

## MORTGAGEHOLDERS ERRORS AND OMISSIONS COVERAGE FORM

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

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

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

### A. Coverage

#### 1. Coverage A – Mortgageholder's Interest

We will pay for loss to your "mortgageholder's interest" in Covered Property due to error or accidental omission, by you or your representative, in the operation of your customary procedure in requiring, procuring and maintaining "valid insurance" payable to you as mortgageholder against the Covered Causes of Loss.

##### a. Covered Property

Covered Property means:

- (1) Real property; and
- (2) Personal property secured in connection with that real property.

It includes such property:

- (a) During and after your foreclosure; and
- (b) Sold under an agreement in which you retain title, such as a conditional sales agreement.

##### b. Property Not Covered

Covered Property does not include:

- (1) Accounts, bills, currency, deeds, food stamps or other evidences of debt, money, notes or securities. Lottery tickets held for sale are not securities;
- (2) Land (including land on which the property is located), water, growing crops or lawns (other than lawns which are part of a vegetated roof); or

- (3) Electronic data, meaning information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The term computer programs, referred to in the foregoing description of electronic data, means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data. This paragraph, (3), does not apply to electronic data which is integrated in and operates or controls the building's elevator, lighting, heating, ventilation, air conditioning or security system.

##### c. Covered Causes Of Loss

The Covered Causes of Loss are those causes of loss against which you customarily require mortgagors to provide insurance policies that protect your "mortgageholder's interest". They do not include:

- (1) Causes of Loss excluded under Section **B**. Exclusions; or
- (2) Losses insured under mortgage guarantee insurance policies or programs, or title, life, health or accident insurance policies.

**d. Coverage Extension – Mortgages Serviced For Others**

We will cover loss arising from mortgages owned by others and serviced by you as if you owned the "mortgageholder's interest" in them. All such mortgages must be serviced under a written contract. We will make loss payment payable jointly to you and the mortgage owner.

**2. Coverage B – Property Owned Or Held In Trust**

We will pay for direct physical loss of or damage to Covered Property caused by or resulting from any Covered Cause of Loss; provided the loss is not otherwise insured due to error or accidental omission, by you or your representative, in the operation of your customary procedure in procuring and maintaining "valid insurance" payable to you as owner or trustee of the Covered Property.

**a. Covered Property**

Covered Property means real and personal property:

- (1) You own; or
- (2) In which you have a fiduciary interest as trustee or otherwise.

**b. Property Not Covered**

Covered Property does not include:

- (1) Accounts, bills, currency, deeds, food stamps or other evidences of debt, money, notes or securities. Lottery tickets held for sale are not securities;
- (2) Land (including land on which the property is located), water, growing crops or lawns (other than lawns which are part of a vegetated roof); or

- (3) Electronic data, meaning information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The term computer programs, referred to in the foregoing description of electronic data, means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data. This paragraph, (3), does not apply to electronic data which is integrated in and operates or controls the building's elevator, lighting, heating, ventilation, air conditioning or security system.

**c. Covered Causes Of Loss**

The Covered Causes of Loss are:

- (1) Fire.
- (2) Lightning.
- (3) Explosion, including the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass. This cause of loss does not include loss or damage by:
  - (a) Rupture, bursting or operation of pressure-relief devices; or
  - (b) Rupture or bursting due to expansion or swelling of the contents of any building or structure, caused by or resulting from water.
- (4) Windstorm or Hail, but not including:
  - (a) Frost or cold weather;
  - (b) Ice (other than hail), snow or sleet, whether driven by wind or not;
  - (c) Loss or damage to the interior of any building or structure, or the property inside the building or structure, caused by rain, snow, sand or dust, whether driven by wind or not, unless the building or structure first sustains wind or hail damage to its roof or walls through which the rain, snow, sand or dust enters; or
  - (d) Loss or damage by hail to lawns, trees, shrubs or plants which are part of a vegetated roof.

(5) Smoke causing sudden and accidental loss or damage. This cause of loss does not include smoke from agricultural smudging or industrial operations.

(6) Aircraft or Vehicles, meaning only physical contact of an aircraft, a spacecraft, a self-propelled missile, a vehicle or an object thrown up by a vehicle with the property or with the building or structure containing the property. This cause of loss includes loss or damage by objects falling from aircraft.

