



Community Association Underwriters of America, Inc.

December 15, 2008

Birgitte Etlersa
Cherry Hill Townhomes Homeowners Association
1102 W. Peoria Avenue, #22
Phoenix, AZ 85029

Re: **Policy Date: January 01, 2009**
CAU Account # 23957
Policy # CAU213641-3

Dear Birgitte,

We are pleased to enclose the association's package policy which is written for a one year term.

We are also including a sample certificate of insurance for this association. The certificate includes basic policy coverage information. You may wish to use this in your resale packages or as a quick coverage reference. Unit owners requesting certificates of insurance should be directed to the CAU website at www.cauinsure.com. Then simply click on "Certificates of Insurance" and follow the prompts. Certificates can also be ordered by calling 267-757-7110 and following the directions on the recording. Certificates can be ordered 24 hours a day, seven days a week.

Please take a moment now to review the following items:

- To assist you with the communication of insurance information to the members of your community, you will find a "**Unit Owners Fact Sheet**". This fact sheet includes a general description of the association's coverage, information about filing claims and instructions for ordering certificates of insurance. We recommend that this document be distributed to all of the unit owners in your community.
- The "**Environmental Impairment Liability**" brochure describes the type of protection provided by this coverage.
- Our "**Whom to Call**" directory provides the contact information for our accounting, claims and customer service representatives.

The limits of liability chosen by the association were based upon considerations of cost and risk factors. Please notify us in writing if you desire any changes or increases in these limits.

Please contact us if you have any questions regarding your policy or these documents. Thank you for choosing CAU as your insurance provider.

Sincerely,

A handwritten signature in dark ink that reads "Dawn M. Darvas". The signature is written in a cursive, flowing style.

Dawn Darvas
Account Executive

cc: Robert W. Chandley, CIRMS

Enc.



Community Association Underwriters of America, Inc.

CERTIFICATE OF INSURANCE REQUEST FORM

To obtain a Certificate of Insurance, please complete the information below.

Your request can be faxed to 267-757-7410, e-mailed to certs@cauinsure.com, or visit our website for processing at www.cauinsure.com.

Requests are processed in a timely manner and mailed directly to the Mortgage Holder, unless forwarding instructions are provided below.

ASSOCIATION/COMPLEX NAME:

UNIT OWNER/SHAREHOLDER:

(as they appear on mortgage loan, including middle names or initials)

COMPLETE UNIT ADDRESS:

(street name, unit #, city, state and zip code)

MORTGAGE LOAN NUMBER: _____

MORTGAGE/CERTIFICATE HOLDER:

(as should appear on the Certificate of Insurance; including address)

Forwarding instructions:

Company Name: _____

Attention: _____

Company Address: _____

Phone Number: _____

**By providing CAU with a Fax Number and/or E-mail Address,
you will be invoiced \$20.00 for expedited service.**

Fax Number: _____

E-Mail Address: _____

Cherry Hill Townhomes Homeowners Association

Welcome to CAU's association master insurance program. This two-page fact sheet is designed to assist you in:

- **Purchasing your own insurance**
- **Filing claims**
- **Ordering certificates of insurance**

Key information regarding the association's master policy:

1. The common elements, limited common elements and units are covered.
2. Units are covered based on original condominium plans and specifications. For example, fixtures, cabinets, floor coverings and appliances should be repaired or replaced with new items of like kind and quality to those originally installed. Upgrades are not covered. This includes, but is not limited to, upgraded carpeting, cabinets, appliances, wall coverings, finished basements, built-in bookshelves and other permanently installed fixtures.
3. The covered causes of loss include: fire, lightning, windstorm, hail, explosion, riot, aircraft and vehicle damage, smoke, vandalism, falling objects, weight of ice, snow or sleet, collapse, sudden and immediate water escape or overflow from plumbing or appliances, frozen pipes, and convector units.
4. No coverage is provided for wear and tear, deterioration, damage by insects or animals, settling or cracking of foundation, walls, basements or roofs. There is no coverage for damage caused by continuous or repeated leakage or seepage from appliances or plumbing. This includes, but is not limited to, leaking from around the shower, bathtub, toilet or sink. These events are properly classified as maintenance items.

Key information regarding unit owner's insurance needs:

1. You need a condominium owner's policy, also known as an HO-6, to pick up coverage for your personal property, furniture, additional living expenses (in the event your unit is uninhabitable due to a covered claim), all upgrades, improvements and betterments and personal liability.

In older communities, it may be difficult to differentiate between the original specifications of your unit and subsequent improvements that were made. If original plans and specifications can not be determined, local builders' grade is used to adjust a claim. In cases where you are uncertain about your needs, consult with your personal insurance agent about adding an estimated amount of insurance coverage to your HO-6 policy.

2. The association master policy carries a deductible. In the event of a claim, the association may seek to recover the deductible from unit owners involved in the claim. Your obligation to pay the deductible may be offset by your HO-6, subject to your own deductible, if you add building coverage. Ask your personal insurance agent.

Note: This fact sheet is intended to provide a brief summary of insurance issues. In all cases, the declarations, terms, conditions and exclusions of the actual policy will apply.

Cherry Hill Townhomes Homeowners Association

Claims

If you have a claim, notify your association's management company or designated board member and your own homeowners insurance carrier. Claims that involve your personal property, furniture and upgrades must be submitted to your homeowners insurance carrier.

Claim payments under this policy are made to your board of directors as insurance trustee.

Certificates of Insurance

Certificates of insurance may be requested by calling (800) 228-1930, Ext. 7110 or by visiting our website at www.cauinsure.com.

If your mortgage holder sends you a written request, please send a copy to us:

**Certificate Department
Community Association Underwriters
2 Caufield Place
Newtown, PA 18940**

Requests can also be faxed to us at (267) 757-7410.

We appreciate your association's business, and we are committed to providing you and your community with prompt and professional service. Please call our customer service department at 800-228-1930, if we can be of further assistance.

Note: This fact sheet is intended to provide a brief summary of insurance issues. In all cases, the declarations, terms, conditions and exclusions of the actual policy will apply.



WHOM TO CALL

Call us toll free at **(800) 228-1930** or use our direct dial phone numbers. To expedite your call, please have your CAU account number or policy number available.

YOUR CUSTOMER SERVICE CONTACT

All service requests, such as change requests and coverage inquiries should be directed to our customer service representatives.

Dawn Darvas **Extension: 7149** **Direct Dial: (267) 757-7149** **Fax: (267) 757-7449**
Email: ddarvas@cauinsure.com

CLAIMS REPORTING

To report a claim, please contact the CAU claims department.

Extension: 7131 **Direct Dial: (267) 757-7131**
Extension: 7128 **Direct Dial: (267) 757-7128** **Fax: (267) 757-7424**
Email: dclaims@cauinsure.com

CERTIFICATES OF INSURANCE

Ways unit owners can obtain certificates of insurance:

1. Go to our web site at: www.cauinsure.com. Click the "Certificates of Insurance" button and follow the prompts.
2. Complete the CAU Certificate of Insurance Request Form which can be found in your policy packet or call (267) 757-7110 for instructions on how to obtain this form. Send the completed form to CAU in one of the following ways:
 - Fax the CAU Certificate of Insurance Request Form to:
(267) 757-7410
 - Mail the CAU Certificate of Insurance Request Form to:
Certificate Department – CAU, 2 Caufield Place, Newtown, PA 18940

Online and faxed certificate of insurance requests are processed within 24 business hours.

BILLING INQUIRIES

All questions about your payment plan or invoices should be directed to our accounting department.

Dolly Cell **Extension: 7122** **Direct Dial: (267) 757-7122** **Fax: (267) 757-7422**
Email: dcell@cauinsure.com

Anne Tomeo **Extension: 7199** **Direct Dial: (267) 757-7199** **Fax: (267) 757-7499**
Email: atomeo@cauinsure.com

YOUR LOCAL OFFICE

Please direct inquiries pertaining to new or renewal policies or additional coverage to your local office.

Robert W. Chandley **Phone: (800) 228-1930** **Fax: (480) 443-0836**
Email: rchandley@cauinsure.com



Notice to Policyholders

Broadenings and Restrictions Of Terrorism Coverage

This Notice has been prepared in conjunction with the implementation of changes related to coverage of terrorism under your policy. It contains a brief synopsis of significant exclusionary provisions and limitations.

