



PROPERTY

2024-2025

COVERAGE DOCUMENT



Effective October 1, 2024

**Texas Municipal League
JOINT SELF-INSURANCE FUND
Property Coverage Document**

OCTOBER 1, 2024

Texas Municipal League Intergovernmental Risk Pool
1821 Rutherford Lane, First Floor • Austin, Texas 78754
P.O. Box 149194 • Austin, Texas 78714-9194
(512) 491-2300 • (800) 537-6655
www.tmlirp.org

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LEGAL STATUS OF THE FUND

The Texas Municipal League Intergovernmental Risk Pool is an administrative agency created under the provisions of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and Chapter 2259, Texas Government Code, that allows local governmental entities to jointly self-insure. The Texas Municipal League Intergovernmental Risk Pool administers the self-insurance program created jointly by the member governmental entities. The Texas Municipal League Intergovernmental Risk Pool is not subject to the Texas Insurance Code as stated in Chapter 2259, Texas Government Code.

GENERAL DEFINITIONS

Whenever the following words or phrases appear throughout the **Plan**, they are defined as follows:

A. ACTUAL CASH VALUE means the lesser of:

1. The cost to repair;
2. The cost to replace with like kind and quality less proper deduction for depreciation; or
3. The amount actually expended to replace, if replaced.

B. AGREEMENT means the Interlocal Agreement executed between the **Fund** and the **Member** designating those coverages, limits, and deductibles of the **Plan** adopted by the **Member**.

C. AUTOMOBILE means a land motor vehicle, trailer, or semi-trailer designed for travel on public roads (including any machinery, equipment, tools, or apparatus attached thereto and not intended to be removed or used off of or away from the vehicle) but does not include **mobile equipment**.

D. DECLARATIONS means the document which sets forth information that identifies, by **Member**, the types of coverage to be provided by the **Fund**, the amounts of any deductible, the coverage period, the limits of liability of the **Fund** including any aggregate limit, the **Fund** contribution, and any endorsements to this coverage that may be appended to the **declarations** or referred to in the **declarations**, and such other information matters as determined by the **Fund** operator and/or the **Fund** administrator.

E. EARTHQUAKE means a shaking or trembling of the earth that is volcanic or tectonic in origin. In no event shall the **Fund** be liable for more than the **Member's** Real and Personal Property Limit or \$10 million, whichever is less, per occurrence and in the aggregate for coverage involving **earthquake**.

Earthquake: Each loss by **earthquake** shock or volcanic action shall constitute a single claim hereunder; provided, if more than one such **earthquake** shock or volcanic action shall occur within any period of 72 hours during the term of the **Agreement**, such **earthquake** shock or volcanic action shall be deemed to be a single loss within the meaning thereof. The **Fund** shall not be liable for any loss occurring after the expiration date and time of the **Agreement**.

However, the **Fund** will be liable for any losses occurring for a period of up to 72 hours after the expiration of the **Agreement** provided that the first

earthquake damage occurs prior to the date and time of the expiration of the **Agreement**.

F. ELECTRONIC DATA means facts, concepts, and information converted to a form useable for communications, interpretation, or processing by electronic and electromechanical data processing and manipulation of such equipment.

G. ELECTRONIC DATA PROCESSING EQUIPMENT means an assemblage of electronic machine components capable of accepting instruction and information, processing the information according to the instruction, and producing desired results.

H. FUND means the Texas Municipal League Joint Self-Insurance Fund.

I. FUND MEMBER means the political subdivision within the State of Texas which is a present participant in the **Fund**.

J. FUND YEAR means the period beginning at 12:01 a.m. on the effective date and ending at 12:01 a.m. on the anniversary date set forth in the **declarations**.

K. INSURANCE means the "self-insurance" provided under the **Agreement**.

L. MEMBER means the same as **Fund Member**.

M. 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;
2. Vehicles maintained for use solely on or next to premises owned by or rented to the **Member** and not licensed for highway use;
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 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 or similar devices used to raise or lower workers;
6. Vehicles not described in 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 automobiles:

1. Equipment designed primarily for:
 - a. Snow removal;
 - b. Road maintenance, but not construction or resurfacing;
 - c. Street cleaning;
 - d. Firefighting;
2. Cherry pickers and similar devices mounted on automobile or 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.

N. PERIMETER-BASED VALUE means the combined value of all structures or multiple risks and contents of a wastewater/water treatment plant located at a single address/location and a part of functioning treatment operations, except for the following:

1. Underground wiring and piping;
2. Property not associated with plant operation;
3. Water wells;
4. Intake structures;
5. Finished or reclaimed water storage tanks;
6. Wind turbines.

O. PLAN means the plan of **insurance** offered its **Members** by the **Fund** and as more specifically designated in the **Agreement**.

P. REPLACEMENT COST shall be the least of the following:

1. The cost to repair;
2. The cost to replace new for old with like kind and quality; or
3. The amount actually expended to replace.

Q. TERRITORY means the 50 states of the United States, the District of Columbia, and Canada, including infrequent trips to Mexico that:

1. Do not exceed 25 miles from the boundary of the United States of America; and
2. Do not exceed 10 consecutive days at any one time.

R. TERRORISM means the use of violence and threats to intimidate or coerce for political ends and/or purposes and includes any use of violence or threats for the purpose of putting the public or any section of the public in fear.

S. VALUABLE PAPERS AND RECORDS means written, printed, or otherwise inscribed documents and records, including but not limited to books, maps, films, drawings, abstracts, deeds, mortgages, micro-inscribed documents, manuscripts, and media, but not including **money** and/or **securities**.

The term media includes:

1. Processing, recording or storage films, tapes, cards, disks, drums, cartridges, or cells used for **Electronic Data** processing operations; and
2. **Electronic Data** stored on processing, recording or storage films, tapes, cards, disks, drums, cartridges, or cells used for **Electronic Data** processing operations.

The term **securities** shall mean all negotiable and nonnegotiable instruments and/or contracts representing either **money** or other property, and includes revenue and other stamps in current use, tokens, and tickets, but does not include **money**.

GENERAL EXCLUSIONS

This **Agreement** does not cover loss or damage caused by or resulting from:

- A. Hostile or warlike action in time of peace or war, including action in hindering, combating, or defending against an actual, impending, or expected attack:
 - 1. By any government or sovereign power (de jure or de facto) or by any authority maintaining or using military, naval, or air forces;
 - 2. By military, naval, or air forces; or
 - 3. By an agent of any such government, power, authority, or forces.
- B. The discharge of any weapon employing atomic fission or fusion.
- C. Rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating, or defending against such occurrence.
- D. Seizure or destruction by order of public authority, except destruction by order of public authority to prevent the spread of fire or explosion.
- E. Risks of contraband or illegal trade.

Notwithstanding the above provisions of paragraphs A, B, C, D, and E, this **Agreement** shall cover loss or damage directly caused by acts committed by an agent of any government, party, or faction engaged in war, hostilities, or warlike operations, provided such agent is acting secretly and not in connection with any operation of armed forces (whether military, naval, or air forces) in the country where the property is situated. Nothing in the foregoing shall be construed to include any loss, damage, or expense caused by or resulting from any of the risks or perils excluded above, excepting only the acts of certain agents expressly covered herein, but in no event shall this coverage include any loss, damage, or expense caused by or resulting from any weapon of war employing atomic fission or radioactive force whether in time of peace or war.

- F. Actual, alleged, or threatened release, discharge, dispersal, seepage, migration, or escape of pollutants at any time, unless caused by a peril covered under the Named Peril Coverage Option. The term "pollutant" as used in this clause is defined as any solid, liquid, gaseous, or thermal irritant or contaminant, including but not limited to vapor, fumes, acids, alkalis, chemicals, and/or waste.

- G. Nuclear reaction, nuclear radiation, or radioactive contamination, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by the peril(s) covered in this **Agreement**; except:
 - 1. If fire ensues, liability is specifically assumed for direct loss by such ensuing fire, but not including any loss due to nuclear reaction, nuclear radiation, or radioactive contamination;
 - 2. The **Fund** shall be liable for loss or damage caused by sudden and accidental radioactive contamination, including resultant radiation damage for each occurrence from material used or stored or from processes conducted on covered premises, provided at the time of loss there is neither a nuclear reaction capable of sustaining nuclear fission in a self-supporting chain reaction nor any new or used nuclear fuel on the covered premises.
- H. Any claim for loss or damage for which coverage is provided under the **Fund's** Cyber Liability and Data Breach Response Coverage Document.
- I. Communicable disease, virus, or bacterium that induces or is capable of inducing physical distress, illness, or disease, regardless of whether such loss or damage arises directly or indirectly; or for any action in controlling, preventing, or suppressing the existence and/or spread of communicable disease, virus, or bacterium.

GENERAL CONDITIONS

I. LIMITS OF LIABILITY

The **Fund** shall not be liable for more than the amount specified in the **Agreement** for any one loss, disaster, or casualty, nor in any one **Fund Year** for more than the aggregate limits shown for the perils of flood or **earthquake**.

Notwithstanding the other provisions in this **Agreement**, the **Fund** shall not pay more than 150% of the value of each damaged structure reported or the **Perimeter-Based Value** as shown on the property schedule attached to the **declarations**. If only a portion of a structure is damaged, the **Fund** shall not pay more than 150% of the damaged portion of such structure, not to exceed 150% of the value of the damaged structure or the **Perimeter-Based Value** as reported and shown on the property schedule attached to the **declarations**.

For loss or damage to real and personal property covered under Section III.A. of the Special Form Property Coverage, including the rendering of such property as inoperable, caused by the damage, destruction, distortion, erasure, corruption, or alteration of **Electronic Data**, or for the seizure of such property by an appropriate law enforcement authority, the **Fund** shall not be liable for more than \$5 million per occurrence and in the aggregate or the actual damage, whichever is less. This limitation does not apply to ensuing damage caused by fire or explosion except as referenced in Exclusion K of the Special Form Property Coverage.

II. DEDUCTIBLE

- A. For each **Member** all losses, damages, or expenses arising out of any one occurrence shall be adjusted as one loss, and from the amount of such adjusted loss shall be deducted the sum selected by each **Member** as shown in the **Agreement**.

Whether an occurrence involves a loss at one or more locations, the deductible amount shall apply against the total loss(es) incurred by the **Member** from any one occurrence.

- B. If two or more deductible amounts in this **Agreement** apply to a single occurrence per **Member**, the total to be deducted shall not exceed the largest deductible applicable.
- C. With respect to loss caused by wind or hail, the deductible for each occurrence shall be

the percent deductible for wind or hail shown on the **declarations**.

- D. With respect to loss caused by flood or **earthquake**, the deductible for each occurrence shall be the lesser of the following:

1. 1% of the individual scheduled Building Value for each damaged structure at the time of the loss;
2. 1% of the damaged, individual structure value for property scheduled as **Perimeter-Based Value**; or
3. 0.1% of the Total Building Value for all buildings scheduled at the time of the loss.

In no event shall the percent deductible be less than the flood and **earthquake** occurrence deductible shown on the **declarations**.

III. OTHER INSURANCE

A. EXCESS INSURANCE

Excess insurance is insurance over the limit of liability set forth in this **Agreement**. The existence of such excess insurance shall not prejudice the coverage provided under this **Agreement** nor will it reduce any liability hereunder.

B. UNDERLYING INSURANCE

1. Should the **Member** elect to maintain insurance on the **actual cash value** of a property, under the National Flood Insurance Act, as amended, this **Agreement** shall cover excess of loss over the maximum amount of insurance permitted under the Act.
2. Any other underlying insurance shall be considered "other insurance."

C. OTHER INSURANCE

Except for insurance as described as excess or underlying insurance, this **Agreement** shall not cover to the extent of any other insurance, whether prior or subsequent hereto in date, and whether directly or indirectly covering the same property against the same perils. The **Fund** shall be liable for loss or damage only to the extent of that amount in excess of the amount recoverable from such

other insurance.

IV. IN THE CASE OF LOSS

A. NOTICE OF LOSS

As soon as practicable after any loss or damage occurring under this **Agreement** is known to the **Member** or its agent, the **Member** shall make a written report of such loss or damage to the **Fund**. This **Agreement** does not cover loss or damage that the **Member** fails to report to the **Fund** within one year after the loss. If there is a different reporting period for notice of loss in a specific coverage in this **Agreement**, the shortest applicable reporting period shall apply. To constitute a Notice of Loss, the written report of loss or damage must identify each relevant property "ID" number from the Real and Personal Property Schedule or other schedule attached to the **declarations** for such building, fixtures, improvement, or other covered real property, for the applicable coverage period that is subject to loss or damage.

B. ASSISTANCE AND COOPERATION OF THE FUND MEMBER

The **Member** shall cooperate with the **Fund** in the investigation, handling, and payment of any loss or damage. Cooperation includes compliance by the **Member** with all applicable provisions of the Property Coverage Document and the Interlocal Agreement, and, upon the **Fund's** request, the **Member** shall attend hearings and trials and shall assist in effecting settlements, securing and giving evidence, obtaining the attendance of witnesses, and conducting suits.