We will not pay for loss or damage caused by or resulting from vehicles you own or operate.

(7) Riot or Civil Commotion, including:

(a) Acts of striking employees while occupying the premises; and

(b) Looting occurring at the time and place of a riot or civil commotion.

(8) Sinkhole Collapse, meaning loss or damage caused by the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or dolomite. This cause of loss does not include:

(a) The cost of filling sinkholes; or

(b) Sinking or collapse of land into man-made underground cavities.

(9) Volcanic Action, meaning direct loss or damage resulting from the eruption of a volcano when the loss or damage is caused by:

(a) Airborne volcanic blast or airborne shock waves;

(b) Ash, dust or particulate matter; or

(c) Lava flow.

With respect to coverage for Volcanic Action as set forth in (9)(a), (9)(b) and (9)(c), all volcanic eruptions that occur within any 168-hour period will constitute a single occurrence.

This cause of loss does not include the cost to remove ash, dust or particulate matter that does not cause direct physical loss or damage to the property.

### 3. Coverage C – Mortgageholder's Liability

We will pay those sums that you become legally obligated to pay as damages due to error or accidental omission in the operation of your customary procedure in processing and maintaining "valid insurance" against the Covered Causes of Loss for the benefit of the mortgagor in amounts, and under conditions, customarily accepted by the mortgagor. We will have the right and duty to defend any "suit" seeking those damages. However, we have no duty to defend you against a "suit" seeking damages to which this insurance does not apply. We may investigate and settle any claim or "suit" at our discretion. But:

(1) The amount we will pay for damages is limited as described in Section C. Limits Of Insurance; and

(2) Our right and duty to defend end when we have used up the Limit of Insurance in the payment of judgments or settlements.

The damages payable under this Coverage Form must arise out of your capacity as a mortgageholder, mortgage fiduciary or mortgage servicing agency.

#### a. Covered Causes Of Loss

The Covered Causes of Loss are those causes of loss against which the mortgagor customarily obtains insurance policies.

They do not include:

(1) Causes of loss excluded under Section B. Exclusions; or

(2) Losses insured under mortgage guarantee insurance policies or programs, or title, life, health or accident insurance policies.

#### b. Additional Coverage – Supplementary Payments

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

(1) All expenses we incur.

(2) The cost of bonds to release attachments, but only for bond amounts within our Limit of Insurance. We do not have to furnish these bonds.

(3) All reasonable expenses incurred by you at our request, including actual loss of earnings up to \$250 a day because of time off from work.

- (4) All costs taxed against you in the "suit".
- (5) Prejudgment interest awarded against you on that part of the judgment we pay. If we make an offer to pay the Limit of Insurance, we will not pay any prejudgment interest based on that period of time after the offer.
- (6) All interest on the full amount of any judgment that accrues after entry of the judgment and before we have paid, offered to pay, or deposited in court the part of the judgment that is within our Limit of Insurance.

These payments will not reduce the applicable Limit of Insurance.

#### c. Coverage Extensions

##### (1) Additional Insureds

If the Named Insured shown in the Declarations is a partnership, limited liability company or corporation, under Coverage C – Mortgageholder's Liability, the words "you" and "your" are extended to include:

- (a) Your partners, members, executive officers, trustees, directors and stockholders of such partnership, limited liability company or corporation, but only with respect to their duties as such; and
- (b) Managers of a limited liability company, but only with respect to their duties as such.

The existence of one or more Additional Insureds does not increase the Limit of Insurance.

##### (2) Newly Acquired Organizations

Under Coverage C – Mortgageholder's Liability, the words "you" and "your" also include any organization (other than a partnership, joint venture or limited liability company) that you acquire or form and over which you maintain ownership or majority interest if there is no other similar insurance available to that organization.

This Coverage Extension ends:

- (a) 90 days after you acquire or form the organization; or
  - (b) At the end of the policy period shown in the Declarations;
- whichever is earlier.

This Extension does not apply to errors or accidental omissions that occurred before you acquired or formed the organization.

#### 4. Coverage D – Real Estate Tax Liability

We will pay for damages for which you are legally liable due to error or accidental omission in paying real estate taxes, as agreed, on behalf of the mortgagor.

