

COMMERCIAL PROPERTY COVERAGE

Commercial Property Insurance protects a bank's physical assets including buildings, business personal property, and electronic equipment.

FEATURES

- **Covered Property**
 - **Building** (Real Property) covers buildings; completed additions; fences and signs; outdoor fixtures such as retaining walls, pneumatic tubes, vaults, drive-up windows, and night depositories; permanently installed machinery and equipment; antennas and towers; personal property that is used to maintain or service the building; attached or detached ATMs; foundations; and underground pipes, flues, or drains. Limits are as scheduled.
 - **Business Personal Property** (Contents) covers furniture and fixtures, machinery and equipment, other personal property, tenant improvements and betterments, employee tools and equipment used in the business operations, leased property under contract, tenant building glass, signs if not covered under the building coverage. Limits are as scheduled.
 - **Electronic Data Processing** (EDP) covers both hardware and software. Hardware includes mainframe computers, network servers, personal computers and workstations, laptops, notebook PCs, peripheral data processing equipment (including printers, keyboards, monitors and modems), and automatic teller machines. Software includes media, electronic data, programs and applications, proprietary programs. Extension limits provided include \$200,000 On Premises; \$25,000 Business Income and \$25,000 Extra Expense, subject to a combined maximum loss of \$100,000 due to Virus or Hacking; and \$100,000 Off Premises.
 - **Personal Property of Others** covers non-owned personal property in Insured's care, custody or control that is at a scheduled location, in the open or in a vehicle. Limits are \$100,000 via extension and as scheduled.
- **Business Income/Extra Expense**
 - **Business Income** pays for Insured's actual loss of business income sustained as a result of a suspension or slowdown of business operations because of direct damage or destruction to covered property by a covered peril.
 - **Extra Expense** covers the necessary expenses incurred during the restoration period that would not have been incurred but for the direct physical loss or damage to the property.
 - **Business Income/Extra Expense** limits are as scheduled, in addition to a \$10,000 extension limit.
- **Special Causes of Loss** is the industry standard coverage for all risks of direct physical loss, subject to certain exclusions. Typical exclusions include ordinance or law, earth movement (earthquake), governmental action, nuclear hazard, utility services, war and military action, flood, fungus, electrical or magnetic injury, mechanical breakdown, employee dishonesty, etc. Several excluded perils and coverages are available as options or enhancements (described below).
- **Equipment breakdown** (aka "boiler and machinery") protects against breakdowns caused by power surges, motor burnout, boiler malfunction and operator error. Covered equipment includes mechanical and electrical equipment, computers and communication equipment, air conditioning and refrigeration systems, and boilers and pressure vessels. Limits are equal to the combined Property limits for Building, Business Personal Property and Business Income/Extra Expense.

COVERAGE EXTENSIONS

- **Agreed Value** waives any coinsurance requirements for insurance-to-value, paying up to the scheduled policy limits without any potential penalty for underinsurance. Coverage applies to Building, Business Personal Property and Business Income/Extra Expense. *The alternative to Agreed Value coverage is having a coinsurance clause.*
- **Arson, Vandalism or Theft Reward** provides a reward (determined by the Insurer) for information that leads to an arson, vandalism or theft conviction involving a covered loss at a covered location. Limits are the lesser of \$50,000 or 25% of the amount of the covered loss.