C. PROTECTION FROM FURTHER DAMAGE

In the event property covered herein sustains a loss from or is damaged by a peril covered herein, the **Member** shall take all reasonable steps to protect the property from further damage and keep a record of such expenses necessary to protect the property, for consideration in the settlement of the claim. Such expenses shall not increase the limits of liability under the **Agreement**. The **Fund** shall not pay for any subsequent loss or damage resulting from a peril not covered herein. If feasible, the **Member** shall set the damaged property aside and in the best possible order for examination.

D. PROOF OF LOSS

Upon request of the **Fund**, the **Member** shall render a signed and sworn proof of loss to the

Fund or its appointed representative, within 90 days of the request, stating separately for every property that is subject to loss or damage, the relevant property "ID" number from the schedule attached to the **declarations** for such property for the applicable coverage period; the place, time, and cause of the loss; the specific scheduled property, damage, or expense; the interest of the **Member** and of all others; the value of the property involved in the loss; and the amount of loss, damage, or expense.

E. APPRAISAL

If the **Member** and the **Fund** fail to agree as to the amount of loss, either the **Member** or the **Fund** may, within 60 days after receipt of a timely and sworn proof of loss by the **Fund**, make a written demand that the amount of the loss be set by appraisal. The **Member** must comply with paragraphs A., B., C., and D. of Section IV. of the General Conditions as a condition precedent to making a demand for appraisal. Only the **Member** or the **Fund** may demand appraisal. If the **Member** seeks appraisal, it must comply with the requirements for a proof of loss in paragraph D. of Section IV. of the General Conditions and within that proof of loss also provide written, itemized documentation of each specific dispute as to the amount of the loss; stating separately for every property that is subject to loss or damage the relevant property "ID" number from the schedule attached to the **declarations** for such building, fixtures, improvement, or other covered real property for the applicable coverage period.

1. Each party will select a competent, qualified and disinterested appraiser and notify the other party of the appraiser's identity within 20 days of receipt of the written demand for appraisal.
2. The appraisers will then attempt to set the amount of the loss of each item in dispute as specified by the parties, and jointly submit to each party a written report of agreement signed by them. In all instances the written report of agreement will be itemized and state separately the **actual cash value, replacement cost**, and if applicable, the market value of each item in dispute. The written report of agreement signed by the two appraisers shall be completed within 30 days after both parties have selected an appraiser, unless the period of time is extended by mutual written agreement of

- the appraisers. The written report of agreement will set the amount of the loss of each item in dispute and will be binding upon the parties with respect to that amount.
3. If the two appraisers fail to agree upon the amount of the loss of an item in the written report of agreement, the two appraisers shall select a competent, qualified and disinterested person knowledgeable in construction and the costs thereof to serve as umpire, and the two appraisers shall submit their differences to the umpire. If the appraisers are unable to agree upon such umpire within 15 days after the end of the time period for submitting the written report of agreement:
 - a. the **Member** or the **Fund** may make a written application to the Board of Trustees to select a competent, qualified and disinterested umpire;
 - b. the party requesting the selection of an umpire described in item 3.a., above, must provide the other party and the Executive Director of the **Fund**:
 - i. written notice of the intent to file at least 10 days prior to submission of the written application; and
 - ii. a copy of the written application;
 - c. a written report of agreement, as required in paragraph 2., above, signed by any two (appraisers or appraiser and umpire) shall set the amount of the loss of each item in dispute and will be binding upon the parties with respect to that amount. In all instances, the written report of agreement will be itemized and state separately the **actual cash value**, **replacement cost**, and if applicable, the market value of each item in dispute.
 4. To qualify as a competent, qualified appraiser or umpire for a loss to property, a person must be one of the following and be licensed or certified as required by the applicable jurisdiction:
 - a. an engineer or architect with experience and training in building construction, repair, estimating, or investigation of the type of property damage in dispute;
 - b. an adjuster, as defined by Chapter 4101 of the Texas Insurance Code, with experience and training in estimating the type of property damage in dispute; or
 - c. a contractor with experience and training in the construction, repair, and estimating of the type of property damage in dispute.
 5. A person shall not qualify as disinterested, and may not serve as an appraiser or umpire, if that person is biased or prejudiced. Further, a person shall not qualify as disinterested and may not serve as an appraiser or umpire if that person, any employee of that person, that person's employer, or any employee of their employer:
 - a. has performed services for either party with respect to the claim at issue in the appraisal; or
 - b. has any financial interest in the outcome of the claim at issue in the appraisal.
 6. The **Member** and the **Fund** shall each pay its chosen appraiser and shall bear equally the other expenses of the appraisal and of the umpire.
 7. The **Member** and the **Fund** do not waive any rights by demanding or submitting to an appraisal and retain all contractual rights to determine if coverage exists to each item in dispute.
 8. Appraisal is only available to determine the amount of the loss of each item in dispute. The appraisers and the umpire have no authority to decide:
 - a. any other question of fact;
 - b. questions of law;
 - c. questions of coverage;
 - d. other contractual issues; or
 - e. to conduct appraisal on a class-wide basis.
 9. Appraisal is a non-judicial proceeding and does not provide for, require, nor shall it be considered to be an arbitration. Neither party may recover or have any right to an award of attorneys' fees.

10. A party may not demand appraisal after that party brings suit or an action against the other party relating to the amount of loss.

F. LOSS PAYABLE

Loss, if any, shall be adjusted with and payable to the **Member**, whose receipt shall constitute a release in full of all liability under this **Agreement** with respect to such loss.

G. PAYMENT OF LOSS

All adjusted claims shall be due and payable no later than 60 days after presentation and acceptance of proofs of loss by the **Fund** or its appointed representative.

H. REINSTATEMENT

With the exception of loss caused by perils which are subject to annual aggregate limits as noted in the **Agreement**, no loss hereunder shall reduce the amount of this **Agreement**.

I. SUIT AGAINST THE FUND

No suit or action on this **Agreement** for the recovery of any claim shall be sustainable in any court of law or equity unless the **Member** shall have fully complied with all the requirements of this **Agreement** and commenced not more than two years after the cause of action accrues. Venue of any dispute or suit arising out of or related to this **Agreement** shall be exclusively in the state and federal courts of Travis County, Texas.

J. SUBROGATION

1. Any release from liability entered into by the **Member** prior to loss hereunder shall not affect this **Agreement** or the right of the **Member** to recover hereunder. The right of subrogation against the **Member** is waived.
2. In the event of any payment under this **Agreement**, the **Fund** shall be subrogated to the extent of such payment to all the **Member's** rights of recovery therefor. The **Member** shall execute all papers required and shall do anything that may be necessary at the expense of the **Fund** to secure such right. The **Fund** will act in concert with all other interests concerned, i.e., the **Member** and any other entity or individual participating in the payment of any loss as primary or excess

insurers, in the exercise of such rights of recovery. If any amount is recovered as a result of such proceedings, the net amount recovered after deducting the costs of recovery shall be divided between the interests concerned in the proportion of their respective interests. If there should be no recovery, the expense of proceedings shall be borne proportionately by the interests instituting the proceedings.

K. SALVAGE AND RECOVERIES

All salvages, recoveries, and payments, excluding proceeds from subrogation and underlying insurance recovered or received subsequent to a loss settlement under this **Agreement**, shall be applied as if recovered or received prior to the said settlement and all necessary adjustments shall be made to the parties involved.

L. MACHINERY

In case of loss or damage by a covered peril to any part of a machine or unit consisting of two or more parts when complete for use, the liability of the **Fund** shall be limited to the value of the part or parts lost or damaged or, at the **Member's** option, to the cost and expense of replacing or duplicating the lost or damaged part or parts or of repairing the machine or unit.

M. PAIR AND SET

Except as provided under "machinery" in the event of loss or damage by a peril covered to any article or articles which are a part of a pair or set, the measure of loss or damage to such article or articles shall be a reasonable and fair proportion of the total value of the pair or set, giving consideration to the importance of said article or articles, but in no event shall such loss or damage be construed to mean total loss of the pair or set.

V. CERTIFICATES OF COVERAGE

All parties for whom a certificate of coverage or an endorsement indicating coverage has been issued are covered under this **Agreement** to the extent of the coverage shown under the certificate or endorsement.

VI. TITLES OF PARAGRAPHS

The titles of the paragraphs of this form and of amendments and supplemental contracts, if any, now or hereafter attached hereto are inserted

solely for convenience of reference and shall not be deemed in any way to limit or affect the provisions to which they relate.

VII. INSPECTION

The **Fund** shall be permitted but not obligated to inspect the **Member's** real and personal property at any reasonable time and as often as the **Fund** deems necessary. An inspection is for the **Fund's** benefit only. Neither the **Fund's** right to make inspections nor the **Fund's** reports on those inspections shall constitute an undertaking on behalf of or for the benefit of the **Member** or others to determine or guarantee that the **Member's** property is safe and not harmful to health.

VIII. CONTRIBUTION ADJUSTMENT

Prior to the beginning of each **Fund Year** the **Member** agrees to furnish the **Fund** with a statement of 100 percent values of buildings, structures, and personal property (including **valuable papers and records**), and accounts receivable and revenues covered hereunder.

The **Member** agrees that if property is acquired or constructed in excess of the amounts described in Section III.C.1. of the Special Form Property Coverage or if it is deleted in similar amounts, the **Member** will report such acquisition or deletion to the **Fund** and pay the proportionate additional contribution or receive the return contribution due from the date of acquisition or deletion.

IX. ERRORS OR OMISSIONS

Any unintentional error or omission made in making reports by the **Member** shall not void or impair the coverage hereunder, provided the **Member** reports such error or omission as soon as reasonably possible. The **Member** shall be responsible for any additional contribution associated with correcting such error or omission.

This Errors or Omissions provision shall not apply to the failure of the **Member** to report property listed in Section III.B.9. of the Special Form Property Coverage section or Section III.B. of the Flood Coverage Option which requires specific reporting prior to a loss and contribution charges in order for coverage to apply.

X. INTERPRETATION

This **Agreement** will be construed according to general rules of contract construction. This **Agreement** is drafted on behalf of all **Members** of the **Fund** and will be construed in a manner which most reasonably and accurately reflects

the intent of the **Agreement**. Each provision of this **Agreement** shall be construed as though the **Fund** and the **Members** participated equally in the drafting of same, and any rule of construction of a document requiring construction against the drafting party, including without limitation, the doctrine commonly known as *contra proferentem*, shall not be applicable to this **Agreement**.

XI. PROHIBITION OF TRANSFER OF INTEREST

The Interlocal Agreement establishes the obligation of the **Fund** to pay to the **Member** whose property has been damaged the appropriate **actual cash value** or **replacement cost** of damaged property. The **Member** shall not transfer any interest in such losses, payments for such losses, or claims for any such losses to any third party, including, but not limited to, litigation finance companies, attorneys, banks, adjusters, architects, engineers, or contractors.

Any action by the **Member** which grants or attempts to grant to any third party an interest in or control over any claim or loss payable resulting from covered damage to real or personal property will immediately suspend any obligation by the **Fund** to make any additional payment for such otherwise covered damages. The obligation of the **Fund** to make any such payments shall not be restored unless and until the **Member** provides the **Fund** with evidence reasonably satisfactory to the **Fund** that any such transfer or attempt to transfer an interest in or control over such loss or claim to a third party has effectively been terminated.

XII. BIDDING

In the event repairs are made because of damage covered herein, the **Member** shall follow all applicable bidding procedures required by law. Upon request by the **Fund**, the **Member** shall allow the **Fund** access to any bidding documents and responses thereto, including but not limited to requests for proposal, bids, proposals, contracts, and any other related documents.

SPECIAL FORM PROPERTY COVERAGE

I. PERILS COVERED

This **Agreement** covers direct physical loss of or damage to property described herein commencing during the **Fund Year** and within the **territory**, including salvage and all other charges on shipments covered hereunder, except as hereinafter excluded.