#### B. Exclusions

The following exclusions apply to Coverages A, B, C and D.

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

##### a. Ordinance Or Law

The enforcement of or compliance with any ordinance or law:

- (1) Regulating the construction, use or repair of any property; or
- (2) Requiring the tearing down of any property, including the cost of removing its debris.

This exclusion, Ordinance Or Law, applies whether the loss results from:

- (a) An ordinance or law that is enforced even if the property has not been damaged; or
- (b) The increased costs incurred to comply with an ordinance or law in the course of construction, repair, renovation, remodeling or demolition of property, or removal of its debris, following a physical loss to that property.

##### b. Earth Movement

- (1) Earthquake, including tremors and aftershocks and any earth sinking, rising or shifting related to such event;
- (2) Landslide, including any earth sinking, rising or shifting related to such event;
- (3) Mine subsidence, meaning subsidence of a man-made mine, whether or not mining activity has ceased;

- (4) Earth sinking (other than sinkhole collapse), rising or shifting including soil conditions which cause settling, cracking or other disarrangement of foundations or other parts of realty. Soil conditions include contraction, expansion, freezing, thawing, erosion, improperly compacted soil and the action of water under the ground surface.

But if Earth Movement, as described in **b.(1)** through **b.(4)** above, results in fire or explosion, we will pay for the loss or damage caused by that fire or explosion.

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

This exclusion applies regardless of whether any of the above, in Paragraphs (1) through (5), is caused by an act of nature or is otherwise caused.

**c. Governmental Action**

Seizure or destruction of property by order of governmental authority.

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

**d. Nuclear Hazard**

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

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

**e. Utility Services**

The failure of power, communication, water or other utility service supplied to the described premises, however caused, if the failure:

- (1) Originates away from the described premises; or
- (2) Originates at the described premises, but only if such failure involves equipment used to supply the utility service to the described premises from a source away from the described premises.

Failure of any utility service includes lack of sufficient capacity and reduction in supply.

Loss or damage caused by a surge of power is also excluded, if the surge would not have occurred but for an event causing a failure of power.

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

Communication services include, but are not limited to, service relating to Internet access or access to any electronic, cellular or satellite network.

**f. War And Military Action**

- (1) War, including undeclared or civil war;
- (2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
- (3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

**g. Water**

- (1) Flood, surface water, waves (including tidal wave and tsunami), tides, tidal water, overflow of any body of water, or spray from any of these, all whether or not driven by wind (including storm surge);
- (2) Mudslide or mudflow;
- (3) Water that backs up or overflows or is otherwise discharged from a sewer, drain, sump, sump pump or related equipment;
- (4) Water under the ground surface pressing on, or flowing or seeping through:
  - (a) Foundations, walls, floors or paved surfaces;
  - (b) Basements, whether paved or not; or
  - (c) Doors, windows or other openings; or
- (5) Waterborne material carried or otherwise moved by any of the water referred to in Paragraph (1), (3) or (4), or material carried or otherwise moved by mudslide or mudflow.

This exclusion applies regardless of whether any of the above, in Paragraphs (1) through (5), is caused by an act of nature or is otherwise caused. An example of a situation to which this exclusion applies is the situation where a dam, levee, seawall or other boundary or containment system fails in whole or in part, for any reason, to contain the water.

But if any of the above, in Paragraphs (1) through (5), results in fire, explosion or sprinkler leakage, we will pay for the loss or damage caused by that fire, explosion or sprinkler leakage (if sprinkler leakage is a Covered Cause of Loss).

**h. "Fungus", Wet Rot, Dry Rot And Bacteria**

Presence, growth, proliferation, spread or any activity of "fungus", wet or dry rot or bacteria.

But if "fungus", wet or dry rot or bacteria result in a "specified cause of loss", we will pay for the loss or damage caused by that "specified cause of loss".

This exclusion does not apply:

- (1) When "fungus", wet or dry rot or bacteria result from fire or lightning; or
- (2) To the extent that coverage is provided in the Additional Coverage, Limited Coverage For "Fungus", Wet Rot, Dry Rot And Bacteria, with respect to loss or damage by a cause of loss other than fire or lightning.