This Notice does **not** form a part of your insurance contract. The Notice is designed to alert you to coverage restrictions and to other provisions in the terrorism endorsement in this policy. If there is any conflict between this Notice and the policy (including its endorsements), the provisions of the policy (including its endorsements) apply.

Carefully read your policy, including the endorsements attached to your policy.

CHANGE IN THE DEFINITION OF CERTIFIED ACTS OF TERRORISM

Under the federal Terrorism Risk Insurance Program Reauthorization Act of 2007, the definition of “certified acts of terrorism” no longer requires that the act of terrorism be committed by or on behalf of a foreign interest. Therefore, coverage for, or an exclusion for, “certified acts of terrorism” is no longer limited to an act of terrorism committed by or on behalf of a foreign interest. For example, the definition of “certified acts of terrorism” now includes an act committed against the United States government by a United States citizen, when the act is determined by the federal government to be a “certified act of terrorism” under the terms of the federal Terrorism Risk Insurance Program.

YOUR PREVIOUS POLICY

When your previous policy includes CAU 1930 11 02 - Cap On Losses From “Certified Acts Of Terrorism”:

This policy does not contain a terrorism exclusion. However, the policy contains an endorsement under which coverage for “certified acts of terrorism” (which is more fully defined in the endorsement but involves acts of terrorism by or on behalf of a foreign interest) is subject to a limit on our liability pursuant to the federal Terrorism Risk Insurance Act. Further, the absence of a terrorism exclusion does not create coverage for any loss, injury or damage that would otherwise be excluded under the policy, such as property losses excluded by the nuclear hazard or war exclusions or liability losses excluded by the war liability exclusion.

When your previous policy includes CAU 1980 11 02 - Exclusion Of “Certified Acts Of Terrorism” And “Other Acts Of Terrorism”; Coverage For Certain Fire Losses, or CAU 1981 11 02 - Exclusion Of “Certified Acts Of Terrorism” And “Other Acts Of Terrorism”:

The terrorism endorsement in this policy makes a distinction between “certified acts of terrorism” (which is more fully defined in the endorsement, but involves acts of terrorism that are committed by or on behalf of a foreign interest and general aggregate losses in excess of \$5 million) and “other acts of terrorism”. Both types of terrorism are excluded from coverage but the exclusions are subject to different terms and conditions. The exclusion of “certified acts of terrorism” relates to criteria in the federal Terrorism Risk Insurance Act.

The exclusion, under property insurance, of coverage for “other acts of terrorism” (terrorist acts other than certified acts) applies only if aggregate insured losses from the event exceed \$25 million, or if the event involves biological or chemical materials under certain circumstances. With respect to “certified acts of terrorism” and “other acts of terrorism”, policy exclusions (for example, the nuclear hazard and war exclusions) and other policy provisions continue to apply.

The endorsement in this policy also excludes, under liability insurance, coverage for “other acts of terrorism” (terrorist acts other than certified acts) but such exclusion applies only if:

- 1) Aggregate losses from the event exceed \$25 million; or
- 2) Fifty or more persons sustain death or physical injury; or
- 3) If the event qualified as a nuclear event; or
- 4) If the event qualified under certain circumstances as a biological or chemical event.

With respect to “certified acts of terrorism” and “other acts of terrorism”, policy exclusions (for example, the war liability exclusion) and other policy provisions continue to apply.

When your previous policy includes CAU 1980, the following also applies: The terrorism exclusion does not restrict fire coverage under property insurance due to a statutory requirement in this state. Therefore, losses attributable to fire following an act of terrorism, if otherwise covered, remain covered under such insurance.

When your previous policy includes CAU 1982 11 02 - Exclusion Of “Certified Acts Of Terrorism”; Coverage For Certain Fire Losses:

This policy contains an endorsement excluding coverage for “certified acts of terrorism”, which is more fully defined in the endorsement but involves acts of terrorism by or on behalf of a foreign interest.

The terrorism exclusion does not restrict fire coverage under the property insurance due to a statutory requirement in this state. Therefore, losses attributable to fire following an act of terrorism, if otherwise covered, remain covered under such insurance.

YOUR RENEWAL POLICY

When your renewal policy includes CAU 1930 03 08 – Cap On Losses From “Certified Acts Of Terrorism”:

- This policy does not contain a terrorism exclusion. However, the policy contains an endorsement under which coverage for “certified acts of terrorism” (which is more fully defined in the endorsement but involves acts of terrorism certified as such under the federal Terrorism Risk Insurance Program) is subject to a limit on our liability and the liability of the federal government pursuant to the federal Terrorism Risk Insurance Act, as outlined below. Further, the absence of a terrorism exclusion does not create coverage for any loss that would otherwise be excluded under the policy, such as losses excluded by the nuclear hazard and war exclusions. Refer to the terrorism endorsement for the definition of “certified acts of terrorism”. Refer to the endorsement, and to the rest of the insurance contract, for provisions that govern coverage for, or that exclude coverage for, losses arising from terrorism.
- Information On Limitations On Federal And Insurer Liability: The federal government may participate in paying for some of the losses from a “certified act of terrorism”. However, if aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a Program Year (January 1 through December 31), the Treasury shall not make any payment for any portion of the amount of such losses that exceeds \$100 billion. Further, this coverage is subject to a limit on our liability pursuant to the federal law, that is, if aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a Program Year (January 1 through December 31) and we have met our insurer deductible under the Terrorism Risk Insurance Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion. In such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

When your renewal policy includes CAU 1981 03 08 – Exclusion Of “Certified Acts Of Terrorism” or CAU 1980 03 08 – Exclusion Of “Certified Acts Of Terrorism”; Coverage For Certain Fire Losses:

This policy contains an endorsement excluding coverage for “certified acts of terrorism”, which is more fully defined in the endorsement but involves acts of terrorism certified as such under the federal Terrorism Risk Insurance Program. Refer to the terrorism endorsement for the definition of “certified acts of terrorism.” Refer to the endorsement, and to the rest of the insurance contract, for provisions that govern coverage for, or that exclude coverage for, losses arising from terrorism.

When your renewal policy includes CAU 1980, the following also applies: The terrorism exclusion does not restrict fire coverage under property insurance due to a statutory requirement. Therefore, losses attributable to fire following an act of terrorism, if otherwise covered, remain covered under your insurance. Such coverage is subject to all policy exclusions (for example, the nuclear hazard and war exclusions) and other policy provisions. The federal government may participate in paying for some of the losses for fire following a “certified act of terrorism”. However, if aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a Program Year (January 1 through December 31), the Treasury shall not make any payment for any portion of the amount of such losses that exceeds \$100 billion. Further, this coverage is subject to a limit on our liability pursuant to the federal law, that is, if aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a Program Year (January 1 through December 31) and we have met our insurer deductible under the Terrorism Risk Insurance Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion. In such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.



Member of the QBE Insurance Group

Homeowners Association Policy

■ Declarations

POLICY PERIOD

FROM: 01/01/2009 TO: 01/01/2010

12:01 A.M. Standard Time at your mailing address

POLICY NUMBER:

CAU213641-3

ANNUAL PREMIUM:

\$4,061.00

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE STATED IN THIS POLICY.

NAMED INSURED

Cherry Hill Townhomes Homeowners Association

MAILING ADDRESS

**1102 W. Peoria Avenue, #22
Phoenix, AZ 85029**

■ Directory of Declarations

DECLARATIONS TITLE

PAGE NO.

POLICY DECLARATIONS

1

DESCRIPTION OF PREMISES DECLARATIONS

2

PROPERTY DIRECT COVERAGES DECLARATIONS

3, 4

PROPERTY CONSEQUENTIAL COVERAGES DECLARATIONS

5

PROPERTY ADDITIONAL CAUSES OF LOSS DECLARATIONS

6

PROPERTY SUPPLEMENTARY PAYMENTS DECLARATIONS

6

EARTHQUAKE AND "VOLCANIC ERUPTION" DECLARATIONS

6

LIABILITY COVERAGE DECLARATIONS

7

DIRECTORS AND OFFICERS LIABILITY COVERAGE DECLARATIONS

8

ENVIRONMENTAL IMPAIRMENT LIABILITY COVERAGE DECLARATIONS

9

AMENDATORY DECLARATIONS

10

Community Association Underwriters Of America

7418 East Helm Drive

Scottsdale, AZ 85260

COUNTERSIGNED

BY

(DATE)

(AUTHORIZED REPRESENTATIVE)



Community Association Underwriters of America, Inc.

