as set forth under Property Not Covered in the Coverage Form to which this endorsement is attached, land is not covered property, nor is the cost of excavations, grading, backfilling or filling. Therefore, coverage under this endorsement does not include the cost of restoring or remediating land.

E. Property Damage Deductible

1. The provisions of Paragraph **E.3.** of this endorsement are applicable to all Coverage Forms except:
 - a. Business Income (And Extra Expense) Coverage Form;
 - b. Business Income (Without Extra Expense) Coverage Form; and
 - c. Extra Expense Coverage Form.
2. If the Schedule indicates that this endorsement covers Earthquake – Sprinkler Leakage Only, then the Deductible set forth in Paragraph **E.3.** of this endorsement does not apply to such coverage. The applicable Deductible for such coverage is the same Deductible that applies to Fire.
3. The Deductible, if any, in this Coverage Part is replaced by the following with respect to Earthquake and Volcanic Eruption:
 - a. **All Policies**
 - (1) The Deductible provisions apply to each Earthquake or Volcanic Eruption.
 - (2) Separate Deductibles are calculated for, and apply to, each building, personal property at each building and personal property in the open. Deductibles are separately calculated and applied even if:
 - (a) Two or more buildings sustain loss or damage;
 - (b) Personal property at two or more buildings sustains loss or damage; and/or

(c) A building and the personal property in that building sustain loss or damage.

(3) We will not pay for loss or damage until the amount of loss or damage exceeds the applicable Deductible. We will then pay the amount of loss or damage in excess of that Deductible, up to the applicable Limit of Insurance, after any reduction required by any of the following: Coinsurance Condition, Agreed Value Optional Coverage, Additional Condition – Need For Adequate Insurance or Additional Condition – Need For Full Reports.

(4) When property is covered under the Coverage Extension for Newly Acquired or Constructed Property: In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage of the value of the property at time of loss. The applicable percentage for Newly Acquired or Constructed Property is the highest percentage shown in the Schedule for any described premises.

(5) If there is loss or damage caused by Earthquake or Volcanic Eruption, and loss or damage caused by a Cause of Loss (e.g., Fire) that is covered by means of an exception to the Earth Movement Exclusion, then the only applicable Deductible provisions are those stated in this endorsement.

b. Calculation Of The Deductible – Specific Insurance Other Than Builders Risk

(1) Property Not Subject To Value Reporting Forms

In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage (as shown in the Schedule) of the Limit of Insurance applicable to the property that has sustained loss or damage.

(2) Property Subject To Value Reporting Forms

In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage (as shown in the Schedule) of the value of the property that has sustained loss or damage. The value to be used is the latest value shown in the most recent Report of Values on file with us.

However:

(a) If the most recent Report of Values shows less than the full value of the property on the report dates, we will determine the deductible amount as a percentage of the full value as of the report dates.

(b) If the first Report of Values is not filed with us prior to loss or damage, we will determine the deductible amount as a percentage of the applicable Limit of Insurance.

c. Calculation Of The Deductible – Blanket Insurance Other Than Builders Risk

(1) Property Not Subject To Value Reporting Forms

In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage (as shown in the Schedule) of the value of the property that has sustained loss or damage. The value to be used is that shown in the most recent Statement of Values on file with us.

(2) Property Subject To Value Reporting Forms

In determining the amount, if any, that we will pay for property that has sustained loss or damage, we will deduct an amount equal to a percentage (as shown in the Schedule) of the value of that property as of the time of loss or damage.

d. Calculation Of The Deductible – Builders Risk Insurance

(1) Builders Risk Other Than Reporting Form

In determining the amount, if any, that we will pay for property that has sustained loss or damage, we will deduct an amount equal to a percentage (as shown in the Schedule) of the actual cash value of that property as of the time of loss or damage.

(2) Builders Risk Reporting Form

In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage (as shown in the Schedule) of the value of the property that has sustained loss or damage. The value to be used is the actual cash value shown in the most recent Report of Values on file with us.

However:

- (a)** If the most recent Report of Values shows less than the actual cash value of the property on the report date, we will determine the deductible amount as a percentage of the actual cash value as of the report date.
- (b)** If the first Report of Values is not filed with us prior to loss or damage, we will determine the deductible amount as a percentage of the actual cash value of the property as of the time of loss or damage.