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

**2. We will not pay for loss or damage caused by or resulting from:**

- a. Discharge, dispersal, seepage, migration, release or escape of "pollutants". If you customarily require mortgagors to provide insurance against causes of loss on a special form basis (covering any cause of loss not excluded or limited in the policy), this exclusion does not apply if the discharge, dispersal, seepage, migration, release or escape is itself caused by any of the "specified causes of loss".

If the discharge, dispersal, seepage, migration, release or escape of "pollutants" results in a "specified cause of loss", we will pay for the loss or damage caused by that "specified cause of loss".

- b. Artificially generated electrical, magnetic or electromagnetic energy that damages, disturbs, disrupts or otherwise interferes with any:

- (1) Electrical or electronic wire, device, appliance, system or network; or
- (2) Device, appliance, system or network utilizing cellular or satellite technology;

For the purpose of this exclusion, electrical, magnetic or electromagnetic energy includes but is not limited to:

- (a) Electrical current, including arcing;
- (b) Electrical charge produced or conducted by a magnetic or electromagnetic field;
- (c) Pulse of electromagnetic energy; or
- (d) Electromagnetic waves or microwaves.

But if fire results, we will pay for the loss or damage caused by that fire.

- c. We will not pay for loss of or damage to lawns, trees, shrubs or plants which are part of a vegetated roof, caused by or resulting from:

- (1) Dampness or dryness of atmosphere or of soil supporting the vegetation;
- (2) Changes in or extremes of temperature;
- (3) Disease;
- (4) Frost or hail; or
- (5) Rain, snow, ice or sleet.

- d. Any event that occurs more than 30 days after you know that an error or accidental omission may have occurred.

- e. Your failure to obtain, maintain or properly handle the following types of insurance policies or programs:

- (1) Title;
- (2) Mortgage guarantee;
- (3) Life; or
- (4) Health or accident.

- f. Neglect of an insured to use all reasonable means to save and preserve property from further damage at and after the time of loss.

3. We will not pay for loss or damage caused by or resulting from any of the following, 3.a. through 3.d. But if an excluded cause of loss that is listed in 3.a. through 3.d. results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

- a. Collapse, including any of the following conditions of property or any part of the property:
  - (1) An abrupt falling down or caving in;
  - (2) Loss of structural integrity, including separation of parts of the property or property in danger of falling down or caving in; or
  - (3) Any cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion, as such condition relates to (1) or (2) above.

This exclusion, a., does not apply:

- (a) To the extent that coverage is provided under the Additional Coverage – Collapse; or
- (b) To collapse caused by one or more of the following:
  - (i) The "specified causes of loss";
  - (ii) Breakage of building glass;
  - (iii) Weight of rain that collects on a roof; or
  - (iv) Weight of people or personal property.
- b. Weather conditions, if weather conditions contribute in any way with a cause or event excluded in Paragraph 1. above to produce the loss or damage.
- c. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.
- d. Faulty, inadequate or defective:
  - (1) Planning, zoning, development, surveying, siting;
  - (2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
  - (3) Materials used in repair, construction, renovation or remodeling; or
  - (4) Maintenance;
 of part or all of any property on or off the described premises.

#### 4. Additional Exclusion

The following provisions apply only to the specified property:

##### Loss Or Damage To Products

We will not pay for loss or damage to any merchandise, goods or other product caused by or resulting from error or omission by any person or entity (including those having possession under an arrangement where work or a portion of the work is outsourced) in any stage of the development, production or use of the product, including planning, testing, processing, packaging, installation, maintenance or repair. This exclusion applies to any effect that compromises the form, substance or quality of the product. But if such error or omission results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

#### C. Limits Of Insurance

The most we will pay under this Coverage Form for all loss arising from one error or accidental omission is the applicable Limit Of Insurance shown in the Declarations, subject to the following additional limitations:

1. Under Coverage **A** – Mortgageholder's Interest, or Coverage **B** – Property Owned Or Held In Trust, we will not pay more than the least of:
  - a. The amount of direct physical loss or damage determined in accordance with the insurance policies that would have covered the loss or damage if no error or accidental omission occurred, less the amount of any other insurance recovery payable to you on the Covered Property;
  - b. The amount that would have been paid to you under insurance policies you would customarily have procured and maintained if the error or accidental omission had not occurred; or
  - c. The amount of your "mortgageholder's interest" under Coverage **A**.
2. Under Coverage **D** – Real Estate Tax Liability, we will not pay more than 15% of the Limit Of Insurance shown in the Declarations as applicable to this Coverage Form, for damages due to error or accidental omission in paying real estate taxes in connection with any single mortgage.