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- **Contract penalty** pays up to \$50,000 for contract penalties incurred due to a bank's inability to complete a project, fill an order, or complete a purchase on time because of direct physical loss or damage by a covered cause of loss to covered property.
- **Debris removal** pays the bank's expenses to remove debris of covered property caused by or resulting from a covered cause of loss that occurs during the policy period. The amount paid is 25% of the direct damage loss plus up to an additional \$250,000.
- **Emergency Response Service Charge** covers charges imposed by a fire department or other municipal agency for their services in fighting a fire. Limit is \$50,000.
- **Fire Extinguisher Systems Recharge** pays for the cost to repair or replace—whichever is less—fire extinguishers or fire suppression/extinguishing systems discharged to fight a fire at a covered location or adjacent to a covered location.
- **Leasehold Interest—Consequential Loss** covers the loss suffered by a bank tenant due to the termination of a favorable lease because of damage to the leased premises by a covered cause of loss. Limit is \$50,000.
- **Lock and Key Replacement** pays for the cost of rekeying, repair or replacement—whichever is less—of exterior and interior door locks at a covered location if the door keys are stolen or lost. Limit is \$25,000.
- **Ordinance or Law**
 - **Coverage A: Loss to the Undamaged Portion of a Building** responds when a covered loss triggers the application of ordinance or law, but only a portion of the building is damaged. If the undamaged portion of the building is rendered unusable, or condemned by ordinance, then it must be torn down, resulting in a total loss of the building. The maximum limit for this coverage is the scheduled building limit, since the value of the undamaged portion of the building can never exceed the total value of the building.
 - **Coverage B: Demolition** pays the cost to demolish the undamaged portion of the partially damaged building. (The standard property coverage responds to demolition and debris removal of the damaged portion of the building.) A \$500,000 combined limit applies to Coverages B and C.
 - **Coverage C: Increased Costs of Construction** pays for the recovery of costs related to making the building compliant with current building codes. Older structures that are damaged may need upgraded electrical; heating, ventilating and air conditioning (HVAC); roofing materials, plumbing units, and ADA-compliant upgrades.
 - **Increased Period of Restoration** lengthens the covered period of restoration for Business Income, caused by the enforcement of any ordinance or law.
- **Preservation of Property** covers physical loss or damage to Covered Property while being moved or temporarily stored at another location if it is necessary to move from a scheduled location to preserve it from loss or damage from a covered cause of loss. Coverage is up to 90 days from the time the property is first moved.
- **Pollutant Clean-Up and Removal** pays for expenses to extract pollutants from land or water at a scheduled location if the release of pollutants is caused by or results from a covered cause of loss. Limits are \$50,000 for Building and Business Personal Property and \$25,000 for Business Income/Extra Expense.
- **Temporary Meeting Space Reimbursement** pays for the rental costs of meeting space necessitated by the temporary unavailability of Insured's primary office space due to damage by a covered cause of loss. A \$25,000 per period policy limit applies.
- **Tenant Undamaged Improvement and Betterments** pays for the value of the Insured's undamaged improvements and betterments if their lease is cancelled by the lessor due to a loss to Insured's covered property by a covered cause of loss. Limit is \$50,000.
- **Accounts Receivable** pays for loss of sums owed to the Insured by its customers that are uncollectible because of damage by a covered cause of loss to accounts receivable records. Limits are \$250,000 at a scheduled premises and \$25,000 off premises.

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- **Unscheduled Automatic Teller Machines Off-Premises** pays for damage to ATMs that are not on Insured's premises, such as a standalone ATM in a parking lot, grocery store, etc. Limits are \$100,000 for any one location and \$250,000 for any one occurrence.
- **Exhibitions** pays for loss to Business Personal Property while en route to or from, or temporarily on display, at exhibitions, fairs or trade shows. Limit is \$50,000.
- **Fine Arts** extends the Business Personal Property coverage to include fine arts (property of rarity, historic value or artistic merit), including fine arts of others. Limits are \$50,000 on premises; \$10,000 on exhibit; \$10,000 off premises and \$10,000 in transit.
- **Inflation Guard** automatically increases **Building and Personal Property** limits by 6% during the annual policy period, adjusted quarterly, to account for inflationary increases.
- **Inventory, Appraisals and other Claims Expenses** covers Insured's costs for taking inventories, making appraisals and preparing other documents that are required when loss or damage occurs to covered property. Limit is \$50,000.
- **Newly Acquired or Constructed Property** extends coverage for Buildings, Business Personal Property and Business Income/Extra Expense to include both newly acquired and constructed property at existing or new locations for 180 days. Limits are \$2,000,000 Building; \$1,000,000 Business Personal Property and \$250,000 Business Income. Foreclosed and trust properties are covered up to 30 days for \$250,000 Building and \$100,000 Business Personal Property.
- **Unscheduled locations (other than ATMs)** extends Property coverage to include unscheduled locations, subject to limits of \$250,000 Building; \$250,000 Business Personal Property; and \$100,000 Business Income/Extra Expense.
- **Non-owned detached trailers** covers damage to non-owned trailers used in Insured's business, provided that there is a contractual responsibility to pay for loss or damage to the trailer, and the trailer is not attached to a motor vehicle when the loss occurs. Limit is \$10,000.
- **Outdoor Trees, Shrubs, Plants, Sod and Lawns** covers these items up to \$50,000 limit—but no more than \$10,000 for any one tree, shrub or plant—due to loss by fire, lightning, explosion, riot or civil commotion, aircraft, or vehicles operated by other than the Insured or an employee.
- **Paved Surfaces** extends **Business Personal Property** to include up to \$25,000 for roadways, walks, patios or other paved surfaces, other than bridges.
- **Personal Effects** extends **Business Personal Property** to include personal effects owned by the bank or its employees, subject to a limit of \$50,000. Loss or damage by theft is excluded.
- **Property in Transit** extends **Business Personal Property** to include loss of personal property in transit that is in or on an Insured's vehicle, in the custody of a carrier for hire, or in the custody of an air or rail carrier. Limits are \$100,000 for Business Personal Property and \$50,000 for Business Income.
- **Property Off-Premises** extends **Business Personal Property** to include loss to property while it is away from a scheduled premises, provided it is temporarily at a premises that the bank does not own, lease or operate (such as at a customer's premises or repair facility) or in storage at a leased location. Limit is \$250,000.
- **Miscellaneous Interior Building Property** extends **Business Personal Property** to cover damage to miscellaneous interior building property that the bank is required to insure in its leased area. Limit is \$50,000.
- **Theft Damage to Buildings for Tenants** extends **Business Personal Property** to cover damages caused by or resulting from theft or attempted theft to a building where the bank is a tenant and is contractually responsible for such damages. No sublimit applies.