F. Examples – Application Of Deductible In E.3.:

EXAMPLE 1 – SPECIFIC INSURANCE (E.3.b.(1))

The amount of loss to the damaged building is \$60,000.

The value of the damaged building at time of loss is \$100,000. The Coinsurance percentage shown in the Declarations is 80%; the minimum Limit of Insurance needed to meet the Coinsurance requirement is \$80,000 (80% of \$100,000).

The **actual** Limit of Insurance on the damaged building is \$70,000.

The Deductible is 5%.

Step (1): $\$70,000 \div \$80,000 = .875$

Step (2): $\$60,000 \times .875 = \$52,500$

Step (3): $\$70,000 \times 5\% = \$3,500$

Step (4): $\$52,500 - \$3,500 = \$49,000$

The most we will pay is \$49,000. The remainder of the loss, \$11,000, is not covered due to the Coinsurance penalty for inadequate insurance (steps (1) and (2)) and the application of the Deductible (steps (3) and (4)).

EXAMPLE 2 – SPECIFIC INSURANCE (E.3.b.(1))

The amounts of loss to the damaged property are \$60,000 (building) and \$40,000 (business personal property in building).

The value of the damaged building at time of loss is \$100,000. The value of the business personal property in that building is \$80,000. The Coinsurance percentage shown in the Declarations is 80%; the minimum Limits of Insurance needed to meet the Coinsurance requirement are \$80,000 (80% of \$100,000) for the building and \$64,000 (80% of \$80,000) for the business personal property.

The **actual** Limits of Insurance on the damaged property are \$80,000 on the building and \$64,000 on the business personal property (therefore no Coinsurance penalty).

The Deductible is 10%.

Building 1

Step (1): $\$80,000 \times 10\% = \$8,000$

Step (2): $\$60,000 - \$8,000 = \$52,000$

Business Personal Property

Step (1): $\$64,000 \times 10\% = \$6,400$

Step (2): $\$40,000 - \$6,400 = \$33,600$

The most we will pay is \$85,600. That portion of the total loss not covered due to application of the Deductible is \$14,400.

EXAMPLE 3 – BLANKET INSURANCE (E.3.c.(1))

The sum of the values of Building 1 (\$500,000), Building 2 (\$500,000) and Building 3 (\$1,000,000), as shown in the most recent Statement of Values on file with us, is \$2,000,000.

The Coinsurance percentage shown in the Declarations is 90%; the minimum Blanket Limit of Insurance needed to meet the Coinsurance requirement is \$1,800,000 (90% of \$2,000,000).

The **actual** Blanket Limit of Insurance covering Buildings 1, 2, and 3, shown in the Declarations, is \$1,800,000 (therefore no Coinsurance penalty).

Buildings 1 and 2 have sustained damage; the amounts of loss to these buildings are \$40,000 (Building 1) and \$60,000 (Building 2).

The Deductible is 5%.

Building 1

Step (1): $\$500,000 \times 5\% = \$25,000$

Step (2): $\$40,000 - \$25,000 = \$15,000$

Building 2

Step (1): $\$500,000 \times 5\% = \$25,000$

Step (2): $\$60,000 - \$25,000 = \$35,000$

The most we will pay is \$50,000. That portion of the total loss not covered due to application of the Deductible is \$50,000.

EXAMPLE 4 – BLANKET INSURANCE (E.3.c.(1))

The sum of the values of Building 1 (\$500,000), Building 2 (\$500,000), Business Personal Property at Building 1 (\$250,000) and Business Personal Property at Building 2 (\$250,000), as shown in the most recent Statement of Values on file with us, is \$1,500,000.

The Coinsurance percentage shown in the Declarations is 90%; the minimum Blanket Limit of Insurance needed to meet the Coinsurance requirement is \$1,350,000 (90% of \$1,500,000).

The **actual** Blanket Limit of Insurance covering Buildings 1 and 2 and Business Personal Property at Buildings 1 and 2, shown in the Declarations, is \$1,350,000. Therefore there is no Coinsurance penalty.

Building 1 and Business Personal Property at Building 1 have sustained damage; the amounts of loss are \$95,000 (Building) and \$5,000 (Business Personal Property).

The Deductible is 10%.