2 Caufield Place, Newtown, PA 18940

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This signature page replaces the Signature Page which is a part of the following policies:

- CAU 1000 – Condominium Association Insurance Policy
- CAU 1010 – Cooperative Apartment Insurance Policy
- CAU 1020 – Homeowners Association Insurance Policy
- CAU 1030 – Office Condominium Association Insurance Policy

SIGNATURE PAGE

YOUR COMPLETE POLICY CONSISTS OF THE POLICY JACKET WITH THE COVERAGE FORM, DECLARATIONS AND ENDORSEMENTS, IF ANY.

In Witness Whereof, QBE Insurance Corporations has caused this policy to be executed and attested, and, if required by state law, this policy shall not be valid unless countersigned by a duly authorized representative of QBE Insurance Corporation.



Peter T. Maloney
Secretary



Susan Rivera
President

■ Declarations

Coverage is provided for four two -story frame homeowners association buildings containing twenty one residential units. The premises is located at 1102 W. Peoria Ave., Units 1-21, Phoenix, Maricopa County, AZ 85029.

INSURANCE TRUSTEE

Property Coverage

■ Declarations

(#) WHERE SHOWN ON THE DECLARATIONS REFER TO POLICY PAGE NUMBERS

VALUATION (15)

A/C	MEANS ACTUAL COST (16)	G/R/C	MEANS GUARANTEED REPLACEMENT COST (15)
A/C/V	MEANS ACTUAL CASH VALUE (15)	I/R/C	MEANS INCREASED REPLACEMENT COST (15)
A/L/S	MEANS ACTUAL LOSS SUSTAINED (16)	M/V	MEANS MARKET VALUE (16)
A/V	MEANS APPRAISED VALUE (16)	R/C	MEANS REPLACEMENT COST (15)
F/V	MEANS FACE VALUE (16)		

PROPERTY DIRECT COVERAGES DECLARATIONS

COVERAGE	LIMIT OF INSURANCE	VALUATION	DEDUCTIBLE
BUILDINGS AND STRUCTURES (1) RESIDENTIAL BUILDINGS (1)	Guaranteed Replacement Cost	G/R/C	\$2,500
OTHER BUILDINGS (1)	Guaranteed Replacement Cost	G/R/C	\$2,500
STRUCTURES (1)	Guaranteed Replacement Cost	G/R/C	\$2,500
"UNITS" (1) ORIGINAL SPECIFICATIONS (1)	Guaranteed Replacement Cost	G/R/C	\$2,500
ADDITIONAL INSTALLATIONS (1)	NONE		
COMMUNITY PERSONAL PROPERTY (2)	Guaranteed Replacement Cost	G/R/C	\$2,500
STRUCTURAL GLASS AND SIGNS (2)	Guaranteed Replacement Cost	G/R/C	\$1,000
BRIDGES, BULKHEADS, DOCKS, PIERS, RETAINING WALLS, WHARVES (2)	\$10,000	R/C	\$500
SATELLITE DISHES AND ANTENNAS (2)	\$10,000	R/C	\$500
NATURAL PROPERTY (2) Maximum per tree, plant, shrub or lawn	\$10,000 \$500	R/C R/C	\$0 \$0
NEWLY ACQUIRED OR CONSTRUCTED PROPERTY (2)			
NEWLY ACQUIRED BUILDINGS AND STRUCTURES (2)	\$250,000	R/C	\$2,500
NEWLY CONSTRUCTED BUILDINGS AND STRUCTURES (2)	\$250,000	R/C	\$2,500

Property Coverage

■ Declarations

(#) WHERE SHOWN ON THE DECLARATIONS REFER TO POLICY PAGE NUMBERS

VALUATION (15)

A/C	MEANS ACTUAL COST (16)	G/R/C	MEANS GUARANTEED REPLACEMENT COST (15)
A/C/V	MEANS ACTUAL CASH VALUE (15)	I/R/C	MEANS INCREASED REPLACEMENT COST (15)
A/L/S	MEANS ACTUAL LOSS SUSTAINED (16)	M/V	MEANS MARKET VALUE (16)
A/V	MEANS APPRAISED VALUE (16)	R/C	MEANS REPLACEMENT COST (15)
F/V	MEANS FACE VALUE (16)		

PROPERTY DIRECT COVERAGES DECLARATIONS

COVERAGE	LIMIT OF INSURANCE	VALUATION	DEDUCTIBLE
NEWLY ACQUIRED COMMUNITY PERSONAL PROPERTY (2)	\$250,000	R/C	\$2,500
"MONEY" AND "SECURITIES" (3)	\$15,000	F/V, M/V	\$0
COMPUTER EQUIPMENT, "MEDIA" AND SUPPLIES (3)	\$25,000	R/C	\$500
PAPERS, RECEIVABLES AND RECORDS (3)	\$10,000	A/C	\$0
"FINE ARTS" (3)	\$15,000	A/V	\$500
"PERSONAL EFFECTS" (3)			
Per Person	\$5,000	A/C/V	\$0
Per Occurrence	\$15,000	A/C/V	\$0
PERSONAL PROPERTY OF OTHERS (3)			
Per Person	\$5,000	A/C/V	\$0
Per Occurrence	\$15,000	A/C/V	\$0
ELEVATOR COLLISION (3)	\$100,000	R/C	\$0
OFF "PREMISES" (3)	\$25,000	R/C	\$2,500
IN TRANSIT (3)	\$25,000	R/C	\$2,500
"RATABLE LIMIT" (56)	\$3,300,000		

Property Coverage

■ Declarations

(#) WHERE SHOWN ON THE DECLARATIONS REFER TO POLICY PAGE NUMBERS

VALUATION (15)

A/C	MEANS ACTUAL COST (16)	G/R/C	MEANS GUARANTEED REPLACEMENT COST (15)
A/C/V	MEANS ACTUAL CASH VALUE (15)	I/R/C	MEANS INCREASED REPLACEMENT COST (15)
A/L/S	MEANS ACTUAL LOSS SUSTAINED (16)	M/V	MEANS MARKET VALUE (16)
A/V	MEANS APPRAISED VALUE (16)	R/C	MEANS REPLACEMENT COST (15)
F/V	MEANS FACE VALUE (16)		

PROPERTY CONSEQUENTIAL COVERAGE DECLARATIONS

COVERAGE	LIMIT OF INSURANCE	VALUATION	DEDUCTIBLE
MAINTENANCE FEES AND ASSESSMENTS (4)	FULL	A/L/S	\$0
COMMUNITY INCOME (4)	FULL	A/L/S	\$0
EXTRA EXPENSE (4)	FULL	A/C	\$0
ACCOUNTS RECEIVABLE EXPENSES (4)	FULL	A/L/S	\$0
"MEDIA" COSTS (4)	\$25,000	A/C	\$0
"VALUABLE PAPERS AND RECORDS" COSTS (4)	\$25,000	A/C	\$0
ORDINANCE OR LAW COVERAGE (5)			
COVERAGE FOR LOSS TO THE UNDAMAGED PORTION OF THE BUILDING (5)	Guaranteed Replacement Cost	G/R/C	\$2,500
DEMOLITION COST COVERAGE (5)	\$250,000	A/C	\$2,500
INCREASED COST OF CONSTRUCTION COVERAGE (5)	\$250,000	I/R/C	\$2,500
INCREASED PERIOD OF RESTORATION COVERAGE (5)	FULL	A/L/S, A/C	\$0
REMOVAL COVERAGES (5)			
DEBRIS REMOVAL (5)	\$250,000	A/C	\$0
PROPERTY REMOVAL (5)	\$250,000	R/C	\$0
REMOVAL OF FALLEN TREES (5)	\$10,000	R/C	\$0
Maximum per tree, plant, shrub or lawn	\$500	R/C	\$0

Property Coverage

■ Declarations

(#) WHERE SHOWN ON THE DECLARATIONS REFER TO POLICY PAGE NUMBERS

VALUATION (15)

A/C	MEANS ACTUAL COST (16)	G/R/C	MEANS GUARANTEED REPLACEMENT COST (15)
A/C/V	MEANS ACTUAL CASH VALUE (15)	I/R/C	MEANS INCREASED REPLACEMENT COST (15)
A/L/S	MEANS ACTUAL LOSS SUSTAINED (16)	M/V	MEANS MARKET VALUE (16)
A/V	MEANS APPRAISED VALUE (16)	R/C	MEANS REPLACEMENT COST (15)
F/V	MEANS FACE VALUE (16)		