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- **Utility Services (aka Off Premises Power)** pays for loss caused by an interruption in the water supply, communication supply or power supply services to Insured's premises. The interruption in utility service must result from direct physical loss or damage by a covered cause of loss to that utility service. Limits are \$50,000 for Building and Personal Property combined, and \$100,000 for Business Income.
- **Valuable Papers and Records** extends **Business Personal Property** for loss of or damage to Valuable Papers, defined as inscribed, printed or written documents, manuscripts or records, including abstracts, books, deeds, drawings, films, maps or mortgages. Coverage does not include money, securities or electronic data. Limits are \$250,000 for a scheduled premises and \$25,000 off premises.
- **Worldwide Personal Property** extends **Business Personal Property Coverage** to include up to \$25,000 in limits while such property is located outside the United States, its territories and possessions, including while in transit.
- **Worldwide Laptop Coverage** extends Business Personal Property coverage to apply to the Insured's laptops, notebooks and similar highly portable personal computers, including peripherals and accessories while a) in the Insured's or Insured's employees' possession, b) at a location that the Insured does not own or lease, and c) located outside of the United States, its territories or possessions. Limit is \$25,000.
- **Excess Property Extension Limit (Flex limit)** provides up to \$1,000,000 excess coverage limit that is shared between several coverage extensions. A bank can allocate the limit as needed among the individual shared coverages in the event of a loss. Coverages that are included as part of this shared limit are Emergency Response Service Charge; Business Income/Extra Expense; Leasehold Interest—Consequential Loss; Pollutant Clean-Up and Removal; Tenants Undamaged Improvements and Betterments; Accounts Receivable; Electronic Data Processing; Inventory, Appraisals and Other Claims Expenses; Outdoor Trees, Shrubs, Plants, Sod and Lawns; Personal Effects; Utility Services—Direct Damage; and Valuable Papers and Records.
- **Errors in Description** maintains existing coverage due to an unintentional error in the description of the occupancy or location of the covered property, provided the error is reported as soon as it is discovered.
- **Blanket Limit** is a single limit of insurance that applies over more than one location or more than one category of property coverage (such as Building and Business Personal Property combined) or both. This is in contrast to specific or scheduled limits of insurance which are separate limits that apply to each type of property at each location. A blanket limit is determined by adding together all the individual specific limits. The advantage of a blanket limit is that the entire blanket limit is available for loss to that covered property.
- **Replacement Cost** pays for the cost to repair or replace damaged property with materials of like kind or quality, without any deduction for depreciation. *The alternative to Replacement Cost is Actual Cash Value which is replacement cost less depreciation.*
- **Fungus, Wet Rot, Dry Rot and Bacteria** provides a \$25,000 limited coverage for these causes of loss, including their removal, but only if they are the result of certain specified causes of loss.
- **Sewer/Drain/Sump back-up, Surface Water and Underground Seepage** extends **Building and Business Personal Property** limits to include these causes of loss, with no sublimits.