Building

Step (1): $\$500,000 \times 10\% = \$50,000$

Step (2): $\$95,000 - \$50,000 = \$45,000$

Business Personal Property

Step (1): $\$250,000 \times 10\% = \$25,000$

The loss, \$5,000, does not exceed the deductible.

The most we will pay is \$45,000. The remainder of the building loss, \$50,000, is not covered due to application of the Deductible. There is no loss payment for the business personal property.

G. Business Income And Extra Expense Period Of Restoration

This Paragraph **G.** is applicable only to the Coverage Forms specified below:

1. Business Income (And Extra Expense) Coverage Form;
2. Business Income (Without Extra Expense) Coverage Form; and
3. Extra Expense Coverage Form.

The "period of restoration" definition stated in the Coverage Form, or in any endorsement amending the beginning of the "period of restoration", applies to each Earthquake or Volcanic Eruption. A single Earthquake or Volcanic Eruption is defined in Paragraph **C.** of this endorsement.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EARTHQUAKE INCEPTION EXTENSION

This endorsement modifies insurance provided under the following:

EARTHQUAKE AND VOLCANIC ERUPTION COVERAGE (SUB-LIMIT FORM WITH FLAT-DOLLAR DEDUCTIBLE) ENDORSEMENT
EARTHQUAKE AND VOLCANIC ERUPTION COVERAGE (SUB-LIMIT FORM WITH PERCENTAGE DEDUCTIBLE) ENDORSEMENT
EARTHQUAKE AND VOLCANIC ERUPTION COVERAGE WITH FLAT-DOLLAR DEDUCTIBLE ENDORSEMENT
EARTHQUAKE AND VOLCANIC ERUPTION COVERAGE WITH PERCENTAGE DEDUCTIBLE ENDORSEMENT

Exclusion **D.6.** is replaced by the following:

- 6.** We will not pay for loss or damage caused by or resulting from any Earthquake or Volcanic Eruption that begins before the inception of this insurance.

But we will pay for loss or damage by Earthquake or Volcanic Eruption that occurs on or after the inception of this insurance, if the series of Earthquake shocks or Volcanic Eruptions began within 72 hours prior to the inception of this insurance.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EARTHQUAKE AND VOLCANIC ERUPTION COVERAGE (SUB-LIMIT FORM WITH PERCENTAGE DEDUCTIBLE)

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY COVERAGE PART STANDARD PROPERTY POLICY

- A.** When this endorsement is attached to the Standard Property Policy, the terms Coverage Part and Coverage Form in this endorsement are replaced by the term policy.
- B.** This endorsement applies to the Covered Property and Coverages for which an Earthquake – Volcanic Eruption Limit Of Insurance is shown in the Earthquake – Volcanic Eruption Coverage Schedule or in the Declarations.

C. Additional Covered Causes Of Loss

1. The following are added to the Covered Causes of Loss:

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

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

2. If the Earthquake – Volcanic Eruption Coverage Schedule or the Declarations indicates that this endorsement covers Earthquake – Sprinkler Leakage Only, then the Covered Causes of Loss in Paragraph **C.1.** of this endorsement do not apply, and the following apply instead:

- a. Sprinkler Leakage resulting from Earthquake.
- b. Sprinkler Leakage resulting from Volcanic Eruption. Volcanic Eruption means the eruption, explosion or effusion of a volcano.

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

D. Exclusions, Limitations And Related Provisions

1. The Exclusions and Limitation(s) sections of the Causes Of Loss Form (and the Exclusions section of the Mortgageholders Errors And Omissions Coverage Form and the Standard Property Policy) apply to coverage provided under this endorsement, except as provided in Paragraphs **D.2.** and **D.3.** below.
2. To the extent that the Earth Movement Exclusion might conflict with coverage provided under this endorsement, the Earth Movement Exclusion does not apply.
3. The exclusion of collapse, in the Causes Of Loss – Special Form and Mortgageholders Errors And Omissions Coverage Form, does not apply to collapse caused by Earthquake or Volcanic Eruption.
4. The Additional Coverage – Collapse, in the Causes Of Loss – Broad Form, Causes Of Loss – Special Form and Mortgageholders Errors And Omissions Coverage Form, does not apply to the coverage provided under this endorsement. This endorsement includes coverage for collapse caused by Earthquake or Volcanic Eruption.
5. We will not pay for loss or damage caused directly or indirectly by tidal wave or tsunami, even if attributable to an Earthquake or Volcanic Eruption.