II. PERILS EXCLUDED

This **Agreement** does not cover the presence of or loss or damage caused by or resulting from any of the following:

- A. Any fraudulent or dishonest act or acts committed by the **Member's** officials or employees. "Dishonest or fraudulent acts" as used in this paragraph shall mean only dishonest or fraudulent acts committed by the **Member's** officials or employees with the manifest intent to:
 - 1. Cause the **Member** to sustain such loss; and
 - 2. Obtain financial benefit for the **Member's** official, employee, or for any other person or organization intended by the **Member's** official or employee to receive such benefit.
- B. Faulty, inadequate, or defective design, specifications, materials, or workmanship; however, this exclusion shall not apply to loss or damage from a covered peril that ensues.
- C. Errors in processing or manufacture of the **Member's** product unless loss or damage from a peril covered herein ensues, and then this **Agreement** shall cover only for such ensuing loss or damage.
- D. Ordinary wear and tear, rust, corrosion, smog, decay, deterioration, hidden or latent defect, dampness or dryness of atmosphere, changes in or extremes of temperature (except for loss or damage to automatic fire protection systems, as defined in paragraph I. of the Named Peril Coverage Option, caused by or resulting from freezing), faulty, inadequate, or defective maintenance, or any quality in property that causes it to damage or destroy itself unless loss or damage by a covered peril ensues, and then this **Agreement** shall cover only for such ensuing loss or damage.
- E. Mold, mildew, fungus, wet or dry rot or bacteria unless caused by a peril covered herein, but if loss or damage from a peril covered herein ensues, this **Agreement** shall cover only for such ensuing loss or damage.
- F. Settling, cracking, shrinking, or expansion unless loss or damage from a peril covered herein ensues, and then this **Agreement** shall cover only for such ensuing loss or damage.
- G. Gradual subsidence unless loss or damage from a peril covered herein ensues, and then this **Agreement** shall cover only for such ensuing loss or damage.
- H. Loss of market, business interruption, or extra expense loss due to delay with respect to property in transit.
- I. Electrical injury or disturbance to electrical appliances, devices, or wiring caused by electrical currents artificially generated unless loss or damage from a peril covered herein ensues, and then this **Agreement** shall cover only for such ensuing loss or damage.
- J. Mechanical breakdown unless loss or damage from a peril covered herein ensues and then this **Agreement** shall cover only for such ensuing loss or damage.
- K. Explosion, rupture, or bursting of steam boilers, steam pipes, steam turbines, or steam engines owned or operated by the **Member** unless loss or damage from a peril covered herein ensues, and then this **Agreement** shall cover only for such ensuing loss or damage.
- L. Unexplained or mysterious disappearance or shortage found upon taking inventory.
- M. Damage caused by:
 - 1. Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or accompanying spray from any of the preceding, all whether driven by wind or not;
 - 2. Mudslides or mudflows which are proximately caused by flooding as described in 1. above and are akin to a river of liquid and flowing mud on the surfaces of normally dry land areas, including the **Member's** premises, as when earth is carried by a current of water and deposited along the path of the current; or
 - 3. The collapse or subsidence of land along the shore of a lake or other body of water

as a result of erosion or undermining caused by waves or currents of water exceeding the cyclical levels which result in flooding as described in 1. above.

N. Loss of or damage to the interior of any building or structure caused by or resulting from rain, snow, sleet, ice, sand, or dust, whether driven by wind or not unless:

1. The building or structure first sustains damage by a covered cause of loss to its roof or walls through which the rain, snow, sleet, ice, sand, or dust enters; or
2. The loss or damage is caused by or results from thawing of snow, sleet, or ice on the building or structure.

O. Earth movement including:

1. **Earthquake**, including any earth sinking, rising or shifting related to such event, if coverage is rejected or not accepted;
2. Landslide;
3. Mine subsidence, meaning any subsidence of a manmade mine, whether or not mine activity has ceased;
4. Earth sinking (other than sink hole 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 except for the action of underground water or sewage caused by leakage from underground pipes servicing the structure; or
5. Volcanic eruption, explosion, or effusion if coverage is rejected or not accepted. But if loss or damage by fire, building glass breakage, or volcanic action results, the **Fund** will pay for that resulting loss or damage.

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

- a. airborne volcanic blasts or airborne shock waves;
- b. ash, dust, or particle 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 particle matter that does not cause direct physical loss or damage to the described property.

If earth movement, as described in O.1. through 4. above, results in fire or explosion, the **Fund** will pay for that ensuing loss or damage.

P. Damage caused by nesting or infestation, or discharge or release of waste products or secretions by insects, birds, rodents, or other animals.

Q. Collapse, meaning an abrupt falling down or caving in of property, unless such collapse is caused by a covered peril. But if a collapse results in a covered peril, this **Agreement** shall cover the ensuing loss or damage.

This exclusion shall not apply to the following:

1. A collapse caused by faulty, inadequate, or defective design, specifications, materials, or workmanship, unless known to the **Member** prior to the collapse; or
2. A collapse caused by ordinary wear and tear, rust, corrosion, decay, deterioration, or vermin or insect damage that is hidden from view, unless known to the **Member** prior to the collapse.

R. Windstorm, wind-driven rain, or hail for property located within the boundaries of first tier counties as defined in the Texas Windstorm Insurance Association Act, unless the **Fund** provides such coverage through an endorsement to this **Agreement**.

S. Windstorm or hail, or both, that causes only cosmetic loss or damage to structure exteriors. Cosmetic loss or damage means only that damage that alters the physical appearance of the structure's exterior but does not result in damage that allows the immediate penetration of water or moisture through the structure's exterior or does not result in the failure of the structure's exterior to perform its intended function, to keep out elements over an extended period of time. Cosmetic loss or damage includes, but is not limited to, spatter marks, splatter marks, blemishes, dents, dings, dimples, chips, marring, pitting, scratches, gouges, grooves, or other similar changes in physical condition, including any

associated loss of adhesion at the cosmetic loss or damage location to the structure exterior. Structure exterior includes, but is not limited to, the roofing system surface material and insulation directly below, flashing, vent caps, trim, drip edge, HVAC equipment, vents, piping, and other items on the surface of the structure's exterior.

Exclusions B, C, F, G, I, J, L, and N do not apply to property in transit.

Exclusions C, I, and J do not apply to alterations, additions, and property while in the course of construction, erection, installation, or assembly.

Exclusions I, K, M, and N do not apply to **valuable papers and records**.

III. COVERAGE

A. Real and Personal Property Covered

Except as otherwise excluded, this **Agreement** covers:

1. The interest of the **Member** in:
 - a. all real property owned, used, or intended for use by the **Member** at premises identified in a Property Schedule attached to the **declarations**;
 - b. all personal property owned, used, or intended for use by the **Member**, including the **Member's** interest as tenant in improvements and betterments, provided values are reported at premises identified in a Property Schedule where such property is normally used, kept, stored, or scheduled as **Perimeter-Based Value**. Improvements and betterments are fixtures, alterations, installations, or additions made a part of the building or structure the **Member** occupies but does not own and which the **Member** acquired or made at its expense but cannot legally remove; and
 - c. real and personal property hereinafter constructed, erected, installed, or acquired including while in course of construction, erection, installation, and assembly, subject to the provisions of Section III.C.1.

However, this does not include rented premises where the **Member** is a tenant unless identified on the schedule of real and personal property. In the event of loss or damage, the **Fund** agrees to accept

and consider the **Member** as sole and unconditional owner of improvements and betterments, notwithstanding any contract or lease to the contrary.

2. Buildings, when considered real property covered under this **Agreement**, shall include the following:
 - a. Permanently installed:
 - (1) fixtures;
 - (2) machinery;
 - (3) equipment; and
 - (4) appliances used for refrigerating, ventilating, cooking, dishwashing, or laundering;
 - b. Outdoor fixtures;
 - c. Personal property owned by the **Member** that is used to maintain or service the building or structure or its premises, including:
 - (1) fire extinguishing equipment;
 - (2) outdoor furniture;
 - (3) floor coverings; and
 - (4) appliances used for refrigerating, ventilating, cooking, dishwashing, or laundering.
3. The interest of the **Member** in the real property, other than rented premises, and personal property of others in the **Member's** care, custody, or control and the **Member's** liability imposed by law or assumed by contract for such property except for **automobiles**.
4. Contractor's interests in property covered to the extent of the **Member's** liability imposed by law or assumed by contract.
5. The interest of the **Member** in **electronic data processing equipment** at all premises where a value is shown on the Property Schedule for contents, or scheduled as **Perimeter-Based Value**, but paragraphs I, J, and K of Section II. do not apply.

B. Real and Personal Property Excluded

The following are excluded from coverage under this **Agreement**:

1. Land;
2. The cost of excavations, grading, backfilling, or filling;
3. Foundations of buildings, structures, machinery, or boilers if their foundations are below:
 - a. the lowest basement floor; or
 - b. the surface of the ground, if there is no basement;
4. **Money or securities;**
5. Growing crops, trees, shrubs, grass, or plants, except as provided under Section C. Coverage Extensions;
6. Watercraft (except rowboats and canoes), aircraft, **automobiles**, or **mobile equipment**;
7. Waterborne shipments to or from Hawaii, Puerto Rico, Virgin Islands, or Alaska; waterborne shipments via the Panama Canal;
8. Export shipments after loading on board an overseas vessel or watercraft or after ocean marine insurance attaches, whichever occurs first, or import shipments prior to discharge from the overseas vessel or watercraft or until the ocean marine insurance terminates, whichever occurs last;
9. Roadways, pavement, sidewalks, curbs, storm sewers, sanitary sewers, underground water and gas mains, any other underground piping, underground wiring, wind turbines, optic cables, telephone and communication lines and facilities (unless such optic cables, telephone and communication lines and facilities are owned by the **Member** and located at the covered location they serve), electrical transmission and distribution lines including poles and pole-mounted transformers, bulkheads, pilings, piers, wharves, docks, fire hydrants, water tanks, water towers, water wells, street lights, traffic lights, traffic signs, bridges, tunnels, overpasses, dams, playground equipment, tennis courts, swimming pools, outdoor scoreboards (unless attached to a reported structure), freestanding lights not attached to or intended for security of a covered building, and freestanding fences at parks and other locations un-

less reported prior to a loss and a contribution charged. This exclusion shall not apply to fences that are servicing or providing security to a building covered under this **Agreement**;

10. Animals (except for research);

C. Coverage Extensions

The limits applicable to the following Coverage Extensions are shown on the **declarations** unless otherwise indicated below. Limits for these Coverage Extensions are in addition to and not included in the Real and Personal Property Limit shown on the **declarations**.

1. Newly Acquired Property

- a. This **Agreement** covers up to \$1,000,000 or the Real and Personal Property Limit set forth in the **declarations**, whichever is less, for newly acquired or constructed real property and real property in the course of construction, alteration, or repair.
- b. This **Agreement** does not cover property in the course of construction, alteration, or repair, if the property is under the control of the contractor performing the construction, alteration, or repair, unless the **Member** reports such property to the **Fund** prior to a loss and pays an appropriate contribution.
- c. This coverage does not extend beyond the end of the **Fund Year** in which such property is acquired, or the construction, alteration, or repair is started.
- d. The **Member** shall pay any additional contribution due from the date construction is started or the date the property is acquired.
- e. **Mobile equipment** that is acquired during the **Fund Year** shall only be covered up to its **actual cash value** if it is not reported to the **Fund** within 30 days of acquisition. Nothing in this newly acquired property provision shall create coverage for property which is excluded from coverage under this **Agreement**.

2. Valuable Papers and Records

The **Agreement** covers the cost to repair or replace the lost information on lost or

damaged **valuable papers and records** for which duplicates do not exist. As respects loss to media described in subparagraphs 1. and 2. of paragraph S. of the General Definitions of this **Agreement**, the perils covered are limited to the perils identified in the Named Peril Coverage Option of this Property Coverage Document.

3. **Accounts Receivable**

a. This **Agreement** covers:

- (1) all sums due the **Member** from customers, property owners, and other debtors provided the **Member** is unable to effect collection thereof as the direct result of loss or damage to records of accounts receivable;
- (2) interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage;
- (3) collection expense in excess of normal collection cost and made necessary because of such loss or damage; and
- (4) other expenses, when reasonably incurred by the **Member** in reestablishing records of accounts receivable following such loss or damage.

b. When there is proof that a loss of records of accounts receivable has occurred, but the **Member** cannot more accurately establish the total amount of accounts receivable outstanding as of the date of such loss, such amount shall be computed as follows:

- (1) The monthly average of accounts receivable during the last available 12 months shall be adjusted in accordance with the percentage increase or decrease in the 12 months average of monthly gross revenues which may have occurred in the interim.
- (2) The monthly amount of accounts receivable thus established shall be further adjusted in accordance with any demonstrable variance from the average for the particular month in which the loss occurred, due consideration also being given to the normal

fluctuations in the amount of accounts receivable within the fiscal month involved.

There shall be deducted from the total amount of accounts receivable, however established, the amount of such accounts evidenced by records not lost or damaged, or otherwise established or collected by the **Member**, and an amount to allow for probable bad debts which would normally have been uncollectible by the **Member**.

4. **Loss of Revenue, Extra Expense, and Rental Value**

a. This **Agreement** covers:

- (1) **Loss of revenue**, subject to the following definitions, conditions, and exclusions:

(a) **Loss of revenue** means the actual loss sustained by the **Member** to cover any reduction in revenue, during the period of restoration, caused by loss, damage, or destruction by any of the perils covered herein during the term of this **Agreement** to covered real and personal property.

(b) **Revenue** means gross revenue, less charges and expenses which do not necessarily continue.

(c) The **Fund** shall not be liable for any loss resulting from damage to or destruction of **inventory**, nor for the time required to reproduce said **inventory**. **Inventory** shall mean goods produced or held for sale by the **Member** in the ordinary course of the **Member's** business.