ADDITIONAL BUSINESS INCOME COVERAGE EXTENSIONS

- **Civil Authority: Business Income** coverage normally requires direct damage to occur at an Insured's premises before coverage is triggered. With Civil Authority coverage, the direct damage must occur to property at other than an Insured's premises where access to Insured's property is prohibited by Civil Authority. The type of loss that causes damage must be a covered cause of loss on the Insured's policy and occur within five miles of Insured's premises. Coverage is provided for up to 30 days after the first action of civil authority that prohibits access.
- **Extended Business Income** extends **Business Income** coverage up to 180 days beyond the date when the damaged property is repaired, to allow extra time to achieve pre-loss earnings levels.

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- **Dependent properties** pays for the loss of income or increase in expenses resulting from damage from a covered cause of loss to the premises of another organization on which the bank depends. For example, a shopping strip center suffers a major fire loss, resulting in the bank losing some of those same customers. The limit is \$50,000.
- **Ingress/Egress** is similar to Civil Authority coverage with a few exceptions:
 - Access to Insured's premises is prevented but does not involve a Civil Authority action,
 - the distance limitation is one mile from Insured's premises instead of five miles, and
 - coverage does not apply for loss due to flood or earthquake, even if listed as covered causes of loss. The limit is \$50,000.
- **Tenant Move Back Expenses** pays up to \$10,000 to cover expenses to move the Insured's tenants back into an insured building that has been temporarily vacated due to untenability caused by a covered cause of loss.

CLAIMS EXAMPLES

- Someone throws a lit cigarette into a trash bin next to the bank's building, causing a fire which spreads to the building, also causing damage to employees' personal items and the bank's computers, which are all covered under **Building and Business Personal Property**.
- A tornado destroys a bank's building. To continue operations while the building is being rebuilt, the bank rents a temporary facility. The building is insured on a replacement cost basis under **Building and Business Personal Property** and the rental costs of the temporary facility are covered under **Business Income/Extra Expense**.
- Due to a heavy rain, water pools in the bank's parking lot, ultimately entering the bank's building and causing damage. The loss is covered under the **Surface Water Extension** in the **Building and Business Personal Property** coverage form, regardless of any flood exclusion.
- Outdated electrical wiring causes a fire, completely destroying the bank's building and everything inside. An adjuster surveys the damage and determines that the building was underinsured. In addition, there was \$400,000 in damage to EDP equipment, a \$300,000 loss to accounts receivable, a \$300,000 loss of valuable papers and an estimated **Business Income/Extra Expense** loss of \$100,000, for a total loss of \$1,100,000. The following applies:
 - **Blanket Agreed Value** eliminates any underinsurance penalty in the claim settlement.
 - The stated loss amounts would exhaust the fixed extension limits of \$200,000 for **Electronic Data Processing**; \$250,000 each for **Valuable Papers** and **Accounts Receivable** and \$10,000 for **Business Income/Extra Expense**, for a total loss payment of \$710,000.
 - The remaining \$390,000 is covered under the \$1,000,000 **Flex Extension limit** that is spread among twelve coverages, including the four impacted by this loss. The bank can allocate this excess coverage as needed to cover the remaining loss amounts.
- A fire destroys 80% of an older building that was properly insured-to-value. The building did not meet current building codes but was grandfathered. Due to extensive damage, a building ordinance required the entire building to be rebuilt in compliance with current building codes. To comply with current building codes, the new building must include upgrades to make the building ADA compliant, thus increasing the replacement cost of the building. The normal time frame to rebuild is six months, but the time frame is increased to eight months due to the required upgrades. The following applies:
 - **The Building limit** responds to the building damage.
 - **Debris Removal** covers the debris removal costs for the damaged portion of the building.
 - **Building Ordinance—Coverage A** covers the loss to the undamaged portion of the building.
 - **Building Ordinance—Coverage B** covers demolition and debris removal costs for the building's undamaged portion.
 - **Building Ordinance—Coverage C** covers the necessary ADA-compliance upgrades.
 - **The Increased Period of Restoration** provision under **Business Income/Extra Expense** covers the additional loss due to the two-month building extension for the compliance upgrades.