- 6. We will not pay for loss or damage caused by or resulting from any Earthquake or Volcanic Eruption that begins before the inception of this insurance.
- 7. The Ordinance Or Law Exclusion in this Coverage Part continues to apply with respect to any loss under this Coverage Part including any loss under this endorsement, unless Ordinance Or Law Coverage is added by endorsement.
- 8. We will not pay for loss of or damage to exterior masonry veneer (except stucco) on wood frame walls caused by or resulting from Earthquake or Volcanic Eruption. The value of such veneer will not be included in the value of Covered Property or the amount of loss when applying the Property Damage Deductible applicable to this endorsement.

This limitation, **D.8.**, does not apply if:

- a. The Earthquake – Volcanic Eruption Coverage Schedule or the Declarations indicates that the "Including Masonry Veneer" option applies; or
- b. Less than 10% of the total outside wall area is faced with masonry veneer (excluding stucco).

- 9. Under this Coverage Part, as set forth under Property Not Covered in the Coverage Form to which this endorsement is attached, land is not covered property, nor is the cost of excavations, grading, backfilling or filling. Therefore, coverage under this endorsement does not include the cost of restoring or remediating land.

E. No Coinsurance

The Coinsurance Condition in this Policy, if any, does not apply to the coverage provided under this endorsement.

Various Coverage Extensions, in the Coverage Form to which this endorsement is attached, require coinsurance. The coinsurance requirement for such Coverage Extensions is eliminated with respect to coverage provided under this endorsement.

F. Limit Of Insurance

1. General Information

The term Limit of Insurance means the Limit of Insurance applicable to Earthquake – Volcanic Eruption for the Covered Property or Coverage under which loss or damage is sustained.

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

2. Annual Aggregate Limit

The Limit of Insurance for Earthquake – Volcanic Eruption is an annual aggregate limit and as such is the most we will pay for the total of all loss or damage that is caused by Earthquake or Volcanic Eruption in a 12-month period (starting with the beginning of the present annual policy period), even if there is more than one Earthquake or Volcanic Eruption during that period of time. Thus, if the first Earthquake or Volcanic Eruption does not exhaust the Limit of Insurance, then the balance of that Limit is available for a subsequent Earthquake(s) or Volcanic Eruption(s).

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

3. Increased Annual Aggregate Limit Option

If the Earthquake – Volcanic Eruption Coverage Schedule or the Declarations indicates that the Increased Annual Aggregate Limit Option applies, then the following applies instead of Paragraph **F.2.** above:

The Limit of Insurance for Earthquake – Volcanic Eruption is the most we will pay in a single Earthquake or Volcanic Eruption (as defined in Paragraph **C.** of this endorsement) for loss or damage caused by the Earthquake or Volcanic Eruption. If there is more than one Earthquake or Volcanic Eruption in a 12-month period (starting with the beginning of the present annual policy period), the most we will pay for the total of all loss or damage sustained during that period of time and caused by Earthquake or Volcanic Eruption is two times the Limit of Insurance.

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

4. Additional Coverages And Coverage Extensions

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

5. Limitation

For property or coverage that is subject to a Blanket Limit on Earthquake – Volcanic Eruption (as shown in the Earthquake – Volcanic Eruption Coverage Schedule or in the Declarations), we will not pay more than we would pay in the absence of such Blanket Limit. Therefore, the maximum amount payable for any such item of property or coverage is the Limit of Insurance or stated value (as shown in a Statement of Values on file with us) specific to that item of property or coverage for Covered Causes of Loss other than Earthquake – Volcanic Eruption.

6. Ensuing Loss

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

EXAMPLES – ENSUING LOSS

Two examples follow using these facts: The Commercial Property Coverage Part, in these examples, includes the Causes Of Loss – Basic Form (which covers fire) and this Earthquake And Volcanic Eruption Coverage endorsement. A building is damaged by Earthquake, and by Fire which is caused by the Earthquake. The value of the damaged building is \$1,000,000. The Limit of Insurance applicable to the building, for the Basic Causes of Loss, is \$800,000. The Limit of Insurance for Earthquake – Volcanic Eruption is \$400,000. The Earthquake Deductible amount is \$50,000.