PROPERTY ADDITIONAL CAUSES OF LOSS COVERAGE DECLARATIONS

COVERAGE	LIMIT OF INSURANCE	VALUATION	DEDUCTIBLE
WORLDWIDE CRIME COVERAGES (11)			
"EMPLOYEE DISHONESTY" (11)	\$50,000	A/C	\$0
"COMPUTER FRAUD" (11)	\$50,000	A/C	\$0
"DEPOSITORS FORGERY" (11)	\$50,000	A/C	\$0

PROPERTY SUPPLEMENTARY PAYMENTS DECLARATIONS

COVERAGE	LIMIT OF INSURANCE	VALUATION	DEDUCTIBLE
ARSON, VANDALISM, AND DELIBERATE AND MALICIOUS ACTS REWARD (11)	\$5,000	10% of Paid Claim	\$0
FIRE DEPARTMENT SERVICE CHARGES (11)	NONE		
FIRE EXTINGUISHER RECHARGE (11)	\$1,000	A/C	\$0
"POLLUTANT" CLEAN UP AND REMOVAL (11)	\$25,000 Per 12 month Period	A/C	\$0

EARTHQUAKE AND "VOLCANIC ERUPTION" DECLARATIONS

(#) WHERE SHOWN ON THE DECLARATIONS REFER TO EARTHQUAKE AND "VOLCANIC ERUPTION" COVERAGE PART PAGE NUMBERS

COVERAGE	LIMIT OF INSURANCE	VALUATION	DEDUCTIBLE
EARTHQUAKE AND "VOLCANIC ERUPTION" (1)	NONE		

Liability Coverage

■ Declarations

(#) WHERE SHOWN ON THE DECLARATIONS REFER TO POLICY PAGE NUMBERS

COVERAGE	LIMIT OF INSURANCE	TYPE OF LIMIT
"BODILY INJURY" AND "PROPERTY DAMAGE" (20)	\$1,000,000	"OCCURRENCE"
"PERSONAL INJURY" AND "ADVERTISING INJURY" (20)	\$1,000,000	"OFFENSE"
"HIRED AUTO" AND "NONOWNED AUTO" (20)	\$1,000,000	"OCCURRENCE"
PROPERTY DAMAGE LEGAL LIABILITY - REAL PROPERTY (21)	\$1,000,000	"OCCURRENCE"
GARAGE AND PARKING AREA LEGAL LIABILITY (21)	DEDUCTIBLE	
Comprehensive Coverage (21)	\$500	\$25,000
Collision Coverage (21)	\$500	\$25,000
MEDICAL PAYMENTS (21)	\$5,000	"OCCURRENCE"
PRODUCTS/COMPLETED OPERATIONS (36)	\$1,000,000	AGGREGATE
"EMPLOYERS LIABILITY" (36) Coverage is provided on excess basis only	\$1,000,000	AGGREGATE

SCHEDULE OF "UNDERLYING INSURANCE"

UNDERLYING INSURER	EFFECTIVE DATES	POLICY NUMBER	LIMITS OF INSURANCE
"EMPLOYERS LIABILITY"			Bodily Injury by Accident
			Each Accident
			Bodily Injury by Disease
			Policy Limit
			Each Employee
			Not Applicable when NJ or NY Workers Compensation Law Applies
"AUTO"			Bodily Injury
			Each Person
"OWNED AUTO"			Each Accident
			Property Damage
"HIRED AUTO"			Each Accident
"NONOWNED AUTO"			Combined Single Limit
			Each Accident
OTHER			General Aggregate
			Products - Completed
			Operations Aggregate
			Personal and Advertising Injury
			Each Occurrence

Directors & Officers Liability Coverage

■ Declarations

(#) WHERE SHOWN ON THE DECLARATIONS REFER TO POLICY PAGE NUMBERS

THIS COVERAGE PART PROVIDES CLAIMS MADE COVERAGE

COVERAGE

LIMIT OF INSURANCE

ERRORS AND OMISSIONS INSURANCE (38)

EACH "LOSS" (38)

\$1,000,000

EACH "POLICY YEAR" (42)

\$1,000,000

RETAINED LIMIT (42)

NONE

RETROACTIVE DATE (38)

This insurance does not apply to "loss" from "wrongful acts" which took place before the Retroactive Date, if any, shown below:

RETROACTIVE DATE:

NONE

(Enter Date or "None" if no Retroactive Date applies)

OPTIONAL EXTENDED REPORTING PERIOD (42)

The premium for the Optional Extended Reporting Period is: **\$618**

■ Declarations

(#) WHERE SHOWN ON THE DECLARATIONS REFER TO POLICY PAGE NUMBERS

FORM NUMBER	FORM TITLE	EDITION DATE
CAU 1020	Homeowners Association Policy	07/01
CAU 1101	Signature Page	11/08
CAU 1203	Arizona Changes - Amendatory Endorsement	07/01
CAU 1930	Cap on Losses from "Certified Acts of Terrorism"	03/08
CAU 1985	Disclosure Pursuant To Terrorism Risk Insurance Act	03/08
CAU 1999	Exclusion of Certain Computer Related Losses	07/01
CAU 2200	Environmental Impairment Liability Coverage Part	07/01

■ Arizona Changes - Amendatory Endorsement

This endorsement modifies insurance provided under the following:

CONDOMINIUM POLICY
COOPERATIVE APARTMENT POLICY
HOMEOWNERS ASSOCIATION POLICY
OFFICE CONDOMINIUM POLICY

A. V. PROPERTY SUPPLEMENTARY PAYMENTS SECTION is amended as follows:

B. FIRE DEPARTMENT SERVICE CHARGES is deleted.

B. XXVII. COMMON POLICY CONDITIONS SECTION is amended as follows:

(i) A. CANCELLATION 2. is replaced by the following:

2. Subject to provision A.7. below, we may cancel this policy by mailing or delivering to:

- a. The first Named Insured, and
- b. Each unit owner to whom certificates of insurance have been issued

written notice of cancellation at least 30 days before the effective date of cancellation.

(ii) The following is added to A. CANCELLATION:

7. CANCELLATION OF POLICIES IN EFFECT FOR 60 DAYS OR MORE

Subject to provision A.8. below, if this policy has been in effect for 60 days or more or if this policy is a renewal of a policy we issued, we may cancel this policy only for one or more of the following reasons:

- a. Nonpayment of premium;
- b. Your conviction of a crime arising out of acts increasing the hazard insured against;
- c. Acts or omissions by you or your representative constituting fraud or material misrepresentation in the procurement of this policy, in continuing this policy or in presenting a claim under this policy;

- d. Substantial change in the risk assumed, except to the extent that we should have reasonably foreseen the change or contemplated the risk in writing the contract;
- e. Substantial breach of contractual duties or conditions;
- f. Loss of reinsurance applicable to the risk insured against resulting from termination of treaty or facultative reinsurance initiated by our reinsurer or reinsurers;
- g. Determination by the Director of Insurance that the continuation of the policy would place us in violation of the insurance laws of this state or would jeopardize our solvency; or
- h. Acts or omissions by you or your representative which materially increase the hazard insured against.

If we cancel this policy based on one or more of the above reasons, we will mail by certified mail to the first Named Insured, and mail to the agent, if any, written notice of cancellation stating the reasons for cancellation. We will mail this notice to the last mailing addresses known to us, at least:

- a. 10 days before the effective date of cancellation if we cancel for nonpayment of premium.
- b. 60 days before the effective date of cancellation if we cancel for any of the other reasons.

8. CANCELLATION OF POLICIES IN EFFECT FOR 60 DAYS OR MORE (1 - 4 DWELLING UNITS)

If this policy provides coverage for:

- a. Real property which is used predominantly for residential purposes and consists of 1 - 4 dwelling units; or
- b. Personal property of a person residing in such real property;

The following replaces A. CANCELLATION 7. with respect to cancellation of this policy:

If this policy has been in effect for 60 days or more or if this policy is a renewal of a policy we issued, we may cancel this policy only for one or more of the following reasons:

- a. Nonpayment of premium;
- b. Your conviction of a crime arising out of acts increasing the hazard insured against;
- c. Acts or omissions by you or your representative constituting fraud or material misrepresentation in obtaining the policy, continuing the policy, or presenting a claim under the policy;
- d. Discovery of grossly negligent acts or omissions by you substantially increasing any of the hazards insured against;
- e. Substantial change in the risk assumed by us, since the policy was issued, except to the extent that we should reasonably have foreseen the change or contemplated the risk in writing the contract;
- f. A determination by the Director of Insurance that the continuation of the policy would place us in violation of the insurance laws of this state; or
- g. Your failure to take reasonable steps to eliminate or reduce any conditions in or on the insured premises which contributed to a loss in the past or will increase the probability of future losses.

