

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## WASHINGTON CHANGES

This endorsement modifies insurance provided under the following:  
BUSINESSOWNERS COVERAGE FORM

**A. Section I – Property** is amended as follows:

**1. Paragraphs A.2.a. and h. Property Not Covered** are replaced by the following:

- a. Aircraft, automobiles or motortrucks; and any other vehicle if such vehicle is subject to licensing requirements;
- h. "Computer(s)" which are permanently installed or designed to be permanently installed in any aircraft, watercraft, motortruck or other vehicle subject to licensing requirements. This paragraph does not apply to "computer(s)" while held as "stock".

**2. In the sections titled Covered Causes of Loss or Exclusions, any introductory paragraph preceding an exclusion or list of exclusions is replaced by the following paragraph, which pertains to application of those exclusions:**

We will not pay for loss or damage caused by any of the excluded events described below. Loss or damage will be considered to have been caused by an excluded event if the occurrence of that event:

- a. Directly and solely results in loss or damage; or
- b. Initiates a sequence of events that results in loss or damage, regardless of the nature of any intermediate or final event in that sequence.

**3. In Paragraph B.1.b.(5) Earth Movement Exclusion, the definition of Volcanic Action is replaced by the following:**

**Volcanic Action**

**(5)** Volcanic Action means direct loss or damage resulting from the eruption of a volcano when loss or damage is caused by:

- (a)** Volcanic blast or airborne shock waves; or
- (b)** Ash, dust or particulate matter.

Volcanic Action does not provide coverage for damage to:

- (i)** Land;
- (ii)** Property in the open or in open sheds; or

**(iii)** Portions of buildings not completely enclosed, or personal property contained within those buildings.

All volcanic eruptions that occur within any 168-hour period will constitute a single occurrence.

**2. Removal**

Direct loss includes the cost to:

- a. Remove the **ash**, dust or particulate matter from the interior and exterior surfaces of the covered building; and
- b. Clean **equipment** and stock. If stock cannot be returned to its state before the volcanic eruption, the measure of loss will be the reduction in actual cash value.

Payment for removal applies only to the initial deposit of ash, dust or particulate matter following a volcanic eruption. Subsequent deposits arising from the movements of volcanic dust or ash by wind or other means are not covered.

The following applies to the Business Income and Extra Expense Additional Coverages only: The "period of restoration" arising from the need for removal is the time necessary to remove the matter described with reasonable speed from the Covered Property.

**3. Volcanic Action** does not include loss caused by, resulting from, contributed to or aggravated by:

- a. Fire;
- b. Explosion;
- c. 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); or
- d. Earth movement, including but not limited to earthquake, volcanic eruption, landslide, mine subsidence, lava flow, mudflow, earth sinking, earth rising or shifting.

**4. Paragraph B.1.g. Water Exclusion** is replaced by the following:

- a. 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);
- b. Mudslide or mudflow;
- c. Water that backs up or overflows or is otherwise discharged from a sewer, drain, sump, sump pump or related equipment;
- d. Water under the ground surface pressing on, or flowing or seeping through:
  - (1) Foundations, walls, floors or paved surfaces;
  - (2) Basements, whether paved or not; or
  - (3) Doors, windows or other openings; or
- e. Waterborne material carried or otherwise moved by any of the water referred to in Paragraph a., c. or d., or material carried or otherwise moved by mudslide or mudflow.

This exclusion applies if any of the above, in Paragraphs a. through e.:

- (i) Occurs independently;
- (ii) Is caused by an act of nature;
- (iii) Is caused by an act or omission of humans or animals; or
- (iv) Is attributable to the failure, in whole or in part, of a dam, levee, seawall or other boundary or containment system.

But if any of the above, in Paragraphs a. through e., results in fire, explosion or sprinkler leakage, we will pay for the loss or damage caused by that fire, explosion or sprinkler leakage.

**5. Paragraph B.2.I. Other Types Of Loss**

Exclusion is replaced by the following:

**I. Other Types Of Loss:**

- (1) Wear and tear;
- (2) Rust or other corrosion, decay, deterioration, hidden or latent defect or any quality in property that causes it to damage or destroy itself;
- (3) Smog;
- (4) Settling, cracking, shrinking or expansion;
- (5) Nesting or infestation, or discharge or release of waste products or secretions, by insects, birds, rodents or other animals;
- (6) Mechanical breakdown, including rupture or bursting caused by centrifugal force.  
This exclusion does not apply with respect to breakdown of "computers"; or
- (7) The following causes of loss to personal property:

- (a) Dampness or dryness of atmosphere;
- (b) Changes in or extremes of temperature; or
- (c) Marring or scratching.

But if an excluded cause of loss that is listed in (1) through (7) results in a "specified causes of loss", building glass breakage or collapse, as provided in the Additional Coverage, Collapse results, we will pay for the loss or damage caused by that "specified causes of loss", building glass breakage or collapse.