#### **D. Additional Coverage – Collapse**

The coverage provided under this Additional Coverage, Collapse, applies only to an abrupt collapse as described and limited in **D.1.** through **D.6.**

1. For the purpose of this Additional Coverage, Collapse, abrupt collapse means an abrupt falling down or caving in of a building or any part of a building with the result that the building or part of the building cannot be occupied for its intended purpose.
2. We will pay for direct physical loss or damage to Covered Property, caused by abrupt collapse of a building or any part of a building that is insured under this Coverage Form or that contains Covered Property insured under this Coverage Form, if such collapse is caused by one or more of the following:
  - a. Building decay that is hidden from view, unless the presence of such decay is known to a mortgagor prior to collapse;
  - b. Insect or vermin damage that is hidden from view, unless the presence of such damage is known to a mortgagor prior to collapse;
  - c. Use of defective material or methods in construction, remodeling or renovation if the abrupt collapse occurs during the course of the construction, remodeling or renovation; or
  - d. Use of defective material or methods in construction, remodeling or renovation if the abrupt collapse occurs after the construction, remodeling or renovation is complete, but only if the collapse is caused in part by:
    - (1) A cause of loss listed in **2.a.** or **2.b.**;
    - (2) One or more of the "specified causes of loss";
    - (3) Breakage of building glass;
    - (4) Weight of people or personal property; or
    - (5) Weight of rain that collects on a roof.
3. This Additional Coverage, Collapse, does **not** apply to:
  - a. A building or any part of a building that is in danger of falling down or caving in;
  - b. A part of a building that is standing, even if it has separated from another part of the building; or

- c. A building that is standing or any part of a building that is standing, even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

4. If personal property abruptly falls down or caves in and such collapse is **not** the result of abrupt collapse of a building, we will pay for loss or damage to Covered Property caused by such collapse of personal property only if:

- a. The collapse of personal property was caused by a cause of loss listed in **2.a.** through **2.d.**; and

- b. The personal property which collapses is inside a building.

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

5. This Additional Coverage, Collapse, does not apply to personal property that has not abruptly fallen down or caved in, even if the personal property shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

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

7. The term Covered Cause of Loss includes the Additional Coverage, Collapse, as described and limited in **D.1.** through **D.6.**

#### **E. Additional Coverage – Limited Coverage For "Fungus", Wet Rot, Dry Rot And Bacteria**

1. The coverage described in **E.2.** only applies when the "fungus", wet or dry rot or bacteria are the result of one or more of the following causes that occur during the policy period and only if all reasonable means were used to save and preserve the property from further damage at the time of and after that occurrence:

- a. A "specified cause of loss" other than fire or lightning; or

- b. Flood, if the Flood Coverage Endorsement applies to the affected premises.

This Additional Coverage does not apply to lawns, trees, shrubs or plants which are part of a vegetated roof.



2. We will pay for loss or damage by "fungus", wet or dry rot or bacteria. As used in this Limited Coverage, the term loss or damage means:
  - a. Direct physical loss or damage to Covered Property caused by "fungus", wet or dry rot or bacteria, including the cost of removal of the "fungus", wet or dry rot or bacteria;
  - b. The cost to tear out and replace any part of the building or other property as needed to gain access to the "fungus", wet or dry rot or bacteria; and
  - c. The cost of testing performed after removal, repair, replacement or restoration of the damaged property is completed, provided there is a reason to believe that "fungus", wet or dry rot or bacteria are present.
3. The coverage described under **E.2.** of this Limited Coverage is limited to \$15,000. Regardless of the number of claims, this limit is the most we will pay for the total of all loss or damage arising out of all occurrences of "specified causes of loss" (other than fire or lightning) and Flood which take place in a 12-month period (starting with the beginning of the present annual policy period). With respect to a particular occurrence of loss which results in "fungus", wet or dry rot or bacteria, we will not pay more than a total of \$15,000 even if the "fungus", wet or dry rot or bacteria continue to be present or active, or recur, in a later policy period.
4. The coverage provided under this Limited Coverage does not increase the applicable Limit of Insurance on any Covered Property. If a particular occurrence results in loss or damage by "fungus", wet or dry rot or bacteria, and other loss or damage, we will not pay more, for the total of all loss or damage, than the applicable Limit of Insurance on the affected Covered Property.  
  
