THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EARTHQUAKE AND VOLCANIC ERUPTION ENDORSEMENT

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 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 Declarations indicate 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
   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 Declarations indicate 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 Section 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;

c. Extra Expense Coverage Form.

2. If the Declarations indicate that this endorsement covers Earthquake – Sprinkler Leakage Only, then the Deductible set forth in Section 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 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 Declarations, concerning the Earthquake – Volcanic Eruption Deductible) 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 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 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 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 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 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 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.
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 ÷ $80,000 = 0.875
Step (2): $60,000 X 0.875 = $52,500
Step (3): $70,000 X 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): $500,000 X 10% = $50,000
Step (2): $60,000 – $50,000 = $10,000

Business Personal Property

Step (1): $64,000 X 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 X 5% = $25,000
Step (2): $40,000 – $25,000 = $15,000

Building 2

Step (1): $500,000 X 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 Section **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;
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 Section **C.** of this endorsement.