If we cancel this policy based on one or more of these reasons, we will mail written notice of cancellation, stating the reasons for

cancellation, to the first Named Insured. We will mail this notice to the last mailing address known to us, at least:

- a. 10 days before the effective date of cancellation if we cancel for nonpayment of premium.
- b. 30 days before the effective date of cancellation, if we cancel for any of the other reasons.

(iii) B. NONRENEWAL 2. and 3. are replaced by the following:

2. Subject to (iv) below, if we elect not to renew this policy, we will mail by certified mail to the first Named Insured, and mail to the agent, if any, written notice of nonrenewal. We will mail this notice to the last mailing addresses known to us at least 60 days prior to the expiration of this policy.
3. If either one of the following occurs, we are not required to provide written notice of nonrenewal:
 - a. We or a company within the same insurance group has offered to issue a renewal policy; or
 - b. You have obtained replacement coverage or agreed in writing to do so.

(iv) If this policy provides coverage for:

- a. Real property which is used predominantly for residential purposes and consists of 1 - 4 dwelling units; or
- b. Personal property of a person residing in such real property;

NONRENEWAL 2. and 3. are replaced by the following:

2. If we elect not to renew, we will mail written notice of nonrenewal, to the first Named Insured. We will mail this notice to the last mailing address known to us, at least 30 days before the end of the policy period.
3. If either one of the following occurs, we are not required to provide notice of nonrenewal:
 - a. You have agreed to nonrenewal; or
 - b. You have accepted replacement coverage.

The following is added:

5. If our nonrenewal is based on the condition of the premises, you will be given 30 days' notice to remedy the identified conditions. If the identified conditions are remedied, coverage will be renewed. If the identified conditions are not remedied to our satisfaction, you will be given an additional 30 days, upon payment of premium, to correct the defective condition.

- c. If the first Named Insured accepts the renewal, the premium increase, if any, and other changes are effective the day following this policy's anniversary or expiration date.

(v) The following is added:

M. RENEWAL

1. If we elect to renew this policy and the renewal is subject to any of the following:
 - a. Increase in premium;
 - b. Change in deductible;
 - c. Reduction in limits of insurance; or
 - d. Substantial reduction in coverage;

We will mail or deliver written notice of the changes to the first Named Insured, at the last mailing address known to us, at least 60 days before the anniversary or expiration date of the policy.

2. If renewal is subject to any condition described in 1. above, and we fail to provide notice 60 days before the anniversary or expiration date of this policy, the following procedures apply:
 - a. The present policy will remain in effect until the earlier of the following:
 - (i) 60 days after the date of mailing or delivery of the notice; or
 - (ii) The effective date of replacement coverage obtained by the first Named Insured.
 - b. If the first Named Insured elects not to renew, any earned premium for the period of extension of the terminated policy will be calculated pro rata at the lower of the following rates:
 - (i) The rates applicable to the terminated policy; or
 - (ii) The rates presently in effect.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

■ **Cap on Losses from "Certified Acts of Terrorism"**

This endorsement modifies insurance provided by the following policies:

CONDOMINIUM POLICY
COOPERATIVE APARTMENT POLICY
HOMEOWNERS ASSOCIATION POLICY
OFFICE CONDOMINIUM POLICY

A. The following is applicable to the PROPERTY COVERAGE PART:

1. CAP ON CERTIFIED TERRORISM LOSSES

With respect to any one or more "certified acts of terrorism" under the federal Terrorism Risk Insurance Act we will not pay any amounts for which we are not responsible under the terms of that Act (including subsequent action of Congress pursuant to the Act) due to the application of any clause which results in a cap on our liability for payments for terrorism losses.

2. APPLICATION OF OTHER EXCLUSIONS

The terms and limitations of any terrorism exclusion, or the inapplicability or omission of a terrorism exclusion, do not serve to create coverage for any loss which would otherwise be excluded under this Property Coverage Part, such as losses excluded by the III.B.1.d. NUCLEAR HAZARD exclusion, III.B.1.e. "WAR" AND MILITARY ACTION exclusion or III.B.2.e. POLLUTION exclusion.

B. The following is applicable to the LIABILITY COVERAGE PART, DIRECTORS AND OFFICERS LIABILITY COVERAGE PART, EMPLOYEE BENEFITS LIABILITY COVERAGE PART and ENVIRONMENTAL IMPAIRMENT LIABILITY COVERAGE PART:

1. CAP ON CERTIFIED TERRORISM LOSSES

With respect to any one or more "certified acts of terrorism" under the federal Terrorism Risk Insurance Act, we will not pay any amounts for which we are not responsible under the terms of that Act (including subsequent action of Congress pursuant to the Act) due to the application of any clause which results in a cap on our liability for payments for terrorism losses.

2. APPLICATION OF OTHER EXCLUSIONS

The terms and limitations of any terrorism exclusion, or the inapplicability or omission of a terrorism exclusion, do not serve to create coverage for any loss which would otherwise be excluded under these Coverage Parts, such as losses excluded by the "WAR" exclusion, HOSTILE ACTS exclusion, NUCLEAR ENERGY exclusion, NUCLEAR HAZARD exclusion or the POLLUTION exclusion.

C. The following definition is added to XXVIII. DEFINITIONS SECTION:

(i) "Certified act of terrorism" (PROPERTY, LIABILITY, DIRECTORS AND OFFICERS, EMPLOYEE BENEFITS LIABILITY, and ENVIRONMENTAL IMPAIRMENT LIABILITY) means an act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act. The criteria contained in that Act for a "certified act of terrorism" include the following:

1. The act resulted in insured losses in excess of \$5 million in the aggregate, attributable to all types of insurance subject to the Terrorism Risk Insurance Act; and
2. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals, as part of an effort to coerce the civilian population

of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

- D. If aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a Program Year (January 1 through December 31) and we have met our insurer deductible under the Terrorism Risk Insurance Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

THIS ENDORSEMENT IS ATTACHED TO AND MADE PART OF YOUR POLICY IN RESPONSE TO THE DISCLOSURE REQUIREMENTS OF THE TERRORISM RISK INSURANCE ACT. THIS ENDORSEMENT DOES NOT GRANT ANY COVERAGE OR CHANGE THE TERMS AND CONDITIONS OF ANY COVERAGE UNDER THE POLICY.

■ Disclosure Pursuant to Terrorism Risk Insurance Act

This endorsement modifies insurance provided by the following policies:

CONDOMINIUM POLICY
COOPERATIVE APARTMENT POLICY
HOMEOWNERS ASSOCIATION POLICY
OFFICE CONDOMINIUM POLICY

This policy includes coverage for "Certified Acts of Terrorism". Please refer to the applicable charge below.

Terrorism ("<u>Certified Acts of Terrorism</u>")	<u>PREMIUM</u>
	\$118

A. DISCLOSURE OF PREMIUM

In accordance with the federal Terrorism Risk Insurance Act, we are required to provide you with a notice disclosing the portion of your premium, if any, attributable to coverage for terrorist acts certified under the Terrorism Risk Insurance Act. The portion of your premium attributable to such coverage is shown in the Schedule of this endorsement or in the policy Declarations.

B. DISCLOSURE OF FEDERAL PARTICIPATION IN PAYMENT OF TERRORISM LOSSES

The United States Government, Department of the Treasury, will pay a share of terrorism losses insured under the federal program. The federal share equals 85% of that portion of the amount of such insured losses that exceeds the applicable insurer retention. However, if aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a Program Year (January 1 through December 31) the Treasury shall not make any payment for any portion of the amount of such losses that exceeds \$100 billion.