Example 1

The damage due to Earthquake is \$500,000.

The damage due to Fire is \$500,000.

Payment for Earthquake damage is \$400,000 (\$500,000 damage minus \$50,000 Earthquake deductible = \$450,000; Limit is \$400,000).

Payment for Fire damage is \$400,000 (\$500,000 damage capped at the difference between the Basic Limit and the Earthquake Limit).

Total Loss Payment is \$800,000.

Example 2

The damage due to Earthquake is \$800,000.

The damage due to Fire is \$100,000.

Payment for Earthquake damage is \$400,000 (\$800,000 damage minus \$50,000 Earthquake deductible = \$750,000; Limit is \$400,000).

Payment for Fire damage is \$100,000 (amount of damage).

Total Loss Payment is \$500,000.

G. Property Damage Deductible

1. The provisions of Section **G.3.** of this endorsement are applicable to all Coverage Forms except:

- a. Business Income (And Extra Expense) Coverage Form;
- b. Business Income (Without Extra Expense) Coverage Form; and
- c. Extra Expense Coverage Form.

2. If the Declarations indicates that this endorsement covers Earthquake – Sprinkler Leakage Only, then the Deductible set forth in Paragraph **G.3.** of this endorsement does not apply to such coverage. The applicable Deductible for such coverage is the same Deductible that applies to Fire.

3. The Deductible, if any, in this Coverage Part is replaced by the following with respect to Earthquake and Volcanic Eruption:

a. All Policies

- (1) The Deductible provisions apply to each Earthquake or Volcanic Eruption.
- (2) Separate Deductibles are calculated for, and apply to, each building, personal property at each building and personal property in the open. Deductibles are separately calculated and applied even if:
 - (a) Two or more buildings sustain loss or damage;
 - (b) Personal property at two or more buildings sustains loss or damage; and/or
 - (c) A building and the personal property in that building sustain loss or damage.

- (3) We will not pay for loss or damage until the amount of loss or damage exceeds the applicable Deductible. We will then pay the amount of loss or damage in excess of that Deductible, up to the applicable Limit of Insurance.
- (4) When property is covered under the Coverage Extension for Newly Acquired or Constructed Property: In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage of the value of the property at time of loss. The applicable percentage for Newly Acquired or Constructed Property is the highest percentage shown in the Earthquake – Volcanic Eruption Coverage Schedule or in the Declarations for any described premises.
- (5) If there is loss or damage caused by Earthquake or Volcanic Eruption, and loss or damage caused by a Cause of Loss (e.g., fire) that is covered by means of an exception to the Earth Movement Exclusion, then the only applicable Deductible provisions are those stated in this endorsement.

b. Calculation Of The Deductible – Specific Insurance Other Than Builders Risk

(1) Property Not Subject To Value Reporting Forms

In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage (as shown in the Earthquake – Volcanic Eruption Coverage Schedule or in the Declarations, concerning the Earthquake – Volcanic Eruption Deductible) of the value of the property that has sustained loss or damage. The value to be used is that shown in the most recent Statement of Values on file with us.

(2) Property Subject To Value Reporting Forms

In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage (as shown in the Earthquake – Volcanic Eruption Coverage Schedule or in the Declarations, concerning the Earthquake – Volcanic Eruption Deductible) of the value of the property that has sustained loss or damage. The value to be used is the latest value shown in the most recent Report of Values on file with us.

However:

- (a) If the most recent Report of Values shows less than the full value of the property on the report dates, we will determine the deductible amount as a percentage of the full value as of the report dates.
- (b) If the first Report of Values is not filed with us prior to loss or damage, we will determine the deductible amount as a percentage of the value shown in the most recent Statement of Values on file with us.

c. Calculation Of The Deductible – Blanket Insurance Other Than Builders Risk

(1) Property Not Subject To Value Reporting Forms

In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage (as shown in the Earthquake – Volcanic Eruption Coverage Schedule or in the Declarations, concerning the Earthquake – Volcanic Eruption Deductible) of the value of the property that has sustained loss or damage. The value to be used is that shown in the most recent Statement of Values on file with us.