**6. Paragraph B.3. Exclusions** is replaced by the following:

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

**a. Weather Conditions**

- (1) A weather condition which results in:
  - (a) Landslide, mudslide or mudflow;
  - (b) Mine subsidence; earth sinking, rising or shifting (other than sinkhole collapse);
  - (c) Water, as described in Paragraphs A.4.a. through A.4.e. of this endorsement;

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

- (2) A weather condition which results in the failure of power communication, water or other utility service supplied to the described premises, if the failure:
  - (a) Originates away from the described premises; or
  - (b) 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.

But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

**b. Acts Or Decisions**

Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body. But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

**c. Negligent Work**

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. But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

**7. Paragraph E. Property Loss Conditions** is amended as follows:

- a. The last paragraph of Paragraph 2. **Appraisal** does not apply.
- b. Paragraph 3.a.(1) **Duties In The Event Of Loss Or Damage**, regarding notifying the police if a law may have been broken, does not apply.
- c. **Legal Action Against Us** is replaced by the following:

**Legal Action Against Us**

No one may bring a legal action against us under this insurance unless:

- a. There has been full compliance with all of the terms of this insurance; and
- b. The action is brought within two years after the date on which the direct physical loss or damage occurred.

If this action is brought pursuant to Sec. 3 of RCW 48.30 then 20 days prior to filing such an action, you are required to provide written notice of the basis for the cause of action to us and the Office of the Insurance Commissioner. Such notice may be sent by regular mail, registered mail, or certified mail with return receipt requested.

- d. Paragraphs 5.d.(1)(a)(ii) and 5.d.(1)(a)(iii) **Loss Payment** are replaced by the following:

- (ii) The amount it would cost to replace the damaged item at the time of the loss with new property of similar kind and quality to be used for the same purpose on the same site; or
- (iii) The amount you actually spend in repairing the damage, or replacing the damaged property with new property of similar kind and quality.

**e. Subparagraph 5.d.(5) Loss Payment** is replaced by the following:

**(5) Tenants' Improvements and Betterments** at:

- (a) Replacement cost if you make repairs within a reasonable time after loss;
- (b) A proportion of your original cost if you do not make repairs within a reasonable time after loss. We will determine the proportionate value as follows:
  - (i) Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and
  - (ii) Divide the amount determined in (i) above by the number of days from the installation of improvements to the expiration of the lease.

If your lease contains a renewal option, the expiration of the renewal option period will replace the expiration of the lease in this procedure.

- (c) Nothing if others pay for repairs or replacement.

**8. Paragraph F.2. Mortgageholders** Property General Condition is replaced by the following: Insurance Commissioner's Regulation No. 335/WAC284-21-010 requires that Form 372 (Ed. 11-50) or Form 438 BFU (Ed. 5-42) be endorsed on this policy to replace the **Mortgageholders** Property General Condition.

**9. The following are added to Section I – Property:**

- a. The term actual cash value means:
  - (1) When the damage to property is economically repairable, actual cash value means the cost of repairing the damage, less reasonable deduction for wear and tear, deterioration and obsolescence.
  - (2) When the loss or damage to property creates a total loss, actual cash value means the market value of property in a used condition equal to that of the destroyed property, if reasonably available on the used market.
  - (3) Otherwise, actual cash value means the market value of new, identical or nearly identical property less reasonable deduction for wear and tear, deterioration and obsolescence.

- b. The word "vehicles", as used in Section I – Property, means vehicles running on land or tracks, but not aircraft.

**B. Section II – Liability** is amended as follows:

1. Paragraph **B.1.e. Employer's Liability**

Exclusion applies only to "bodily injury" to "employees" of the insured whose employment is not subject to the Industrial Insurance Act of Washington (Washington Revised Code Title 51).

With respect to "bodily injury" to "employees" of the insured whose employment is subject to the Industrial Insurance Act of Washington, Paragraph **B.1.e. Employer's Liability** is replaced by the following:

**e. Employer's Liability**

- (1) "Bodily injury" to an "employee" of the insured arising out of and in the course of:

- (a) Employment by the insured; or
- (b) Performing duties related to the conduct of the insured's business.

- (2) Any obligation to share damages with or repay someone else who must pay damages because of the injury.

This exclusion does not apply to liability assumed by the insured under an "insured contract".

- 2. Paragraph **C.2.a.(1) Who Is An Insured** applies only to "employees" of the insured whose employment is not subject to the Industrial Insurance Act of Washington (Washington Revised Code Title 51).

With respect to "employees" of the insured whose employment is subject to the Industrial Insurance Act of Washington, Paragraph **C.2.a.(1)** is replaced by the following:

- (1) "Bodily injury" or "personal injury":
  - (a) To you, to your partners or members (if you are a partnership or joint venture), to your members (if you are a limited liability company), or to a co-"employee" while that co-"employee" is either in the course of his or her employment or performing duties related to the conduct of your business; or
  - (b) For which there is any obligation to share damages with or repay someone else who must pay damages because of the injury described in Paragraph (1)(a).