C. CAP ON INSURER PARTICIPATION IN PAYMENT OF TERRORISM LOSSES

If aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a Program Year (January 1 through December 31) and we have met our insurer deductible under the Terrorism Risk Insurance Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

■ **Exclusion of Certain Computer Related Losses**

This endorsement modifies insurance provided by the following policies:

CONDOMINIUM POLICY
COOPERATIVE APARTMENT POLICY
HOMEOWNERS ASSOCIATION POLICY
OFFICE CONDOMINIUM POLICY

(i) The following is added to III. PROPERTY CAUSES OF LOSS, EXCLUSIONS AND LIMITATIONS SECTION, B. EXCLUSIONS:

A. We will not pay for loss or damage caused directly or indirectly by the following:

1. The failure, malfunction or inadequacy of:

a. Any of the following, whether belonging to any insured or to others:

- (1) Computer hardware, including microprocessors;
- (2) Computer application software;
- (3) Computer operating systems and related software;
- (4) Computer networks;
- (5) Microprocessors (computer chips) not part of any computer system; or
- (6) Any other computerized or electronic equipment or components; or

b. Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed in Paragraph A.1.a. above;

due to the inability to correctly recognize, process, distinguish, interpret or accept one or more dates or times.

2. Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to determine, rectify or test for, any potential or actual problems described in Paragraph A.1. above.

Loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss or damage.

B. If an excluded Cause of Loss as described in Paragraph A. above results in a "Specified Cause of Loss" we will pay only for the loss or damage caused by such "Specified Cause of Loss".

C. We will not pay for repair, replacement or modification of any items in Paragraphs A.1.a. and A.1.b. above to correct any deficiencies or change any features.

(ii) The following is added to XI. GENERAL LIABILITY EXCLUSIONS SECTION and XVI. EXCESS LIABILITY EXCLUSIONS SECTION:

This insurance does not apply to "bodily injury", "property damage" or "personal injury" and "advertising injury" arising directly or indirectly out of:

1. Any actual or alleged failure, malfunction or inadequacy of:
 - a. Any of the following, whether belonging to any insured or to others:
 - (1) Computer hardware, including microprocessors;
 - (2) Computer application software;
 - (3) Computer operating systems and related software;
 - (4) Computer networks;
 - (5) Microprocessors (computer chips) not part of any computer system; or
 - (6) Any other computerized or electronic equipment or components; or
 - b. Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed in Paragraph 1.a. above;
- due to the inability to correctly recognize, process, distinguish, interpret or accept one or more dates or times.
2. Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to determine, rectify or test for, any potential or actual problems described in Paragraph 1. above.

(iii) The following is added to XXII. DIRECTORS AND OFFICERS LIABILITY EXCLUSIONS SECTION:

This insurance does not apply to any claim or "suit" arising directly or indirectly out of:

1. Any actual or alleged failure, malfunction or inadequacy of:
 - a. Any of the following, whether belonging to any insured or to others:
 - (1) Computer hardware, including microprocessors;
 - (2) Computer application software;
 - (3) Computer operating systems and related software;
 - (4) Computer networks;
 - (5) Microprocessors (computer chips) not part of any computer system; or
 - (6) Any other computerized or electronic equipment or components; or
 - b. Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed in Paragraph 1.a. above;
- due to the inability to correctly recognize, process, distinguish, interpret or accept one or more dates or times.
2. Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to determine, rectify or test for, any potential or actual problems described in Paragraph 1. above.

Environmental Impairment Liability Coverage Part

Claims Made

Throughout this policy, the words, "you" and "your" refer to the named insured shown in the "Declarations". "we", "us" and "our" refer to the company providing this insurance. Other words and phrases that appear in quotation marks have special meanings. Refer to XXVIII. DEFINITIONS SECTION of the policy.

The word "insured" means any person or organization qualifying as such under III. ENVIRONMENTAL IMPAIRMENT LIABILITY WHO IS AN INSURED SECTION.

This Environmental Impairment Liability Coverage Part along with XXVII. COMMON POLICY CONDITIONS SECTION and XXVIII. DEFINITIONS SECTION of the policy contain all our obligations regarding this coverage. We have no other obligation unless the policy, that this Environmental Impairment Liability Coverage Part is part of, is amended accordingly.

I. ENVIRONMENTAL IMPAIRMENT LIABILITY COVERAGE SECTION

A. ENVIRONMENTAL IMPAIRMENT LIABILITY

We shall pay on behalf of the insured for "loss" such insured becomes legally obligated to pay as the result of "claims" first made against the insured during the "policy period". Insurance is provided by this Environmental Impairment Liability Coverage Part for any "claim" made or brought in the "coverage territory" and:

1. Arising out of "pollution conditions" on, at, under or emanating from the location(s) stated in the "Declarations"; and,
2. Reported to us in accordance with VI.C. ENVIRONMENTAL IMPAIRMENT LIABILITY CONDITIONS SECTION; and,
3. Reported to us during the "policy period" or extended reporting period, if exercised, in accordance with V. ENVIRONMENTAL LIABILITY EXTENDED REPORTING PERIOD SECTION.

B. DEFENSE AND PAYMENT

1. Even if the allegations are groundless, false or fraudulent, we will have the right and duty to defend against any "claim" or "suit".
2. "Defense costs" are subject to the following:
 - a. We may investigate any "claim" or "suit" at our discretion.
 - b. Our right and duty to defend ends when we have used up the limit of insurance in the payment of "loss".
 - c. Subject to I.B.3., we may, at our option, give you our consent to defend any "claim" or "suit".

d. Subject to I.B.3., no "defense costs" will be incurred or settlements made without our consent, which will not be unreasonably withheld. We will not be liable for any settlements or "defense costs" to which we have not consented in writing.

3. Subject to the following, if the limits of insurance stated in the "Declarations" has been or soon will be exhausted, we will transfer to you control of any existing defense:

a. We will notify you in writing as soon as reasonably possible. We will advise you that our duty to defend either has terminated or is about to terminate subject to the payment of the limit of insurance. We will advise you that we will no longer handle the defense of any "claim" reported to us after the date we provide this notice.

b. We will take immediate and appropriate steps to transfer control to you of any existing defense at the time of or prior to exhaustion of the limit of insurance. You will agree to reimburse us for any reasonable costs we incur in connection with the transfer of the defense.

c. We will take appropriate steps necessary to defend the "claim" during the transfer of the defense and to attempt to avoid any unfavorable legal action provided that the insured cooperates with the transfer.

d. The exhaustion of the limit of insurance by the payment of "loss" will not be

Environmental Impairment Liability Coverage Part

Claims Made

affected by our failure to comply with any of the provisions of this section.

"insured contract(s)", if any, stated in the "Insured Contracts" Schedule.

II. ENVIRONMENTAL IMPAIRMENT LIABILITY EXCLUSIONS SECTION

This insurance does not apply to "loss" arising out of any of the following:

A. KNOWN CONDITIONS

"Pollution conditions" existing prior to the inception of this policy that are known to any insured and that were not disclosed to us in writing in the application or related materials prior to the inception of this policy.

B. MULTIPLE DAMAGES/FINES/PENALTIES

Civil, administrative or criminal fines or penalties, assessments, punitive, exemplary or multiplied damages. However, this exclusion does not apply to punitive, exemplary or multiplied damages where insurance coverage is allowable by law.

C. "EMPLOYERS LIABILITY" "Bodily injury" to:

1. 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; or
2. The spouse, child, parent, brother or sister of that "employee" as a consequence of subparagraph 1. above.

This exclusion applies:

1. Whether the insured may be liable as an employer or in any other capacity; and,
2. To any obligation to share damages with or repay someone else who must pay damages because of the injury.

D. WORKERS' COMPENSATION AND SIMILAR LAWS

Any obligation of the insured under a workers compensation, disability benefits or unemployment compensation law or any similar law.

E. CONTRACTUAL LIABILITY

Liability of others assumed by any insured under any contract or agreement unless the liability would exist in the absence of a contract or agreement. This exclusion does not apply to

F. INSURED'S PROPERTY/BAILEE LIABILITY

"Property damage" to property owned, leased or operated by or in the care, custody or control of any insured, even if such "property damage" is incurred to avoid or mitigate "loss" which may be covered under this policy.

G. VEHICLES

The ownership, maintenance, use, operation, loading or unloading of any automobile, aircraft, watercraft, rolling stock or all transportation, including any cargo carried thereby, beyond the legal boundaries of locations shown in the "Declarations".

H. DIVESTED PROPERTY

"Pollution conditions" on, at, under or emanating from the locations shown in the "Declarations" where the actual discharge, dispersal, release, seepage, migration or escape of "pollution conditions" begins subsequent to the time such locations are sold, given away or abandoned by the first named insured or condemned.