If there is covered loss or damage to Covered Property, not caused by "fungus", wet or dry rot or bacteria, loss payment will not be limited by the terms of this Limited Coverage, except to the extent that "fungus", wet or dry rot or bacteria cause an increase in the loss. Any such increase in the loss will be subject to the terms of this Limited Coverage.
5. The terms of this Limited Coverage do not increase or reduce the coverage provided under the Additional Coverage, Collapse.

## F. Additional Conditions

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

### 1. Condition Applicable To Coverage A – Mortgageholder's Interest

#### Transfer Of Mortgage – Coverage A

We and all other insurance companies covering a loss, if in agreement, may pay you an amount equal to the outstanding balance on the mortgage, even if that amount is greater than the amount of loss. If so, we and the other insurance companies may demand and receive a full assignment of the mortgage, including all securities held as collateral for the debt, as interests may appear.

### 2. Conditions Applicable To Coverage B – Property Owned Or Held In Trust

#### a. Our Options – Coverage B

In the event of loss or damage covered under Coverage B, at our option, we will either:

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

We will give notice of our intentions within 30 days after we receive the sworn statement of loss.

We will not pay you more than your financial interest in the Covered Property.

#### b. Recovered Property – Coverage B

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

#### c. Time Period – Coverage B

Coverage on each item of Covered Property applies only during the period of time that:

- (1) Begins on the day you acquire the property or your fiduciary interest in it begins; and

(2) Ends on the earlier of:

- (a) 90 days after the date in Paragraph (1) above; or
- (b) The day other insurance on the property is obtained.

**d. Valuation – Coverage B**

We will determine the value of Covered Property in the event of loss or damage at actual cash value as of the time of loss or damage.

**3. Conditions Applicable To Coverage C – Mortgageholder's Liability And Coverage D – Real Estate Tax Liability**

**a. Bankruptcy – Coverages C And D**

Bankruptcy or insolvency of you or your estate will not relieve us of our obligations under Coverages C and D.

**b. Separation Of Insureds – Coverages C And D**

The insurance under Coverages C and D applies separately to you and each additional insured, except with respect to the Limits of Insurance.

**4. Conditions Applicable To All Coverages**

**a. Abandonment**

There can be no abandonment of any property to us.

**b. Appraisal – Coverages A And B Only**

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

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

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

**c. Duties In The Event Of Loss**

**(1) Under Coverages A and B:**

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

- (i) Notify the police if a law may have been broken.
- (ii) Give us prompt notice of the loss or damage once you are aware of it. Include a description of the property involved.

(iii) Take all reasonable steps to protect the Covered Property from further damage, and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the Limit of Insurance. However, we will not pay for any subsequent loss or damage resulting from a cause of loss that is not a Covered Cause of Loss. Also, if feasible, set the damaged property aside and in the best possible order for examination.

(iv) At our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.

(v) As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records.

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

(vi) Send us a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.

- (vii) Cooperate with us in the investigation or settlement of the claim.
  - (b) We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required, about any matter relating to this insurance or the claim, including an insured's books and records. In the event of an examination, an insured's answers must be signed.
- (2) Under Coverages C and D:**
- (a) If a claim is made or "suit" is brought against you, you must see to it that we receive prompt written notice of the claim or "suit".
  - (b) You must:
    - (i) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or "suit";
    - (ii) Authorize us to obtain records and other information;
    - (iii) Cooperate with us in the investigation, settlement or defense of the claim or "suit";
    - (iv) Assist us, upon our request, in the enforcement of any right against any person or organization that may be liable to you because of damage to which this insurance may also apply; and
    - (v) If requested, give us a signed statement of facts containing the information we request to determine our rights and duties under this insurance.
  - (c) You will not, except at your own cost, voluntarily make a payment, assume any obligation, or incur any expense without our consent.