(d) **Resumption of Operations**

It is a condition of this **Agreement** that if the **Member** could reduce the loss resulting from the interruption of business:

- (i) by a complete or partial resumption of operation of the property covered; or

- (ii) by making use of available stock, merchandise, or other property;

such reduction shall be taken into account in arriving at the amount of loss hereunder.

(e) **Experience of the Member**

- (i) In determining the amount of loss of revenues, charges, and expenses covered hereunder for the purposes of ascertaining the amount of loss sustained, due consideration shall be given to the experience of the **Member** before the date of damage or destruction and to the probable experience thereafter had no loss occurred.
- (ii) With respect to alterations, additions, and property while in the course of construction, erection, installation, or assembly, due consideration shall be given to the probable experience of the **Member** after completion of the construction, erection, installation, or assembly.

- (2) **Extra expense** incurred resulting from loss or damage by any of the perils covered herein during the term of this **Agreement** to covered real or personal property.

Extra expense means the excess total cost necessarily incurred to continue the operations of the **Member** as nearly as reasonably practicable to normal during the period of recovery of the damaged property over and above the cost that would normally have been incurred to conduct the business during the same period had no loss or damage occurred.

- (3) **Rental value** loss sustained by the **Member** resulting from the

necessary untenability caused by loss, damage, or destruction by any of the perils covered herein during the term of this **Agreement** to covered real or personal property, but not exceeding the reduction in **rental value** less charges and expenses which do not necessarily continue during the period of untenability.

For the purposes of this **Agreement**, **rental value** is defined as the sum of:

- (a) the total anticipated gross rental income from tenant occupancy of the described property as furnished and equipped by the **Member**;
- (b) the amount of all continuing charges which are the legal obligation of the tenant(s) and which would otherwise be an obligation of the **Member**; and
- (c) the fair rental value of any portion of said property which is occupied by the **Member**.

In determining the amount of **rental value** covered hereunder for the purpose of ascertaining the amount of loss sustained, due consideration shall be given to the rental experience before the date of damage or destruction and to the probable experience thereafter had no loss occurred.

- b. The following additional provisions apply to **Loss of Revenue**, **Extra Expense**, and **Rental Value** coverages:

(1) **Period of Recovery**

The length of time for which loss may be claimed:

- (a) shall not exceed such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair, or replace such part of the property as has been destroyed or damaged;

(b) such additional length of time to restore the **Member** to the condition that would have existed had no loss occurred, commencing with the later of the following dates:

- (i) the date on which the liability of the **Fund** for loss or damage would otherwise terminate; or
- (ii) the date on which repair, replacement, or rebuilding of such part of the property as has been damaged is actually completed, but in no event for more than one year from said completion date;

(c) with respect to alterations, additions, and property while in the course of construction, erection, installation, or assembly shall be determined as provided in a. above but such determined length of time shall be applied to the experience of the **Member** after it has reached its planned level of operation; and

(d) shall commence with the date of such loss or damage and shall not be limited by the date of expiration of this **Agreement**.

(2) Special Exclusions

This section of the **Agreement** does not cover any increase of loss which may be occasioned by the suspension, lapse, or cancellation of any lease, license, contract, or order; nor for interference at **Member's** premises, by strikers or other persons with rebuilding, repairing, or replacing the property damaged or destroyed, or with the resumption or continuation of business, or with the reoccupancy of the premises; nor for any loss occurring to property in transit off premises.

(3) Damage to Non-Owned Property

This **Agreement**, subject to all provisions and without increasing the amount of said **Agreement**, also covers loss resulting from damage to or destruction by the perils covered of:

(a) electrical, steam, gas, water, telephone, and other transmission lines and related plants, substations, and equipment which are not owned by the **Member** and are situated on or within one statute mile of the covered premises; and

(b) dams, reservoirs, or equipment connected therewith which are not owned by the **Member** when water, used as a raw material or used for power or for other manufacturing purposes, stored behind such dams or reservoirs is released from storage and causes an interruption of business as a result of lack of water supply from such sources. The **Fund's** liability shall not exceed 30 consecutive days after such length of time as would be required with the exercise of due diligence and dispatch to repair or replace the damaged or destroyed dam, reservoir, or equipment.

(4) Interruption by Civil or Military Authority

This **Agreement** is extended to cover loss sustained when access to premises identified in the Property Schedule attached to the **declarations** is prohibited by action of a civil or military authority because of damage to property, other than property at the premises, identified in the Property Schedule, that was caused by a covered peril; provided that both of the following apply:

(a) access to the area immediately surrounding the damaged property is prohibited by civil or military authority as a result of the damage and the premise identified in the

Property Schedule is within the area, but not more than one mile from the damaged property; and

- (b) the action of the civil or military authority is taken in response to a dangerous physical condition resulting from the damage or continuation of the covered peril that caused the damage, or the action is taken to enable the civil or military authority to have unimpeded access to the property.

Coverage for the loss will begin immediately after the first action of that civil or military authority that prohibits access to the property identified in the Property Schedule and will apply for a period of no more than four weeks. For the purposes of this provision, the **Member** is not a civil authority.

(5) Ingress/Egress

This **Agreement** is extended to cover the loss sustained during the period of time (not exceeding four weeks) when, as a direct result of a peril covered which causes damage to property other than property at the premise identified in the Property Schedule attached to the **declarations**, ingress to or egress from the **Member's** premises identified in the Property Schedule is thereby prevented.

(6) Expense Related to Reducing Loss

In reference to paragraphs 4.a.(1) and (3) above, this **Agreement** also covers such expenses as are necessarily incurred for the purpose of reducing loss under this **Agreement** (except expense incurred to extinguish fire) and such expenses, in excess of normal, as would necessarily be incurred in replacing any finished stock used by the **Member** to reduce loss under this **Agreement**; but in no event shall the aggregate of such expenses exceed

the amount by which the loss otherwise payable under this **Agreement** is thereby reduced.

5. Personal Property of Employees and Officials

This **Agreement** covers personal property of the **Member's** officials, employees, and volunteers while used or intended for use on behalf of the **Member**, provided values are reported. Further, the limit of liability for such personal property of the **Member's** officials, employees, and volunteers shall be as shown on the **declarations** page.

6. Leasehold Interest

This **Agreement** covers:

- a. Pro rata proportion from the date of loss to expiration date of the lease (to be paid without discount) on the **Member's** interest in:
 - (1) improvements and betterments to real property during the unexpired term of the lease which is not covered under any other section of this **Agreement**; and
 - (2) the amount of advance rental paid by the **Member** and not recoverable under the terms of the lease for the unexpired term of the lease;

when property is rendered wholly or partially untenable by any of the perils covered herein during the term of **Member's Agreement** and the lease is cancelled by the lessor in accordance with the conditions of the lease or by statutory requirements of the state in which the damaged or destroyed property is located; and

b. Member's Interest as Lessee

- (1) This **Agreement** covers the **Member's interest as lessee** when property is rendered wholly or partially untenable by any of the perils covered herein during the term of this **Agreement** and the lease is cancelled by the lessor in accordance with the conditions of the lease or by statutory requirements of the state in which the damaged or destroyed property is located.

- (2) **Member's interest as lessee** as referred to herein shall be paid for the first three months succeeding the date of the loss, and the **net lease interest** shall be paid for the remaining months of the unexpired lease.

c. **Definitions:**

The following terms, wherever used in this section, shall mean as follows:

- (1) **Member's interest as lessee** is defined as:

(a) The excess of the rental value of similar premises over the actual rental payable by the lessee (including any maintenance or operating charges paid by the lessee) during the unexpired term of the lease;

(b) The rental income which would have been earned by the **Member** from sublease agreements, to the extent not covered under any other section of this **Agreement**, over and above the rental expenses specified in the lease between the **Member** and the lessor.

- (2) **Net lease interest** is defined as that sum which, placed at 8% interest compounded annually, will be equivalent to the "**Member's interest as lessee**."

- d. The **Fund** shall not be liable for any increase of loss which may be occasioned by the suspension, lapse, or cancellation of any license or by the exercising of an option to cancel the lease.

7. **Outdoor Trees and Shrubs**

This **Agreement** covers loss, damage, and debris removal expenses to outdoor trees, shrubs, and plants located within 100 feet of a structure listed on the Property Schedule attached to the **declarations** when there is a concurrent covered loss or damage to said structure. The maximum amount that will be paid for any one loss, disaster, or casualty under this extension of coverage for outdoor trees and shrubs shall be as stated in the

declarations, with the further condition that the maximum amount that will be paid on any one tree, shrub, or plant shall be \$250.

8. **Pollutant Clean Up and Removal**

The **Fund** will pay expenses to extract pollutants ("pollutants" being defined as set forth in paragraph F of the General Exclusions) from land or water at premises identified in the Property Schedule attached to the **declarations** or covered under Section III.C.1. as newly acquired property, provided the release, discharge, dispersal, seepage, or migration of the pollutants is caused by or results from a peril covered herein that occurs during the **Agreement** period. The expenses will be paid only if they are reported in writing within 180 days of the date of the release, discharge, dispersal, seepage, or migration of the pollutants.

The maximum amount that will be paid during any one **Fund Year** under this extension of coverage is \$20,000 at each premises covered under this section.

9. **Property in the Open**

Coverage is extended to real property located within 100 feet of a scheduled structure. The maximum amount that will be paid is \$10,000 for any one occurrence.

D. **Transit**

1. This **Agreement** attaches and covers shipments within and between the territorial limits of this **Agreement**, including the coastal waters thereof, by any means of conveyance, from the time the property is moved for purpose of loading and continuously thereafter while awaiting and during loading and unloading and in temporary storage, including temporary storage on any conveyance intended for use for any outbound or inbound shipment, including during deviation and delay, until safely delivered into place of final destination. This **Agreement** covers up to \$1,000,000 or the Real and Personal Property Limit set forth in the **declarations**, whichever is less, for such shipments.
2. This **Agreement** is extended to cover loss or damage to property:
 - a. Sold and shipped by the **Member** under terms of F.O.B. point of origin or

other terms usually regarded as terminating the shipper's responsibility short of points of delivery;

- b. Arising out of any unauthorized person(s) representing themselves to be the proper party(ies) to receive goods for shipment or to accept goods for delivery;
 - c. Occasioned by the acceptance by the **Member**, by its agents, or by its customers, of fraudulent bills of lading, shipping and delivery orders, or similar documents.
3. a. The **Member** may waive right(s) of recovery against private and contract carriers and accept bills of lading or receipts from carriers, bailees, warehousemen, or processors limiting their liability, but this transit coverage shall not inure to the benefit of any carrier, bailee, warehouseman, or processor.
- b. With respect to shipments made under F.O.B. or similar terms, the **Fund** agrees to waive its rights of subrogation against consignees at the option of the **Member**.

E. Vacant Property

1. The provisions in this section concerning **vacant** property apply only to office buildings, utility plants, residential property, and other similar properties not intended to be without occupants. It does not apply to buildings under construction or renovation. The term "**vacant**" includes buildings that are completely **vacant** of occupants and property and buildings that do not contain enough business personal property to conduct customary operations within the building. The term "**vacant**" also includes property and buildings that are not maintained for the conducting of customary operations, regardless of the presence of business personal property or occupants, and property and buildings that are not regularly monitored for the presence or occurrence of loss or damage.
2. If the building where loss or damage occurs has been **vacant** for more than 60 consecutive days before the loss or damage occurred:
- a. There will be no payments for any loss or damage caused by any of the following, even if such are considered a covered cause of loss:

- (1) Vandalism or malicious mischief, including but not limited to arson;
- (2) Sprinkler leakage unless the systems have been protected against freezing;
- (3) Building glass breakage;
- (4) Water damage;
- (5) Theft; or
- (6) Attempted theft.

- b. In respect to a covered cause of loss other than those listed in a.(1) through a.(6), above, only the **actual cash value** of the loss or damage will be paid.

IV. VALUATION - Actual Cash Value

In the case of loss the basis of adjustment shall be as follows:

- A. Buildings, machinery, equipment, furniture, fixtures, improvements, and betterments: the **actual cash value** of the property covered at the time of loss. In the event of loss or damage to improvements and betterments, the **Fund** agrees to accept and consider the **Member** as the sole and unconditional owner.
- B. Exhibitions, displays, and fine arts: the cost to repair or the scheduled value, whichever is less.
- C. Household goods and personal effects: **actual cash value** of the property covered at the time of loss.
- D. **Valuable papers and records**: the cost to repair or replace the property with other of like kind and quality including the cost of gathering or assembling information or, if not so replaced, the cost of the property in blank or unused form.
- E. Property of others: **replacement cost** or the **Member's** legal liability, whichever is less.
- F. Other property not otherwise provided for: at the **actual cash value** of the property at the time and place of loss.
- G. When the full cost of repair or replacement in any one occurrence is the lesser of \$25,000 or 10% of the real and personal property limit of coverage, this **Agreement** is extended to cover the full cost of repair or replacement,

without deduction for depreciation. The **Fund** shall not be liable under this paragraph unless and until the damaged property is actually repaired or replaced.