I. NUCLEAR HAZARD

1. Under any liability coverage, to "bodily injury", "property damage" or "remediation expense":
 - a. With respect to which an insured under this policy is also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under any such policy but for its termination upon exhaustion of limits of liability; or,
 - b. Resulting from the "hazardous properties" of "nuclear material" and with respect to which:
 - (1) Any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any amendment to that Act; or,
 - (2) The insured is or, had this policy not been issued, would be entitled to

Environmental Impairment Liability Coverage Part

Claims Made

indemnity from the United States of America or any of its agencies under any agreement entered into by the United States of America or any of its agencies with any person or organization.

2. Under any liability coverage, to "bodily injury" or "property damage" resulting from "hazardous properties" of "nuclear material", if:

- a. The "nuclear material":
 - (1) Is at any "nuclear facility" owned by or operated by or on behalf of an insured; or,
 - (2) Has been discharged or dispersed from such facility; or,
- b. The "nuclear material" is contained in the "spent fuel" or "waste" at any time possessed, handled, used, processed, stored, transported or disposed of by or on behalf of an insured; or,
- c. The "bodily injury" or "property damage" arises out of the furnishing by an insured of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any "nuclear facility". However, if such facility is located within the United States of America, its territories or possessions or Canada, this exclusion, II. H.2.C. applies only to "property damage" to such "nuclear facility" and any property on its premises.

J. PRODUCTS LIABILITY

Goods or products manufactured, sold, handled, distributed, altered or repaired by the insured or by others trading under the insured's name including, with regard to such goods or products, any container, any failure to warn and any reliance on a representation or warranty made at any time. However, this exclusion applies only if the "pollution conditions" occur away from the locations owned, operated or leased by the insured and after physical possession of such has been relinquished to others.

K. INTENTIONAL ACTS

"Pollution conditions" that result from intentional noncompliance by any insured with any statute, regulation, ordinance, administrative complaint, notice, letter or instruction by any governmental agency or representative.

L. HOSTILE ACTS

Any consequence, whether direct or indirect, of war, invasion, act of foreign enemy, hostilities (whether or not war be declared), civil war, rebellion, revolution or insurrection.

M. ROT, MOLD, MILDEW OR OTHER FUNGI

Based upon or arising out of the exposure to, required removal or abatement of rot, mold, or mildew or other fungi, regardless of whether such rot, mold, or mildew or other fungi, ensues from any cause or condition or, at, under or emanating from or to the "premises," including but not limited to any such cause or condition involving the presence, discharge or infiltration of moisture, vapor, water or any other liquid, or any damage related to any of these.

N. UNDERGROUND STORAGE TANKS

The past or current existence of any underground storage tank (USTs) and associated piping on, at or under any location listed in the Location Schedule, but only if the existence of the UST is known to any insured. This exclusion does not apply to any UST described in the Underground Storage Tanks and Associated Piping Schedule.

O. "UNITS" AND PRIVATE STORAGE AREAS

"Pollution conditions" in, at or emanating from "units" or private storage areas regardless of where the "bodily injury" or "property damage" occurs.

However, this exclusion does not apply to the "defense costs" provided under I.B.2. DEFENSE AND PAYMENT.

III. ENVIRONMENTAL IMPAIRMENT LIABILITY WHO IS AN INSURED SECTION

A. Each of the following is an insured:

1. You and any "subsidiary" named in the "Declarations";
2. Any person who has been, now is or shall become a duly elected or appointed director or trustee, a duly elected or appointed officer, an "employee", or committee member,

Environmental Impairment Liability Coverage Part

Claims Made

whether or not salaried, and any of your members acting at the direction of your board of directors on your behalf in a voluntary capacity;

3. The estate of any insured in 2. above who is deceased; and
4. Legal representatives or assigns of any insured in 1. or 2. above who is insolvent, incompetent or bankrupt.
5. Any person, other than your "employee", or any organization while acting as your real estate manager.

B. None of the following is an insured:

Your builder, developer or sponsor or any person or organization affiliated with your builder, developer or sponsor in any capacity.

IV. ENVIRONMENTAL IMPAIRMENT LIABILITY LIMITS OF INSURANCE SECTION

A. The limits of insurance shown in the "Declarations" and the provisions of this section determine the most we will pay for damages regardless of the number of:

1. insureds and additional insureds;
2. "claims" made or "suits" brought; or
3. persons or organizations making "claims" or bringing "suits".

B. LIMITS OF INSURANCE ARE SUBJECT TO THE FOLLOWING:

1. The each "policy year" limit is the most we will pay for all damages because of "loss" covered by this Environmental Impairment Liability Coverage Part.
2. Subject to 1. above:
 - a. the each "loss" limit is the most we will pay for damages because of all "loss" arising out of the same or related "pollution conditions" at any one location; and,
 - b. all "loss" from one or more "claims" arising out of the same or related "pollution conditions" and reported to us, in writing, over more than one "policy period" shall be considered a single "loss". Such "loss"

will be subject to the limits of insurance in effect at the time of the first reported "pollution conditions" will apply.

3. The insured's retained limit in effect at the time the "claim" is first reported shall be deducted from the amount of each "loss". You must bear the retained limit and you are not permitted to insure it without our written consent.
4. We shall pay for "loss" only in excess of such retained limit up to the applicable limits of insurance. We may pay any part or all of the insured's retained limit to settle a "claim" or "suit" and you agree to promptly reimburse us for the part of the retained limit paid by us.

V. ENVIRONMENTAL IMPAIRMENT LIABILITY EXTENDED REPORTING PERIOD SECTION

We will provide an Automatic Extended Reporting Period as described in V.A. below and, if you purchase it, an Optional Extended Reporting Period described in V.B. in the event of any "termination of coverage".

A. AUTOMATIC EXTENDED REPORTING PERIOD

1. The Automatic Extended Reporting Period starts at the end of the "policy period" and lasts for 60 days. This extension is subject to the other provisions of this policy and applies to "claims" first made against the insured during the 60 days immediately following the end of the "policy period".
2. The Automatic Extended Reporting Period is provided without additional charge.
3. The Automatic Extended Reporting Period applies only if no subsequent insurance you purchase applies to the claim, or would apply but for the exhaustion of its limit of insurance.
4. The Automatic Extended Reporting Period may not be canceled.

B. OPTIONAL EXTENDED REPORTING PERIOD

1. If you purchase the Optional Extended Reporting Period, it will start immediately at the end of the "policy period", whether the policy is cancelled or nonrenewed by either you or us. The Automatic Extended Reporting Period is merged into the Optional Extended

Environmental Impairment Liability Coverage Part

Claims Made

Reporting Period and is not in addition to this period.

2. The cost for the Optional Extended Reporting Period is shown in the "Declarations." We will notify you in writing, within 30 days of the end of the "policy period", of any provisions of the Optional Extended Reporting Period unless we cancel for nonpayment of premium or fraudulent activities of an insured. You may not construe our quotation of different terms and conditions as a nonrenewal.
3. We will only provide the Optional Extended Reporting Period upon your request, unless the policy is canceled for nonpayment of premium or fraudulent activities of an insured.
4. We will provide the Optional Extended Reporting Period if the first Named Insured makes a written request to us for it which we receive within 30 days after the end of the "policy period".
5. The Optional Extended Reporting Period will not take effect unless the additional premium is paid when due. If that premium is paid when due, the Optional Extended Reporting Period may not be canceled.

C. Extended Reporting Periods are subject to the following conditions:

1. A "claim" first made during the Extended Reporting Period will be deemed to have been made on the last day of the "policy period", provided that the "claim" is for "loss" from "pollution conditions" which took place before the end of the "policy period" but not before any applicable retroactive date.

Extended Reporting Periods do not extend the "policy period" or change the scope of coverage provided.

2. Extended Reporting Periods do not reinstate or increase the limits of liability applicable to any "claim" to which this Environmental Impairment Liability Coverage Part applies.
3. If this Environmental Impairment Liability Coverage Part is canceled and you elect to purchase the Optional Extended Reporting Period Endorsement:

- a. Any return premium due you for the cancellation will be credited to the premium due for the Optional Extended Reporting Period Endorsement; and
- b. Any additional premium due us for the period the policy was in force must be fully paid before any payments can be applied to the premium due for the Optional Extended Reporting Period Endorsement.

VI. ENVIRONMENTAL IMPAIRMENT LIABILITY CONDITIONS SECTION

The Environmental Impairment Liability Coverage Part is subject to the following conditions.