**C. Section III – Common Policy Conditions** is amended as follows:

- 1. Paragraph **A. Cancellation** is replaced by the following:

**A. Cancellation**

- 1. The first Named Insured shown in the Declarations may cancel this policy by notifying us or the insurance producer in one of the following ways:

- a. Written notice by mail, fax or e-mail;
- b. Surrender of the policy or binder; or
- c. Verbal notice.

Upon receipt of such notice, we will cancel this policy or any binder issued as evidence of coverage, effective on the later of the following:

- a. The date on which notice is received or the policy or binder is surrendered; or
- b. The date of cancellation requested by the first Named Insured.

- 2. We may cancel this policy by mailing or **delivering** to the first Named Insured and the first Named Insured's agent or broker written notice of cancellation at least:

- a. Five days before the effective date of cancellation for any structure where two or more of the following conditions exist:
  - (1) Without reasonable explanation, the structure is unoccupied for more than 60 consecutive days, or at least 65% of the rental units are unoccupied for more than 120 consecutive days unless the structure is maintained for seasonal occupancy or is under construction or repair;
  - (2) Without reasonable explanation, progress toward completion of permanent repairs to the structure has not occurred within 60 days after receipt of funds following satisfactory adjustment or adjudication of loss resulting from a fire;
  - (3) Because of its physical condition, the structure is in danger of collapse;
  - (4) Because of its physical condition, a vacation or demolition order has been issued for the structure, or it has been declared unsafe in accordance with applicable law;
  - (5) Fixed and salvageable items have been removed from the structure, indicating an intent to vacate the structure;
  - (6) Without reasonable explanation, heat, water, sewer, and electricity are not furnished for the structure for 60 consecutive days; or
  - (7) The structure is not maintained in substantial compliance with fire, safety and building codes.

- b. 10 days before the effective date of cancellation if we cancel for nonpayment of premium.
  - c. 45 days before the effective date of cancellation if we cancel for any other reason.
3. We will mail or deliver our notice stating the actual reason for cancellation to the first Named Insured **and** the first Named Insured's agent or broker at their last mailing addresses known to us.
  4. We will also mail or deliver to any **mortgageholder**, pledgee or other person shown in this **policy** to have an interest in any loss which may occur under this policy, at their last mailing address known to us, written notice of cancellation prior to the effective date of cancellation. If cancellation is for reasons other than those contained in Paragraph **A.2.a.** above, this notice will be the same as that mailed or delivered to the first Named Insured. If cancellation is for a reason contained in Paragraph **A.2.a.** above, we will mail or deliver this notice at least 20 days prior to the effective date of cancellation.
  5. **Notice** of cancellation will state the effective date of cancellation. The policy period will end on that date.
  6. If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the **refund** will be pro rata. If the first Named Insured cancels, the refund will be at least 90% of the pro rata refund. The cancellation will be effective even if we have not made or offered a refund.
  7. If notice is mailed, proof of mailing will be sufficient proof of notice.
2. **Paragraph H.1. Other Insurance** is replaced by the following:
    1. With respect to insurance provided under Section I – Property:
      - a. You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this policy. 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 policy bears to the limits of insurance of all insurance covering on the same basis.
      - b. If there is other insurance covering the same loss or damage, other than that described in **a.** 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.

3. **Paragraph I.3. Premiums** is replaced by the **following**:

3. The premium must be:
  - a. Paid to us prior to the anniversary date; and
  - b. Determined in accordance with Paragraph **2.** above.

Our forms then in effect will apply. If you do not pay the continuation premium, this policy will expire on the first anniversary date that we have not received the premium.

4. The following paragraph is added:

**M. Nonrenewal**

- a. We may elect not to renew this policy by mailing or delivering written notice of nonrenewal, stating the reasons for nonrenewal, to the first Named Insured and the first Named Insured's agent or broker, at their last mailing addresses known to us. We will also mail to any mortgageholder, pledgee or other person shown in this policy to have an interest in any loss which may occur under this policy, at their last mailing address known to us, written notice of nonrenewal. We will mail or deliver these notices at least 45 days before the:
  - (1) Expiration of the policy; or
  - (2) Anniversary date of this policy if this policy has been written for a term of more than one year.

If notice is mailed, proof of mailing will be sufficient proof of notice.

Otherwise, we will renew this policy unless:

- (1) The first Named Insured fails to pay the renewal premium after we have expressed our willingness to renew, including a statement of the renewal premium, to the first Named Insured and the first Named Insured's insurance agent or broker, at least 20 days before the expiration date;
- (2) Other coverage acceptable to the insured has been procured prior to the expiration date of the policy; or
- (3) The policy clearly states that it is not renewable, and is for a specific line, subclassification, or type of coverage that is not offered on a renewable basis.