- H. Historical structures and personal property associated with such structures will be repaired or replaced with like kind and quality material using common construction supplies, techniques, and architectural features subject to a maximum value of the cost to repair or replace or the scheduled value at the time of loss, whichever is less.

A historical structure is one (1) listed individually in the National Register of Historic Places or preliminarily determined as meeting the requirements for individual listing on the National Register, (2) certified or preliminarily determined as contributing to the historical significance of a registered historic district, (3) individually listed on a state inventory of historic places, or (4) individually listed on a local inventory of historic places.

- I. In the event a roof sustains loss or damage from wind or hail covered under this **Agreement**, the **Fund** will pay only on an **actual cash value** basis for roofs replaced with spray polyurethane foam.

V. ADDITIONAL COVERAGES

A. Fire Department Service Charge

If the fire department, other than the **Member's** fire department, is called to save or protect covered property from a peril covered, or because the covered property is destroyed or damaged by a peril covered, the **Fund** shall pay for the **Member's** liability for fire department service charges:

1. assumed by contract or agreement prior to loss; or
2. required by local ordinance.

The most the **Fund** will pay under this Additional Coverage is \$2,500 for service to save or protect covered property from a peril covered, or because the covered property is destroyed or damaged by a peril covered. No deductible applies to this coverage.

B. Debris Removal

This **Agreement** covers the following expenses resulting from damage to property covered hereunder which is caused by or results from a peril covered hereunder:

1. the cost of removal of debris of property covered hereunder; and
2. the cost of removal of debris of property not covered hereunder from the premises of the **Member**.

Coverage for debris removal does not apply to costs to:

1. extract pollutants ("pollutants" being defined as set forth in paragraph F. of the General Exclusions) from land or water; or
2. remove, restore, or replace polluted land or water.

C. Demolition and Increased Cost of Construction

In the event of loss or damage under this **Agreement** that invokes the enforcement of any law or ordinance regulating the construction or repair of damaged structures, the **Fund** shall be liable for:

1. The cost of demolishing the undamaged structure including the cost of clearing the site;
2. The proportion that the value of the undamaged part of the structure bore to the value of the entire structure prior to loss;
3. Increased cost of repair or reconstruction of the damaged and undamaged structure on the same or another site and limited to the minimum requirements of such laws or ordinances regulating the repair or reconstruction of the damaged structure on the same site and is in force at the time of loss. The **Fund** will not pay any costs due to an ordinance or law that the **Member** was required to comply with before the loss, even when the structure was undamaged, and the **Member** failed to comply with the ordinance or law. The **Fund** shall not be liable for any increased cost of construction loss unless the damaged structure is actually rebuilt or replaced. The amount that will be paid by the **Fund** under this provision shall be a part of and included within the limit for **actual cash value** payment set forth under Section I., General Conditions of the Special Form Property Coverage, or, if applicable, **replacement cost** payment set forth under paragraph J., Section IV., of the Replacement Cost Option;

For any structure, the **Fund** shall not pay

more than 30% of the loss or damage, exclusive of the amount for repair or reconstruction, to comply with minimum requirements of laws or ordinances, for the increased cost of repair or reconstruction to comply with minimum requirements of laws or ordinances if the increased cost of repair or reconstruction is otherwise covered under this Additional Coverage; and

4. Any increase in the **loss of revenue, extra expense**, and **rental value** loss arising out of the additional time required to comply with said law or ordinance, subject to the limit of coverage set forth in the **declarations** for all **loss of revenue, extra expense**, and **rental value** loss.

D. Expediting Expense

This **Agreement** covers the reasonable extra cost of temporary repair and of expediting the repair of damaged property covered hereunder, including overtime and express freight or other rapid means of transportation.

E. Consequential Loss

This **Agreement** covers consequential loss to the property described caused by change of temperature or humidity or by interruption of power, heat, air conditioning, or refrigeration as a result of damage to property covered hereunder or property of others within one statute mile of the covered premises.

F. Terrorism

This **Agreement** covers loss or damage caused by or resulting from acts of **terrorism** limited to the lesser of \$10,000,000 or the Real and Personal Property Limit of Coverage shown on the **declarations** applicable to any one occurrence.

G. Wind-Driven Rain from a Named Storm

This **Agreement** covers loss of or damage to the interior of any building or structure caused by or resulting from wind-driven rain from a named storm limited to a total amount of \$25,000 for any one occurrence. The **Member's** deductible or \$1,000, whichever is less, applies to this coverage when wind-driven rain is the sole cause of loss or damage.

NAMED PERIL COVERAGE OPTION

With respect to property on which the **Agreement declarations** specifies "Named Peril," the Special Form Coverages Sections I and II are deleted and replaced by the following:

PERILS COVERED

This **Agreement** covers direct physical loss of or damage to property described herein commencing during the **Fund Year** and within the **territory**, including salvage and all other charges on shipments covered hereunder as a result of the following perils:

A. Fire

B. Lightning

C. Windstorm or Hail

1. The **Fund** will not be liable for loss caused directly or indirectly by frost or cold weather or ice (other than hail), snow, or sleet, whether driven by wind or not.
2. The **Fund** will not be liable for loss to the interior of the buildings or the property covered therein caused by rain, snow, sand, or dust, whether driven by wind or not, unless the buildings covered shall first sustain an actual damage to roof or walls by the direct action of wind or hail, and then shall be liable for loss to the interior of the buildings or the property covered therein as may be caused by rain, snow, sand, or dust entering the buildings through openings in the roof or walls caused by direct action of wind or hail.
3. This **Agreement** excludes loss or damage caused by or resulting from windstorm or hail for property located within the boundaries of first tier counties as defined in the Texas Windstorm Insurance Association Act, unless the **Fund** provides such coverage through an endorsement to this **Agreement**.

D. Explosion

Loss by explosion shall include direct loss resulting from the explosion of accumulated gases or unconsumed fuel within the fire box (or combustion chamber) of any fired vessel or within the flues or passages which conduct the gases of combustion therefrom. The **Fund** will not be liable for loss by explosion

of steam boilers, steam pipes, steam turbines, or steam engines, if owned by, leased by, or operated under the control of the **Member**. The following are not explosions within the intent or meaning of these provisions:

1. Shock waves caused by aircraft, generally known as "sonic boom;"
2. Electric arcing;
3. Rupture or bursting of rotating or moving parts of machinery caused by centrifugal force or mechanical breakdown;
4. Water hammer;
5. Rupture or bursting of water pipes;
6. Rupture or bursting due to expansion or swelling of the contents of any building or structure, caused by or resulting from water; or
7. Rupture, bursting, or operation of pressure relief devices.

E. Sudden and Accidental Damage from Smoke, other than smoke from agricultural smudging or industrial operations.

F. Vehicles or Aircraft

Loss by aircraft shall include direct loss by falling aircraft or objects falling therefrom, but the **Fund** shall not be liable for loss by any vehicle or aircraft (except falling aircraft) owned or operated by the **Member**.

G. Riot, Riot Attending a Strike, or Civil Commotion

Loss by riot, riot attending a strike, or civil commotion shall include direct loss by acts of striking employees of the owner or occupants of the buildings while occupied by said striking employees and shall also include under this peril direct loss from pillage and looting occurring during and at the immediate place of a riot, riot attending a strike, or civil commotion. The **Fund** shall not be liable with respect to this peril for loss resulting from damage to or destruction of the property because of change in temperature or humidity or interruption of operations, whether or not such loss is covered by this **Agreement** as to other perils.

H. Vandalism or Malicious Mischief

Loss by vandalism or malicious mischief shall mean only the willful and malicious damage to or destruction of the property covered, including direct structural damage to the buildings covered hereunder resulting from burglary; provided, however, such damage resulting from burglary shall not include, nor shall the **Fund** be liable for, the value or replacement of any property, real or personal, including fixtures and/or contents of the covered buildings which are wrongfully and unlawfully removed from the premises. The **Fund** shall not be liable, with respect to these perils, for any loss:

1. To glass (other than building blocks constituting a part of the building);
2. By explosion, rupture, or bursting of steam boilers, steam pipes, steam turbines, steam engines, or rotating parts of machines or machinery owned, operated, or controlled by the **Member**;
3. Caused by or resulting from power, heating, or cooling failure unless such failure results from physical damage to power, heating, or cooling equipment situated on premises where the property covered is located.

I. Sprinkler Leakage

Direct loss by the leaking or discharge of water or other substance from within any automatic fire protection system including the cost of repairs and replacement of the automatic fire protection system when the damage sustained is caused directly by:

1. Breakage of any of its parts resulting in leakage; or
2. Direct loss caused by collapse or fall of a tank forming a part of such system.

Automatic fire protection system means sprinklers, discharge nozzles and ducts, pipes, valves, fittings, tanks (including component parts and supports thereof), pumps, and private fire projection mains, all connected with and constituting a part of an automatic fire protection system; and non-automatic fire protective systems, hydrants, standpipes, or outlets supplied from an automatic fire protection system.

- J. If a limit and deductible are stated in the **declarations** for the perils of flood and **earthquake**, the following perils are covered:

1. Flood, as provided under the Flood Coverage Option; and
2. **Earthquake.**

FLOOD COVERAGE OPTION

If a limit is shown on the **declarations** for flood:

- I. Exclusion M. of the Special Form Property Coverage portion of this Property Coverage Document is deleted with respect to all locations listed on the Property Schedule attached to the **declarations**. Coverage is extended to cover direct physical loss of or damage to covered property, as described under Section III.A. of the Special Form Property Coverage, by those causes listed under exclusion M., hereinafter referred to collectively as “flood.”
- II. If any flood occurs within a period of the continued rising or overflow of any surface waters or if any flood results from any tidal wave or series of tidal waves caused by one disturbance, such flood shall be deemed to be a single occurrence within the meaning of the **Agreement**. However, the **Fund** will be liable for any losses occurring for a period of up to 72 hours after the expiration of the **Agreement** provided that the first flood damage occurred prior to the date and time that such coverage expired.

III. LIMITATIONS, EXCLUSIONS, AND RELATED PROVISIONS

- A. For **Members** with a combined building and content value below \$15,000,000, the **Fund** shall not be liable for more than \$1,500,000 or the total building and content limit shown on the property schedule attached to the **declarations**, whichever is less, for loss or damage in a single occurrence and in the aggregate for the applicable **Fund Year**. For **Members** with a combined building and content value of \$15,000,000 or greater, the **Fund** shall not be liable for more than \$5,000,000 or 10% of the total building and content limit shown on the property schedule attached to the **declarations**, whichever is less, for loss or damage in a single occurrence and in the aggregate for the applicable **Fund Year**. These limits of coverage are inclusive of Coverage Extensions and Additional Coverages provided under Section III.C. and Section V. of the Special Form Property Coverage.
- B. Coverage under this option does not apply to flooding to the following property:
 1. Bulkheads, pilings, piers, wharves, docks;
 2. Retaining walls that are not part of a building;
 3. Structures located on or over a body of wa-

ter, and any property in or on such structures;

4. Any property that is determined to be in Flood Zone “V” at the time of loss; or
5. Golf courses, including but not limited to, greens, tee boxes, fairways, and hazards.

The **Fund** shall not be liable for more than the value shown for such property on the Real and Personal Property Schedule. Such coverage is excess of the amount of coverage available under a National Flood Insurance Program policy, whether or not such policy is in effect at the time of loss.

- C. With respect to property located on a barrier island in the Gulf of Mexico, regardless of applicable flood plain zones or within the boundaries of counties directly adjacent to the Gulf of Mexico and within the 100-year flood plain “A” zones at the time of loss, the following additional conditions and sublimits apply:

1. For buildings and/or contents of buildings with **actual cash value** in excess of the maximum amounts of coverage available through the National Flood Insurance Program, whether or not such policy is in effect at the time of loss, coverage shall be excess of such maximum amounts.
2. For buildings and/or contents of buildings covered under a National Flood Insurance Program policy, the **Fund** will reimburse the **Member** the difference between the **actual cash value** and **replacement cost** value of the loss, provided the **Member** elected the Replacement Cost Option as indicated on the **declarations**.

The above provision does not apply to:

- a. Property that is not eligible for coverage through the National Flood Insurance Program;
- b. Coverage Extensions for **Loss of Revenue, Extra Expense, Valuable Papers and Records**, Accounts Receivable, or Outdoor Trees and Shrubs; or
- c. Fine Arts.

- D. All conditions and sub-limits under C. above apply to property located within the boundaries

of Harris, Orange, and Jackson counties.

- E. In reference to paragraphs B. through D. above, the **Fund** shall not be liable for more than \$2,500,000 or the total flood limit shown in the **declarations**, whichever is less, for loss or damage in a single occurrence and in the aggregate for the applicable **Fund Year**. Except as set forth in this paragraph, the provisions of paragraph A., above, apply.
- F. In respect to flood caused by rising water, reasonable steps to protect the property from damage prior to the arrival of rising water are a reimbursable expense to the extent that such costs are in addition to regular ongoing operating costs. Examples of such costs include overtime to move and/or disassemble property, acquisition and placement of sandbags and other protection, and moving equipment and property to higher ground to the extent that such costs exceed usual operating costs and excluding any employee time except overtime. Such costs to be reimbursed are limited to \$25,000.