A. LEGAL ACTION AGAINST US

1. No person or organization has a right under this Environmental Impairment Liability Coverage Part:
 - a. To join us as a party or otherwise bring us into a "suit" against any insured; or
 - b. To sue us on this Environmental Impairment Liability Coverage Part unless all of its terms have been fully complied with.
2. A person or organization may sue us to recover on an "agreed settlement" or on a final judgment against an insured obtained after an actual trial; but we will not be liable for "loss" or "defense costs" that are not payable under the terms of this Environmental Impairment Liability Coverage Part or that are in excess of the applicable limit of insurance.

B. BANKRUPTCY

Bankruptcy or insolvency of the insured or of the insured's estate will not relieve us of our obligation under this Environmental Impairment Liability Coverage Part.

C. DUTIES IN THE EVENT OF "CLAIM" OR "SUIT" **Failure to perform these duties will impair your rights under this Environmental Impairment Liability Coverage Part.**

1. You must see to it that we are notified as soon as practicable of any "loss", "claim" or "suit". To the extent possible, notice should include:

Environmental Impairment Liability Coverage Part

Claims Made

- a. How, when and where the "loss", "claim" or "suit" came about;
 - b. The names and addresses of any persons involved; and
 - c. The nature of any resulting harm or damages.
2. In the event of oral notification, you agree to furnish a written report as soon as practicable.
 3. If a "claim" is made against or received by an insured, you must:
 - a. Immediately record the specifics of the "claim" and the date received;
 - b. Notify us as soon as practicable; and
 - c. Provide written notice of the "claim".
 4. You and any other involved insured must:
 - a. Immediately send us copies of any demands, notices, summonses, or legal papers received in connection with the "claim" or "suit";
 - b. Authorize us to obtain records and other information;
 - c. Cooperate with us in the investigation, settlement, or defense of the "claim" or "suit"; and
 - d. Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the insured because of "loss" to which this insurance may apply.
 5. No insureds will, except at their own cost, voluntarily make a payment, assume any obligation, admit liability, or incur any expense without our consent. This provision does not apply to emergency response costs. Emergency response costs are any reasonable costs that need to be incurred immediately where any delay in response would cause significant harm to human health or the environment.

constituting part of the Environmental Impairment Liability Coverage Part.

2. The written application for coverage will be construed as a separate application for coverage by each of the insureds.
3. Except with respect to the limits of insurance, and any rights or duties specifically assigned to the first Named Insured, this insurance applies:
 - a. As if each Named Insured were the only Named Insured; and
 - b. Separately to each insured against whom "claim" is made or "suit" is brought.

E. NEWLY CREATED OR ACQUIRED "SUBSIDIARIES"

1. If any "subsidiary", created or acquired by the Named Insured after the inception of this Environmental Impairment Liability Coverage Part, qualifies as a not-for-profit organization under the provision of the Internal Revenue Code and would have been included as an insured under ENVIRONMENTAL IMPAIRMENT LIABILITY WHO IS AN INSURED SECTION, such "subsidiary" will be included subject to:
 - a. The giving of written notice of such creation or acquisition to us as soon as practical, but in no event more than 120 days following such creation or acquisition; and
 - b. The giving of any underwriting information and the payment of any additional premium required by us.
2. If any "subsidiary", created or acquired by the Named Insured after the inception of this policy, does not qualify as a not-for-profit organization under the provisions of the Internal Revenue Code, such "subsidiary" will not be included until the insured has:
 - a. Given written notice of such creation or acquisition together with any underwriting information which may be required; and
 - b. Received written approval from us and paid any additional premium required.

D. REPRESENTATIONS AND SEVERABILITY

1. In granting coverage under this Environmental Impairment Liability Coverage Part to any one of the insureds, we have relied upon the declarations and statements in the written application for coverage. Declarations and statements are the basis of coverage and will be considered as incorporated in and

F. CONSOLIDATION OR MERGER

In the event that the Named Insured acquires by merger, or consolidates with, or is merged into or

Environmental Impairment Liability Coverage Part

Claims Made

acquired by any other organization after the inception of this policy, immediate written notice thereof will be given to us together with such information as we may require. You will pay any additional premium required by us.

G. OTHER INSURANCE

Subject to IV. ENVIRONMENTAL IMPAIRMENT LIABILITY LIMITS OF INSURANCE SECTION, this insurance will be in excess of the retained limit stated in the "Declarations" and any other valid and collectible insurance available to the insured whether such other insurance is stated to be primary, pro-rata, contributory, excess, contingent or otherwise, unless such other insurance is written only as specific excess insurance over the limits of insurance.

VII. ENVIRONMENTAL IMPAIRMENT LIABILITY ADDITIONAL CHANGES

The policy this Environmental Impairment Liability Coverage Part is attached to is changed as follows:

- A. The following defined terms of XXVIII. DEFINITIONS SECTION of the policy are amended to also apply to the Environmental Impairment Liability Coverage Part:
3. "Agreed settlement";
 10. "By-product material";
 19. "Declarations";
 23. "Employee";
 25. "Employers Liability";
 30. "Hazardous properties";
 37. "Leased worker";
 48. "Nuclear facility";
 49. "Nuclear material";
 50. "Nuclear reactor";
 58. "Policy period";
 59. "Policy year";
 60. "Pollutants";
 71. "Source material";
 72. "Special nuclear material";
 74. "Spent fuel";
 75. "Subsidiary(ies)";
 77. "Suit(s)";
 79. "Temporary worker";
 86. "Unit"; and
 91. "Waste".
- B. The following defined terms are added to XXVIII. DEFINITIONS SECTION of the policy:

1. "Bodily Injury" (ENVIRONMENTAL IMPAIRMENT LIABILITY) means bodily injury, sickness, disease, mental anguish or shock sustained by any person, including death resulting therefrom, caused by "pollution conditions".
2. "Claims" (ENVIRONMENTAL IMPAIRMENT LIABILITY):
 - a. means the assertion of a legal right alleging liability or responsibility on the part of the insured, arising out of "pollution conditions", and shall include but not be limited to lawsuits or petitions filed against the insured; and,
 - b. includes "remediation expense" resulting from "pollution conditions" which are:
 1. first discovered by any "insured"; and,
 2. reported to us,during the "policy period" or applicable extended reporting period.
3. "Coverage territory" (ENVIRONMENTAL IMPAIRMENT LIABILITY) means the United States and its territories and possessions.
4. "Defense Costs" (ENVIRONMENTAL IMPAIRMENT LIABILITY) means legal costs, charges and expenses, including expert fees, incurred in the investigation, adjustment, settlement and defense of "claims".
5. "Insured Contract(s)" (ENVIRONMENTAL IMPAIRMENT LIABILITY) means any contract designated in the Schedule of "Insured Contracts".
6. "Loss" (ENVIRONMENTAL IMPAIRMENT LIABILITY) means monetary judgment, award or settlement of compensatory damages arising from:
 - a. "bodily injury";
 - b. "property damage";
 - c. "remediation expense"; and,
 - d. "defense costs".
7. "Pollution Conditions" (ENVIRONMENTAL IMPAIRMENT LIABILITY) means the discharge, dispersal, release, migration or escape of smoke, vapors, soot, fumes, acids, alkalis, electromagnetic fields, toxic chemicals,

Claims Made

liquids or gases, waste materials, including medical, infectious and pathological wastes, or other irritants, contaminants or "pollutants" into or upon land or structures, the atmosphere or any watercourse or body of water including groundwater.

8. "Property Damage" (ENVIRONMENTAL IMPAIRMENT LIABILITY) means:
 - a. Physical injury to or destruction of tangible property, including the personal property of third parties, including the loss of use thereof; or,
 - b. Loss of use of such property that has not been physically injured or destroyed; or,
 - c. Diminished third party property value.
9. "Remediation Expense" (ENVIRONMENTAL IMPAIRMENT LIABILITY) means expenses incurred for or in connection with the investigation, monitoring, removal, disposal, treatment or neutralization of "pollution conditions" to the extent required by any Federal, State or Local Laws, Regulations or Statutes enacted to address "pollution conditions".

However, "remediation expense" does not include any expense incurred for or in connection with the investigation, monitoring, removal, disposal, treatment or neutralization of either lead paint, asbestos or both at any premises you own, operate or occupy.
10. "Termination of coverage" (ENVIRONMENTAL IMPAIRMENT LIABILITY) means cancellation or nonrenewal of the Environmental Impairment Liability Coverage Part by either party.