**d. Insurance Under Two Or More Coverages**

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

**e. Legal Action Against Us**

- (1) No one may bring a legal action against us under Coverages A and B unless:
  - (a) There has been full compliance with all of the terms of Coverages A and B; and
  - (b) The action is brought within two years after you discover the error or accidental omission.
- (2) No person or organization has a right under Coverages C and D:
  - (a) To join us as a party or otherwise bring us into a "suit" asking for damages from you; or
  - (b) To sue us on this Coverage Form unless all of its terms have been fully complied with.

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

**f. Liberalization**

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

**g. Loss Payment**

We will pay for covered loss or damage to Covered Property within 30 days after we receive the sworn proof of loss, if you have complied with all of the terms of this Coverage Part and:

- (1) We have reached agreement with you on the amount of loss; or
- (2) An appraisal award has been made.

#### **h. Other Insurance**

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

#### **i. Policy Period, Coverage Territory**

Under this Coverage Form:

- (1)** These coverages only apply to:
  - (a)** Loss or damage; or
  - (b)** Claims or "suits" arising from an event;  
  
that occurs during the policy period shown in the Declarations. The date of error or accidental omission does not have to be within the policy period.
- (2)** We will pay for loss arising from errors or accidental omissions in connection with insurance policies or real estate tax payments on property located in:
  - (a)** The United States of America (including its territories and possessions); and
  - (b)** Puerto Rico.

#### **j. Transfer Of Rights Of Recovery Against Others To Us**

- (1)** Under Coverages **A** and **B**, if any person or organization to or for whom we make payment under this Coverage Form has rights to recover damages from another, those rights are transferred to us to the extent of our payment. That person or organization must do everything necessary to secure our rights and must do nothing after loss to impair them. But you may waive your rights against another party in writing:
  - (a)** Prior to a loss to your Covered Property.

- (b)** After a loss to your Covered Property only if, at time of loss, that party is one of the following:

- (i)** Someone insured by this insurance;
- (ii)** A business firm:
  - i.** Owned or controlled by you; or
  - ii.** That owns or controls you; or
- (iii)** Your tenant.

This will not restrict your insurance.

- (2)** Under Coverages **C** and **D**, if you have rights to recover all or part of any payment we have made under this Coverage Form, those rights are transferred to us. You must do nothing after loss to impair them. At our request, you will bring "suit" or transfer those rights to us and help us enforce them.

#### **k. Vacancy**

We will not pay for any loss or damage if the building where loss or damage occurs, or out of which a claim or "suit" arises, has been vacant for more than 60 days before that loss or damage, or the event that gives rise to the claim or "suit".

A building is vacant unless at least 31% of its total square footage is:

- (1)** Rented to a lessee or sublessee and used by the lessee or sublessee to conduct its customary operations; and/or
- (2)** Used by the building owner to conduct customary operations.

#### **l. Your Duties**

You must make every reasonable effort, with respect to:

- (1)** Coverage **A** – Mortgageholder's Interest, to require, procure and maintain "valid insurance", payable to you as mortgageholder, against the Covered Causes of Loss.
- (2)** Coverage **B** – Property Owned Or Held In Trust, to procure and maintain "valid insurance" against the Covered Causes of Loss in amounts, and under conditions, you customarily require to protect your interest as owner, fiduciary or trustee of the Covered Property.

(3) Coverage C – Mortgageholder's Liability, to maintain "valid insurance" against the Covered Causes of Loss in amounts, and under conditions, customarily accepted by the mortgagor, as agreed.

(4) Coverage D – Real Estate Tax Liability, to promptly pay real estate taxes, if agreed to, on behalf of the mortgagor.

#### **G. Definitions**

1. "Fungus" means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.
2. "Mortgageholder's interest" means your interest, as mortgageholder, in real or personal property, including your interest in any legal fiduciary capacity.
3. "Pollutants" means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.
4. "Specified causes of loss" means the following: fire; lightning; explosion; windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire-extinguishing equipment; sinkhole collapse; volcanic action; falling objects; weight of snow, ice or sleet; water damage. Water damage means accidental discharge or leakage of water or steam as the direct result of the breaking apart or cracking of any part of a system or appliance (other than a sump system including its related equipment and parts) containing water or steam.
5. "Suit" includes an arbitration proceeding to which you must submit or submit with our consent.
6. "Valid insurance" means a valid policy, or other evidence, of insurance.