IV. DEDUCTIBLE

Loss under this coverage is subject to the flood deductible shown on the **declarations** which shall be deducted from the sum of all loss or damage arising out of any one occurrence. The deductible shall be reduced by amounts recoverable from a National Flood Insurance Program policy and any deductible under that policy.

BOILER & MACHINERY COVERAGE OPTION

With respect to property on which the **Agreement declarations** specifies "Boiler & Machinery" coverage:

- I. A. Coverage is extended to cover direct damage to property covered under this Property Coverage Document caused by an **accident** to an **object**.
- B. In regard to Boiler & Machinery coverage, the following paragraphs from Perils Excluded of the Special Form Property Coverage portion of this Property Coverage Document are deleted with respect to all **objects** found at locations listed on the Real and Personal Property Schedule attached to the **declarations**:
 - I. Electrical injury or disturbance to electrical appliances, devices, or wiring caused by electrical currents artificially generated unless loss or damage from a peril covered herein ensues, and then this **Agreement** shall cover only for such ensuing loss or damage.
 - J. Mechanical breakdown unless loss or damage from a peril covered herein ensues and then this **Agreement** shall cover only for such ensuing loss or damage.
 - K. Explosion, rupture, or bursting of steam boilers, steam pipes, steam turbines, or steam engines owned or operated by the **Member** unless loss or damage from a peril covered herein ensues, and then this **Agreement** shall cover only for such ensuing loss or damage.
- C. Upon the discovery of a dangerous condition with respect to any **object**, any representative of the **Fund** may immediately suspend this addendum with respect to an **accident** to said **object** by written notice mailed to the **Member's** designee named in the **declarations**. Coverage so suspended may be reinstated by the **Fund** but only by an endorsement issued to form a part of this **Agreement**.

II. ADDITIONAL DEFINITIONS

When used in this Boiler & Machinery coverage:

- A. **Accident** means a sudden and accidental breakdown of an **object** or a part thereof which manifests itself at the time of its occurrence by physical damage to the **object** that

necessitates repair or replacement of the **object** or part thereof.

Accident does not include any of the following:

1. Wear and tear, depletion, corrosion, erosion, or deterioration;
2. The leaking of any joint, connection, fitting, valve, seal, or packing;
3. The breakdown of any structure or foundation which supports, encloses, or covers an **object**; or
4. The normal or intended functioning of any safety or protective device.

B. Object

1. **Object** means any boiler, any fired or unfired pressure vessel, refrigeration or air conditioning system, any piping and its accessory equipment, any mechanical or electrical machine or apparatus used for the generation, transmission, or utilization of mechanical or electrical power, including compressors, pumps, engines, turbines, motors, generators, gears, sets of gears, fans, blowers; including couplers, clutches, wheels, or bearings on a shaft that constitute a part of an **object**; transformers, or electrical distribution equipment.
2. **Object** does not mean any of the following:
 - a. Stove, oven, kiln, furnace, motor vehicle or **mobile equipment**, elevator, escalator, or conveyor;
 - b. Any structure or foundation which supports, encloses, or covers an **object**;
 - c. Computer or data processing equipment unless used solely to operate or control an **object** as defined in this coverage;
 - d. Water, sewer, or gas piping, or sprinkler systems;
 - e. Equipment used for communication, lighting, advertising, display, re-

search, diagnostic, therapeutic, surgical, dental, or pathological purposes; or

- f. Mechanical or electrical machine or apparatus used for the generation of electrical power for sale to the public.

REPLACEMENT COST OPTION

With respect to property on which the **Agreement declarations** specifies “**Replacement Cost**,” the “Valuation - Actual Cash Value” Section IV of the Special Form Property Coverage is deleted and replaced by the following:

IV. REPLACEMENT VALUE

In case of loss, the basis of adjustment shall be as follows:

A. On buildings, machinery, equipment, furniture, fixtures, improvements, and betterments: **replacement cost**. In the event of loss or damage to improvements and betterments, the **Fund** agrees to accept and consider the **Member** as the sole and unconditional owner. Notwithstanding the above, **actual cash value** only shall apply to the following buildings and structures:

1. Buildings or portions thereof which, as a result of decay, deterioration, or dilapidation, are reasonably likely to fully or partially collapse, or which cannot be expected to withstand reasonably anticipated storms; or
2. Buildings that have become deteriorated through accident, lack of repair, or natural causes, or by damage through exposure to the elements or damage through fire, to the extent that the building is no longer reasonably protected from the weather or from future damage that may be caused by a covered peril.

B. Exhibitions, displays, and fine arts: the cost to repair or the scheduled value, whichever is less.

C. Household goods and personal effects: **replacement cost**.

D. Valuable papers and records: the cost to repair or replace the property with other of like kind and quality, including the cost of gathering and/or assembling information or, if not so replaced, the cost of the property in blank or unused form.

E. On property of others: **replacement cost** or the **Member's** legal liability, whichever is less.

F. Other property not otherwise provided for: **replacement cost**.

G. Mobile Equipment: **replacement cost**, but not exceeding the last value reported for the item replaced.

H. The **Member** may make a claim for loss or damage covered by this coverage on an **actual cash value** basis instead of on a **replacement cost** basis. In the event the **Member** elects to have loss or damage settled on an **actual cash value** basis, the **Member** may still make a claim for the additional coverage this optional coverage provides if the **Member** notifies the **Fund** of its intent to do so within 180 days after the loss or damage.

I. The **Fund** will pay on an **actual cash value** basis for any loss or damage until the loss or damaged property is actually repaired or replaced. The **Fund** will only pay **replacement cost** if the repairs or replacements are made as soon as reasonably possible after the loss or damage, but in no event will the **Fund** pay on a **replacement cost** basis for property not repaired or replaced within two years of the date of loss unless an extension is granted during such two-year period, in writing, by the **Fund**. If repair or replacement of the damaged property is not functionally or practically reasonable, the **Fund** retains the option of paying **replacement cost** for the damaged portion not to exceed the value of the individual damaged structure reported and shown on the property schedule attached to the **declarations**.

J. In the event a roof sustains loss or damage from wind or hail covered under this **Agreement**, the **Fund** will pay only on an **actual cash value** basis for the loss or damage if such roof has reached 50% or greater of its life expectancy as recommended by the manufacturer.

K. Historical structures and personal property associated with such structures will be repaired or replaced with like kind and quality material using common construction supplies, techniques, and architectural features subject to a maximum value of the cost to repair or replace or the scheduled value at the time of loss, whichever is less.

A historical structure is one (1) listed individually in the National Register of Historic Places or preliminarily determined as meeting the requirements for individual listing on the National Register, (2) certified or preliminarily deter-

mined as contributing to the historical significance of a registered historic district, (3) individually listed on a state inventory of historic places, or (4) individually listed on a local inventory of historic places.

MOBILE EQUIPMENT COVERAGE OPTION

With respect to **mobile equipment** on which the **Agreement declarations** specify **mobile equipment** coverage, Paragraph 6 of Section III.B. of the "Special Form Property Coverage" is amended to read as follows:

6. Watercraft (except rowboats and canoes) unless specifically scheduled, aircraft, **automobiles**; but this exclusion shall not apply to **mobile equipment, commandeered mobile equipment, or commandeered boats**.

The following definitions shall apply to this Mobile Equipment Coverage Option:

- a. **Commandeered mobile equipment** means **mobile equipment** or a boat that the **Member** seizes, confiscates, or takes arbitrarily by force into the **Member's** temporary care, custody, or control while using it as part of an **emergency situation**. **Commandeered mobile equipment** or boat does not include **mobile equipment** or a boat owned or available to an employee or volunteer of the **Member** from whom the **Member** has tacit approval to use the **mobile equipment** or boat.
- b. **Emergency situation** means an unexpected situation demanding immediate official action.

Exclusions M, O, and R of Part II of the "Special Form Property Coverage" do not apply to **mobile equipment**.

CRIME COVERAGE OPTION

With respect to property on which the **Agreement declarations** specifies "Public Employee Dishonesty Coverage," "Theft, Disappearance, and Destruction Coverage," "Forgery or Alteration Coverage," or "Computer Fraud Coverage":

I. GENERAL

In addition to the General Definitions, General Exclusions, and General Conditions contained in this Property Coverage Document, the following General Definitions, General Exclusions, and General Conditions apply to: (i) the Public Employee Dishonesty Coverage; (ii) the Theft, Disappearance, and Destruction Coverage; (iii) the Forgery or Alteration Coverage; and (iv) Computer Fraud Coverage.

A. GENERAL DEFINITIONS

1. **EMPLOYEE** means:

- a. Any person:
 - (1) While in the **Member's** service (and for 30 days after termination of service); and
 - (2) Whom the **Member** has the right to direct and control while performing services for the **Member**.

b. But **employee** does not mean any:

- (1) Agent, broker, factor, commission merchant, consignee, independent contractor, or representative of the same general character;
- (2) Elected officials, except while performing acts coming within the scope of the usual duties of their office; or
- (3) Appointed officials, except while performing acts coming within the scope of the usual duties of an **employee**.

2. **MONEY** means:

- a. Currency, coins, and bank notes in current use and having a face value; and

- b. Travelers checks, register checks, and money orders held for sale to the public.

3. **PROPERTY OTHER THAN MONEY AND SECURITIES** means any tangible property other than **money** and **securities** that has intrinsic value. **PROPERTY OTHER THAN MONEY AND SECURITIES** does not include media as described in subparagraphs 1. and 2. of paragraph S. of the General Definitions of this **Agreement**.

4. **SECURITIES** means negotiable and nonnegotiable instruments or contracts representing either **money** or other property and includes:

- a. Tokens, tickets, revenue, and other stamps (whether represented by actual stamps or unused value in a meter) in current use; and
- b. Evidences of debt issued in connection with credit or charge cards, which cards are not issued by the **Member**;

but does not include **money**.

B. GENERAL EXCLUSIONS

The **Fund** will not pay for loss as specified below:

1. **Indirect Loss:** Loss that is an indirect result of any act or occurrence covered by this coverage including, but not limited to, loss resulting from:

- a. The **Member's** inability to realize income that the **Member** would have realized had there been no loss of, or loss from damage to, covered property;
- b. Payment of damages of any type for which the **Member** is legally liable. But, the **Fund** will pay compensatory damages arising directly from a loss covered under this coverage; or
- c. Payment of costs, fees, or other expenses the **Member** incurs in establishing either the existence or the amount of loss under this coverage.

2. **Legal Expenses:** Expenses related to any legal action.

C. GENERAL CONDITIONS

1. **Loss Sustained During Prior Insurance**

- a. If the **Member**, or any predecessor in interest, sustained loss during the period of any prior insurance that the **Member** or the predecessor in interest could have recovered under that insurance except that the time within which to discover loss had expired, the **Fund** will pay for it under this coverage provided:

- (1) This coverage became effective at the time of cancellation or termination of the prior insurance; and

- (2) The loss would have been covered by this coverage had it been in effect when the acts or events causing the loss were committed or occurred.

- b. The coverage under this Condition is part of, not in addition to, the limits of liability applying to this coverage and is limited to the lesser of the amount recoverable under:

- (1) This coverage as of its effective date; or

- (2) The prior insurance had it remained in effect.

2. **Loss Covered Under This Coverage and Prior Coverage Issued by the Fund:** If any loss is covered:

- a. Partly by this coverage; and
- b. Partly by any prior canceled or terminated coverage that the **Fund** had issued to the **Member** or any predecessor in interest;

the most the **Fund** will pay is the larger of the amount recoverable under this coverage or the prior coverage.

3. **Non-Cumulation of Limit of Liability:** Regardless of the number of **Fund Years** this coverage remains in force, or the number of contributions paid, no limit of liability cumulates from **Fund Year** to **Fund Year**.

4. **Ownership of Property; Interests Covered:** The property covered under this coverage is limited to property:

- a. That the **Member** owns or holds; or
- b. For which the **Member** is legally liable.

However, this coverage is for the **Member's** benefit only. It provides no rights or benefits to any other person or organization.

5. **Records:** The **Member** must keep record of all covered property so the **Fund** can verify the amount of any loss.

6. **Valuation - Settlement**

- a. Subject to the applicable limit of liability provision, the **Fund** will pay for:

- (1) Loss of **money** but only up to and including its face value. The **Fund** may, at its option, pay for loss of **money** issued by any country other than the United States of America:

- (a) At face value in the **money** issued by that country; or

- (b) In the United States of America dollar equivalent determined by the rate of exchange on the day the loss was discovered.