(2) Property Subject To Value Reporting Forms

In determining the amount, if any, that we will pay for property that has sustained loss or damage, we will deduct an amount equal to a percentage (as shown in the Earthquake – Volcanic Eruption Coverage Schedule or in the Declarations, concerning the Earthquake – Volcanic Eruption Deductible) of the value of that property as of the time of loss or damage.

d. Calculation Of The Deductible – Builders Risk Insurance

(1) Builders Risk Other Than Reporting Form

In determining the amount, if any, that we will pay for property that has sustained loss or damage, we will deduct an amount equal to a percentage (as shown in the Earthquake – Volcanic Eruption Coverage Schedule or in the Declarations, concerning the Earthquake – Volcanic Eruption Deductible) of the actual cash value of that property as of the time of loss or damage.

(2) Builders Risk Reporting Form

In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage (as shown in the Earthquake – Volcanic Eruption Coverage Schedule or in the Declarations, concerning the Earthquake – Volcanic Eruption Deductible) of the value of the property that has sustained loss or damage. The value to be used is the actual cash value shown in the most recent Report of Values on file with us.

However:

- (a)** If the most recent Report of Values shows less than the actual cash value of the property on the report date, we will determine the deductible amount as a percentage of the actual cash value as of the report date.
- (b)** If the first Report of Values is not filed with us prior to loss or damage, we will determine the deductible amount as a percentage of the actual cash value of the property as of the time of loss or damage.

H. Example – Application Of Deductible In G.3.b.(1) And G.3.c.(1) – For Specific Or Blanket Insurance Other Than Builders Risk (Not Subject To Value Reporting Forms)

The values, as shown in the most recent Statement of Values on file with us, are:

Building 1 \$500,000

Building 2 \$500,000

Business Personal Property at Building 1 \$250,000

Business Personal Property at Building 2 \$250,000

For this example, assume that the amounts of loss do not exceed the applicable Limits of Insurance (for specific insurance). Also assume that the total amount of loss does not exceed the applicable Blanket Limit of Insurance (for blanket insurance).

Building 1 and Business Personal Property at Building 1 have sustained damage; the amounts of loss are \$95,000 (Building) and \$5,000 (Business Personal Property).

The Deductible is 10%.

Building

Step (1): $\$500,000 \times 10\% = \$50,000$

Step (2): $\$95,000 - \$50,000 = \$45,000$

Business Personal Property

Step (1): $\$250,000 \times 10\% = \$25,000$

The loss, \$5,000, does not exceed the deductible.

The most we will pay is \$45,000. The remainder of the building loss, \$50,000, is not covered due to application of the Deductible. There is no loss payment for the business personal property.

I. Business Income And Extra Expense Period Of Restoration

This Section I. is applicable only to the Coverage Forms specified below:

- 1. Business Income (And Extra Expense) Coverage Form;
- 2. Business Income (Without Extra Expense) Coverage Form; and
- 3. Extra Expense Coverage Form.

The "period of restoration" definition stated in the Coverage Form, or in any endorsement amending the beginning of the "period of restoration", applies to each Earthquake or Volcanic Eruption. A single Earthquake or Volcanic Eruption is defined in Paragraph C. of this endorsement.

B. Separate Limits (If a separate Limit of Insurance is entered in this section of the Schedule, **B.**, for a particular Covered Property/Coverage, that Covered Property/Coverage should NOT be included under a Blanket Limit.)

<u>Premises #1</u>		<u>Premises #2</u>		<u>Premises #3</u>	
Bldg.	\$ _____	Bldg.	\$ _____	Bldg.	\$ _____
BPP	\$ _____	BPP	\$ _____	BPP	\$ _____
BI (CP 00 30)	\$ _____	BI (CP 00 30)	\$ _____	BI (CP 00 30)	\$ _____
BI (CP 00 32)	\$ _____	BI (CP 00 32)	\$ _____	BI (CP 00 32)	\$ _____
EE (CP 00 50)	\$ _____	EE (CP 00 50)	\$ _____	EE (CP 00 50)	\$ _____
Other:	\$ _____	Other:	\$ _____	Other:	\$ _____

Increased Annual Aggregate Limit Option: Yes No

Bldg. = Building; BPP = Business Personal Property; BI = Business Income Coverage Form; EE = Extra Expense Coverage Form