- (2) Loss of **securities** but only up to and including their value at the close of business on the day the loss was discovered. The **Fund** may, at its option:

- (a) Pay the value of such **securities** or replace them in kind, in which event the **Member** must assign to the **Fund** all of the **Member's** rights, title, and interest in and to those **securities**;

- (b) Pay the cost of any Lost Securities Bond required in connection with issuing duplicates of the **securities**. However, the **Fund** will be liable only for the payment of so much of the cost of the bond as would be charged for

a bond having a penalty not exceeding the lesser of the:

- (i) Value of the **securities** at the close of business on the day the loss was discovered; or

- (ii) Limit of liability.

- (3) Loss of, or loss from damage to, **property other than money and securities** or loss from damage to the premises for not more than the:

- (a) **Actual cash value** of the property on the day the loss was discovered;
- (b) Cost of repairing the property or premises; or
- (c) Cost of replacing the property with property of like kind and quality.

The **Fund** may, at its option, pay the **actual cash value** of the property, repair it, or replace it.

- b. The **Fund** may, at its option, pay for loss of, or loss from damage to, property other than **money**:

- (1) In the **money** of the country in which the loss occurred; or
- (2) In the United States of America dollar equivalent of the **money** of the country in which the loss occurred determined by the rate of exchange on the day the loss was discovered.

- c. Any property that the **Fund** pays for or replaces becomes the **Fund's** property.

- 7. **Discovery Period for Loss:** The **Fund** will pay only for covered loss discovered no later than one year from the end of the **Fund Year** in which the loss occurred.
- 8. **Assignment:** Assignment of interest under the **Agreement** shall not bind the **Fund** until its consent is endorsed thereon.
- 9. **Territory:** This **Agreement** covers only acts committed or events occurring within the United States of America, U.S. Virgin Islands, Puerto Rico, or Canada.

- 10. **Reporting Period for Loss:** As soon as practical, but no later than 120 days from the day the loss was discovered.

- 11. **Aggregate Limit of Liability:** The most the **Fund** will pay for all occurrences covered during a **Fund Year** shall not exceed any amount shown as the per occurrence or per **employee** aggregate limit of liability on the **declarations**.

II. PUBLIC EMPLOYEE DISHONESTY COVERAGE

A. COVERAGE

The **Fund** will pay for loss of, and loss from damage to, covered property resulting directly from the Covered Cause of Loss.

- 1. **Covered Property:** **Money, securities, and property other than money and securities.**
- 2. **Covered Causes of Loss:** **Employee dishonesty.**
- 3. **Coverage Extension**

Employees Temporarily Outside Coverage Territory: The **Fund** will pay for loss caused by any **employee** while temporarily outside the territory specified in the General Conditions for a period not more than 90 days.

B. LIMIT OF LIABILITY

If a per **occurrence** limit is shown in the **declarations**, the **Fund** will not be liable for more than the indicated limit for loss in any one **occurrence**. If a per **employee** limit is shown, the **Fund** will not be liable for more than the indicated limit for loss resulting from an act or series of acts by any one **employee**.

C. ADDITIONAL EXCLUSIONS, CONDITIONS, AND DEFINITIONS

In addition to the General Definitions, General Exclusions, and General Conditions contained in this Property Coverage Document and the Crime Coverage Option, Public Employee Dishonesty Coverage is subject to the following:

- 1. **Additional Exclusions:** The **Fund** will not pay for loss or damages as specified below:
 - a. **Employee Canceled Under Prior In-**

insurance: Loss caused by any **employee** for whom similar prior insurance has been canceled and not reinstated since the last such cancellation.

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

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

- c. Bonded Employee: Loss caused by any **employee** within the amount such **employee** is required by law to be individually bonded or for which the **employee** is bonded.

- d. Damages: Damages for which the **Member** is legally liable as a result of:

- (1) The deprivation or violation of the civil rights of any person by an **employee**; or
- (2) The tortious conduct of any **employee**, except conversion of property of other parties held by the **Member** in any capacity.

- e. Depository Failure: Loss resulting from the failure of any entity acting as a depository for the **Member's** property or property for which the **Member** is responsible.

2. Additional Conditions:

- a. Cancellation As To Any Employee: This coverage is canceled as to any **employee**:

- (1) Immediately upon discovery by the **Member** or any official or **employee** authorized to manage, govern, or control the **Member's employees** of any act on the part of an **employee** whether before or after becoming employed by the **Member** which would constitute a loss covered under the terms of this Public Employee Dishonesty Coverage; or
- (2) On the date specified in a notice mailed to the **Member**. That date will be at least 30 days after the date of mailing.

The mailing of notice to the **Member** at the last mailing address known to the **Fund** will be sufficient proof of notice. Delivery of notice is the same as mailing.

- b. Sole Benefit: This coverage is for the **Member's** sole benefit. No legal proceeding of any kind to recover on account of loss under this coverage may be brought by anyone other than the **Member**.

3. Additional Definitions:

- a. **Employee Dishonesty** in Paragraph A.2. of Section II of this Crime Coverage Option means any dishonest act committed by an **employee**, whether identified or not, acting alone or in collusion with other persons, with the manifest intent to:

- (1) Cause the **Member** to sustain loss; and also
- (2) Obtain financial benefit (other than salaries, commissions, fees, bonuses, promotions, awards, profit sharing, pensions, or other **employee** benefits earned in the normal course of employment unless unlawfully taken to the deprivation of the **Member**) for:

- (a) The **employee**; or
- (b) Any person or organization intended by the **employee** to receive that benefit.

- b. **Occurrence** means all loss caused by, or involving, one or more **employees**, whether the result of a single act or series of acts.

III. THEFT, DISAPPEARANCE, AND DESTRUCTION COVERAGE

A. COVERAGE

The **Fund** will pay for loss of covered property resulting directly from the covered causes of loss.

1. Inside the Premises:

- a. Covered Property: **Money** and **securities** inside the **premises** or a **banking premises**.

b. Covered Causes of Loss:

- (1) **Theft**;
- (2) Disappearance; and
- (3) Destruction.

c. Covered Extensions:

- (1) Containers of Covered Property: The **Fund** will pay for loss of, and loss from damage to, a locked safe, vault, cash register, cash box, or cash drawer located in the **premises** resulting directly from an actual or attempted **theft** of or unlawful entry into those containers; and
- (2) **Premises** Damage: The **Fund** will pay for loss from damage to the **premises** or its exterior resulting directly from an actual or attempted **theft** of covered property if the **Member** is the owner of the **premises** or is liable for damage to it.

2. **Outside the Premises:**

- a. Covered Property: **Money** and **securities** outside the **premises** in the care and custody of a **messenger**.

b. Covered Causes of Loss:

- (1) **Theft**;
- (2) Disappearance; and
- (3) Destruction.

c. Coverage Extension:

Conveyance of Property By Armored Motor Vehicle Company: The **Fund** will pay for loss of covered property resulting directly from the covered causes of loss while outside the **premises** in the care and custody of an armored motor vehicle company.

But the **Fund** will pay only for the amount of loss that the **Member** cannot recover:

- (1) Under the **Member's** contract with the armored motor vehicle company; and

- (2) From any insurance or indemnity carried by, or for the benefit of customers of, the armored motor vehicle company.

B. LIMIT OF LIABILITY

The most the **Fund** will pay for loss in any one occurrence is \$5,000, unless otherwise shown in the **declarations**.

C. ADDITIONAL EXCLUSIONS, CONDITIONS, AND DEFINITIONS

In addition to the General Definitions, General Exclusions, and General Conditions contained in this Property Coverage Document and the Crime Coverage Option, this Theft, Disappearance, and Destruction Coverage is subject to the following:

- 1. **Additional Exclusions:** The **Fund** will not pay for loss as specified below:

- a. Accounting or Arithmetical Errors or Omissions: Loss resulting from accounting or arithmetical errors or omissions.

- b. Acts of **Employees**, Elected or Appointed Officials, or Representatives: Loss resulting from any dishonest or criminal act committed by any of the **Member's employees**, elected or appointed officials, or authorized representatives:

- (1) Acting alone or in collusion with other persons; or
- (2) While performing services for the **Member** or otherwise.

- c. Exchanges or Purchases: Loss resulting from the giving or surrendering of property in any exchange or purchase.

- d. Fire: Loss from damage to the **premises** resulting from fire, however caused.

- e. **Money** Operated Devices: Loss of property contained in any **money** operated device unless the amount of **money** deposited in it is recorded by a continuous recording instrument in the device.

- f. Transfer or Surrender of Property:

- (1) Loss of property after it has been transferred or surrendered to a

person or place outside the **premises** or **banking premises**:

- (a) On the basis of unauthorized instructions; or
- (b) As a result of a threat to do bodily harm to any person or damage to any property.

(2) This Exclusion does not apply under Paragraph A.2. of Section III of this Crime Coverage Option to loss of covered property while outside the **premises** or **banking premises** in the care and custody of a **messenger** if the **Member**:

- (a) Had no knowledge of any threat at the time the conveyance began; or
- (b) Had knowledge of a threat at the time the conveyance began, but the loss was not related to the threat.

g. Vandalism: Loss from damage to the **premises** or its exterior or to containers of covered property by vandalism or malicious mischief.

h. Voluntary Parting of Title to or Possession of Property: Loss resulting from the **Member's**, or anyone acting on the **Member's** express or implied authority, being induced by any dishonest act to voluntarily part with title to or possession of any property.

i. Theft, Disappearance, or Destruction Caused by Computer Fraud: Loss following and directly related to the fraudulent use of any computer to cause the transfer of, disappearance of, or destruction to property from inside the **premises** or **banking premises** or outside the **premises** in the care and custody of a **messenger**.

2. **Additional Condition:**

Duties in the Event of Loss: If the **Member** has reason to believe that any loss of, or loss from damage to, covered property involves a violation of law, the **Member** must notify the police.

3. **Additional Definitions:**

a. **Banking Premises** means the inte-

rior of that portion of any building occupied by a banking institution or similar safe depository.

b. **Messenger** means the **Member**, any of the **Member's** officials, or any **employee** while having care and custody of the property outside the **premises**.

c. **Occurrence** means an:

- (1) Act or series of related acts involving one or more persons; or
- (2) Act or event, or a series of related acts or events not involving any person.

d. **Premises** means the interior of that portion of any building the **Member** occupies in conducting the **Member's** business.

e. **Theft** means any act of stealing.

IV. FORGERY OR ALTERATION COVERAGE

A. COVERAGE

The **Fund** will pay for loss involving **covered instruments** resulting directly from the **covered causes of loss**.

1. **Covered Instruments**: Checks, drafts, promissory notes, or similar written promises, orders, or directions to pay a sum certain in **money** that are:

- a. Made or drawn by or drawn upon the **Member**;
- b. Made or drawn by one acting as the **Member's** agent;

or that are purported to have been so made or drawn.

2. **Covered Causes of Loss**: Forgery or alteration of, on, or in any **covered instrument**.

3. **Coverage Extension**:

Legal Expenses: If the **Member** is sued for refusing to pay any **covered instrument** on the basis that it has been forged or altered, and the **Member** has the **Fund's** written consent to defend against the suit, the **Fund** will pay for any reasonable legal expenses that the **Member** incurs and pays in that defense. The

amount the **Fund** will pay under this extension is in addition to the limit of liability applicable to this coverage.

B. ADDITIONAL EXCLUSIONS, CONDITIONS, AND DEFINITIONS:

In addition to the General Definitions, General Exclusions, and General Conditions contained in this Property Coverage Document and the Crime Coverage Option, this Forgery or Alteration Coverage is also subject to the following:

1. Additional Exclusion:

Acts of **Employees**, Elected, or Appointed Officials: The **Fund** will not pay for loss resulting from any dishonest or criminal act committed by any of the **Member's employees**, directors, or trustees:

- a. Acting alone or in collusion with other persons; or
- b. While performing services for the **Member** or otherwise.

2. Additional Conditions:

- a. Facsimile Signatures: The **Fund** will treat mechanically reproduced facsimile signatures the same as handwritten signatures.
- b. General Amendments: As respects this Forgery or Alteration Coverage, the words "covered property" or "property covered" in the General Conditions of the Crime Coverage Option mean **covered instruments**.
- c. Proof of Loss: The **Member** must include with the **Member's** proof of loss any instrument involved in that loss, or, if that is not possible, an affidavit setting forth the amount and cause of loss.
- d. Territory: The **Fund** will cover loss the **Member** sustains anywhere in the world.

3. Additional Definition:

Occurrence means all loss caused by any person or in which that person is involved, whether the loss involves one or more instruments.

V. COMPUTER FRAUD COVERAGE

A. COVERAGE

The **Fund** will pay for the loss of and loss from damage to **money** and **securities** and **property other than money and securities** resulting directly from **computer fraud**.

B. LIMIT

The most the **Fund** will pay for loss in any one **occurrence** is the applicable limit shown in the **Agreement declarations**.

C. DEDUCTIBLE

The **Fund** will not pay for loss in any one **occurrence** unless the amount of loss exceeds the deductible amount shown on the **Agreement declarations**. The **Fund** will then pay the amount of loss in excess of the deductible amount, up to the limit. In the event more than one deductible amount could apply to the loss, only the highest deductible amount may be applied.

D. ADDITIONAL EXCLUSIONS, CONDITIONS, AND DEFINITIONS:

1. Additional Exclusions: The **Fund** will not pay for loss as specified below:

- a. Acts of **Employees**, Directors, Trustees, or Representatives: Loss resulting from any dishonest or criminal act committed by any of the **Member's employees**, directors, trustees, or authorized representatives:

- (1) Acting alone or in collusion with other persons; or
- (2) While performing services for the **Member** or otherwise.

- b. **Inventory Shortages:** Loss, or that part of any loss, the proof of which as to its existence or amount is dependent upon:

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

2. Additional Conditions

- a. **Duties in the Event of Loss:** If the **Member** has reason to believe that any loss of, or loss from damage to, covered property involves a violation of law, the **Member** must notify the police.

- b. Special Limit of Insurance for Specified Property: The **Fund** will only pay up to \$5,000 for any one **occurrence** of loss of, and loss from damage to, manuscripts, drawings, or records of any kind or the cost of reconstructing them or reproducing any information contained in them.

3. **Additional Definitions**

- a. **Banking Premises** means the interior of that portion of any building occupied by a banking institution or similar safe depository.
- b. **Computer Fraud** means **theft** of property following and directly related to the use of any computer to fraudulently cause a transfer of the property from inside the **premises** or **banking premises** to a person (other than a **messenger**) outside those **premises** or to a place outside those **premises**.
- c. **Messenger** means the **Member**, the **Member's** officials, or any **employee** while having care and custody of the property outside the **premises**.
- d. **Occurrence** means an:
 - (1) Act or series of related acts involving one or more persons; or
 - (2) Act or event, or a series of related acts or events not involving any person.
- e. **Premises** means the interior of that portion of any building the **Member** occupies in conducting the **Member's** business.
- f. **Theft** means any act of stealing.

ANIMAL MORTALITY/THEFT AND MEDICAL COVERAGE OPTION

I. ANIMAL MORTALITY AND THEFT COVERAGE

This coverage option shall automatically extend to a replacement animal not reported to the **Fund**, provided the **Member** unintentionally failed to report the replacement animal to the **Fund**, the **Member** immediately reports the replacement animal to the **Fund** upon discovery of the failure to report it to the **Fund**, and the **Member** pays the proportionate additional contribution from the date of acquisition of the replacement animal if applicable.

A. COVERAGE

With respect to property on which the **Agreement declarations** specifies "Animal Mortality and Theft Coverage," this **Agreement** is extended to cover the interest of the **Member** in the animal(s) described in the schedule for loss caused by the following:

1. **Mortality**, meaning death which results directly or indirectly from:
 - a. Accident;
 - b. Illness; or
 - c. Disease.
2. Theft, including death resulting from such theft, subject to the following conditions:
 - a. The animal has a number that is registered with a recognized registry which is either tattooed on the animal or in a functional microchip inserted under the skin of the animal and such is stated on the application for this coverage.
 - b. If a theft occurs, the **Fund's** liability begins:
 - (1) 90 days from the date the **Member** notifies the **Fund** of the theft; and
 - (2) Provided the animal is not recovered in that time.
 - c. The **Member** must not:
 - (1) Pay or promise to pay a ransom; or

- (2) Give any third party assurance of its intent to pay.

- d. The **Fund** has the right to the return of any payment made if:

- (1) The animal has been recovered after the theft; and

- (2) The **Fund** has paid a claim prior to the recovery.

- e. Coverage on a pregnant animal does not include any fetus within the animal.

B. PAYMENT OF LOSS

If a covered loss occurs, the **Fund** will pay to the **Member** the value shown in the schedule for the animal at the time of loss. Unless otherwise stated, all claim payments will be made to the **Member**.

C. EXCLUSIONS

1. For the purpose of this coverage only, Exclusion 10., under Paragraph B. of Section III of the Special Form Property Coverage, shall not apply with respect to the animal or animals described in the schedule.

2. The **Fund** will not cover any loss resulting directly or indirectly from:

- a. Surgical operations, administration of drugs, medication, or inoculation, unless:

- (1) Required only in an attempt to prevent death or "**humane destruction**" - defined as the destruction of an animal to prevent excessive continued suffering due to an incurable injury or terminal disease; and

- (2) Performed and certified by a licensed veterinarian;

- b. Mysterious disappearance or escape;

- c. Intentional destruction. However, this Exclusion shall not apply if:

- (1) The **Fund** agrees to the destruction of the animal; or
- (2) The animal suffers an injury or contracts an excessively painful illness. A qualified Veterinary Surgeon must certify that the animal's suffering is:
 - (a) Incurable; and
 - (b) So excessive that immediate destruction is necessary for humane reasons;
- d. Destruction as a result of governmental order, due to exposure to or contraction of any communicable disease;
- e. Voluntary parting with the title or possession of the animal because of:
 - (1) Fraud,
 - (2) Trick, or
 - (3) False pretense;
- f. Death of an animal boarded outside the United States and then returned to the United States within the six months preceding its death.

D. CONDITIONS

1. Insurability Requirement

Unless otherwise endorsed, the **Fund** will not be liable for any claim on an animal that:

- a. Suffered from an illness and/or injury, prior to the inception of this coverage and not disclosed on the application form while owned by the **Member** and incurred in the 12 months preceding the date the animal becomes covered;
- b. The **Member** is not the sole owner of;
- c. Has been retired from active duty; or
- d. Has reached the age of 10 years, except for horses that are 20 years or younger.

2. 30-Day Extension

If coverage is terminated, the coverage provided by the **Fund** will be extended to

cover death which occurs:

- a. Within 30 days after the date of termination; and
- b. As a result of an accident, illness, or disease that:
 - (1) Occurred during the period coverage was in force; and
 - (2) The **Member** reported to the **Fund** before coverage expired.

3. Member's Duties

- a. The **Member** shall dispose of the remains of any animal at the **Member's** expense.
- b. In case of injury or illness to an animal, the **Member** must:
 - (1) Immediately notify the **Fund**;
 - (2) Employ a licensed veterinarian, at the **Member's** expense, to treat the animal; and
 - (3) Secure proper care and, if required, allow the animal to be removed for treatment, at the **Member's** expense.
- c. If the animal dies or is stolen, the **Member** must:
 - (1) Immediately notify the **Fund**, and in the case of theft, also the police, local animal control, and humane society.
 - (2) Give to the **Fund**, within 60 days, a copy of:
 - (a) The registration certificate;
 - (b) The postmortem examination report in the event of death; and
 - (c) A signed and sworn proof of loss.

4. Termination of Ownership

Coverage will cease on any animal in which the **Member** has, temporarily or permanently, given up all or part of its ownership rights;

- a. By sale;

- b. By lease (unless noted in the Schedule); or
 - c. For any reason.
5. Assignment of Benefits

The proceeds of this coverage may not be assigned.

II. LOSS OF USE COVERAGE

A. COVERAGE

If the **Agreement declarations** specifies "Loss of Use Coverage," the **Fund** will pay 60% of the value of a covered animal at the time of injury or 60% of the coverage amount specified in the Schedule, whichever is less, if the animal:

- 1. Is injured by external, accidental, and violent means during the period this additional coverage is in effect;
- 2. Becomes totally and permanently unfit for its current use as a result of such injury; and
- 3. Does not require destruction for humane reasons.

B. CONDITIONS

- 1. The **Member** must give the **Fund** immediate notice of any accident resulting in an injury which may give rise to a claim.
- 2. Within 14 days of such accident, the **Member** must provide a full veterinary report by a qualified Veterinary Surgeon, which will include:
 - a. A description of the injury suffered;
 - b. The treatment rendered; and
 - c. The opinion of the Veterinary Surgeon as to the animal's fitness for its current use.
- 3. The **Fund** reserves the right to appoint a Veterinary Surgeon to examine the animal.
- 4. If a claim is made and paid, coverage on the animal for which the claim is paid:
 - a. Will terminate; and
 - b. No return contribution will be paid.

- 5. Any disagreement between the **Member's** and the **Fund's** Veterinary Surgeons over the incapacity of the covered animal will be referred to an independent Veterinary Surgeon mutually agreed to by both parties; and who will act as arbitrator. The decision made by the independent Veterinary Surgeon will be binding on both parties.

- 6. The provisions of this coverage:

- a. Apply only to claims for indemnity for loss of use; and
- b. Do not extend to or vary covered claims for indemnity against all risks of mortality.

- 7. It is understood that upon expiration of coverage all liability ceases. However, coverage is extended to loss of use first occurring within 90 days after expiration, resulting from injury which occurs prior to expiration.

All other applicable terms and conditions under Animal Mortality and Theft Coverage also apply to this coverage.

III. CANINE VETERINARY FEE COVERAGE

A. COVERAGE

If the **Agreement declarations** specifies "Canine Veterinary Fee Coverage," the **Fund** will pay reasonable and customary veterinary fees that result from **injury** to a covered animal. Veterinary fees include:

- 1. **Veterinary Medical Treatment**, including but not limited to: prescription **medication**, diagnostic radiology, surgery, and laboratory tests necessitated by **injury** to a covered animal.
- 2. **Hospitalization** of a covered animal necessitated by **injury**.
- 3. Euthanasia of a covered animal by a **veterinarian** when the **veterinarian** and the **Member** agree that such action is appropriate for humane reasons.

B. LIMIT AND DEDUCTIBLE

Coverage is subject to the limit and deductible shown on the **Agreement declarations**.

C. DEFINITIONS

- 1. **Injury** means bodily **injury** caused by an

accident, sustained by a covered animal, not attributable to illness.

2. **Veterinary Medical Treatments** are services performed by a duly licensed graduate Doctor of Veterinary Medicine.
3. **Hospitalization** means confinement of the covered animal at the **veterinarian's** premises or at a veterinary hospital while receiving necessary treatment for an **injury** covered hereunder.
4. **Veterinarian** means a duly licensed graduate Doctor of Veterinary Medicine.
5. **Medication** means prescription drugs which are available only from a **veterinarian** or licensed pharmacy.

D. EXCLUSIONS

This coverage does not apply to loss caused by, happening through, or in consequence of:

1. **Injury** existing before the effective date of this coverage;
2. **Injury** resulting from racing or commercial guarding;
3. Malicious, intentional, or willful **injury** by the owner or caretaker of the covered animal;
4. Any veterinary fees except for those services performed by or under the supervision of a duly licensed graduate Doctor of Veterinary Medicine;
5. Autopsy, disposal, or burial of a covered animal; or
6. Any **injury** caused by or attributed to malnutrition, abuse, mistreatment, neglect, or other inhumane actions by the owner or caretaker of the covered animal.

E. NOTICE OF LOSS

For the purpose of this coverage only, the **Member** must file proof of a claim which is:

1. An accident/injury report telling how the **injury** occurred;
2. A report signed by the treating **veterinarian** describing the **injury** and treatment provided;
3. Copies of all service bills for which a claim is made (must be itemized and

dated); and

4. Filed within 60 days after treatment.

All other applicable terms and conditions under Animal Mortality and Theft Coverage also apply to this coverage.

IV. SURGICAL COVERAGE

A. COVERAGE

If the **Agreement declarations** specifies "Surgical Coverage," the **Fund** agrees to reimburse the **Member** for:

1. Reasonable and customary fees for surgical procedures performed on a covered animal as specified in the Schedule; and
2. Reasonable and customary after-care while the animal is kept on the premises where the surgery is performed.

B. LIMIT AND DEDUCTIBLE

1. The combined limit of liability for covered surgery and after-care per animal, per 12 month period is the amount shown under limits on the **Agreement declarations**.
2. After-care is limited to:
 - a. 50% of the cost of surgery; and
 - b. No more than 15 days from the time of surgery.
3. The deductible shown on the **Agreement declarations** shall be applied to each separate claim.

C. CONDITIONS

For the purpose of this coverage only, the **Member** must file a proof of claim within 60 days after surgery, including:

1. A report signed by the treating **veterinarian** describing the surgery performed and describing the animal's condition; and
2. Copies of all service bills for which the claim is made.

D. EXCLUSIONS

Coverage does not apply to:

1. Any surgery unless performed by a licensed **veterinarian** in a school of veterinary medicine or surgical clinic;

2. Conditions existing, diagnosed, or treated prior to the effective date of this coverage;
3. Any examination, medical treatment, or medication unless it is given in conjunction with the covered surgical procedure being claimed;
4. Operations not performed under a general anesthesia;
5. Any elective or voluntary surgical procedure;
6. Death benefits; or
7. Postmortem surgical operations.

All other applicable terms and conditions under Animal Mortality and Theft Coverage also apply to this coverage, with the exception of Animal Mortality and Theft Coverage exclusion C.2.



Texas Municipal League

Intergovernmental Risk Pool

1821 Rutherford Lane, First Floor • Austin, Texas 78754

P.O. Box 149194 • Austin, Texas 78714-9194

(512) 491-2300 • (800) 537-6655

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