

January 28, 2021

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Property Revisions – Actual Cash Value

The Commissioner of Insurance has recently approved the addition of a description of Actual Cash Value to the Homeowners Policy Program, the Dwelling Policy Program, the Flood Policy Program, and the MH(C) and MH(F) Policy Programs, which were filed on behalf of all member companies of the North Carolina Rate Bureau.

*The following Homeowners endorsement has been revised:*

- **HO 32 32 Special Provisions – North Carolina** is revised to include a description of Actual Cash Value and to amend the lead-in language prior to Definition 12. to read *The following definitions are added to Paragraph B. in all forms:* under **DEFINITIONS**.

*The following Dwelling endorsement has been revised:*

- **DW 32 32 Special Provisions – North Carolina** is revised to include a description of Actual Cash Value and to amend the language prior to the definition of “Fungi” to read *The following definitions are added:* under **DEFINITIONS**.

*The following Flood endorsement has been revised:*

- **FL 32 32 Special Provisions – North Carolina** is revised to include a description of Actual Cash Value under **DEFINITIONS**.

*The following MH(F) endorsement has been revised:*

- **MH(F) 300 Special Provisions – North Carolina** is revised to include a description of Actual Cash Value under **DEFINITIONS**.

*The following MH(C) endorsement has been revised:*

- **MH(C) 300 Special Provisions – North Carolina** is revised to include a description of Actual Cash Value under **DEFINITIONS**.

For your convenience, attached are revised and clean copies of all endorsements mentioned above. In addition to these revisions, please see the circular addendum attached that provides a list of typographical errors that have been corrected.

These changes become effective in accordance with the following Rule of Application:

These revisions become effective with respect to all new and renewal policies for:

- Homeowners policies effective January 13, 2021 but no later than August 1, 2021
- Dwelling policies effective January 13, 2021 but no later than September 1, 2021.
- Mobile Home MH(C) and MH(F) policies effective January 26, 2021 but no later than November 1, 2021.
- Private Flood policies effective January 13, 2021 but no later than November 1, 2021

Reprinted manual pages will be distributed in the usual manner as soon as possible. Please see to it that this Circular is brought to the attention of all interested personnel in your company.

Sincerely,

Andy Montano

Personal Lines Manager

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Attachments  
P-21-3

## Circular P-21-3 Addendum – Typographical Corrections

**HO 32 32** *Special Provisions – North Carolina* is revised as follows:

- Under **SECTION I - Conditions**, J. Loss Payment has been corrected to read numerical (1,2 ,3) rather than alphabetical (a, b, c).

**MH(F) 300** *Special Provisions – North Carolina* is revised as follows:

- Under **PHYSICAL DAMAGE**, Actual Cash Value is added as a description.
- Under **PERSONAL LIABILITY COVERAGE AND MEDICAL PAYMENTS TO OTHERS COVERAGE DOESN'T PAY FOR BODILY INJURY OR PROPERTY DAMAGE**
  - Arising out of the rendering of failing to render professional services; is corrected to read Arising out of the rendering or failing to render professional services;
  - The formatting structure of Arising out of the ownership, maintenance, use, loading or unloading of: Any motor vehicle, Aircraft and Watercraft is corrected as shown.
- The sentence “All other provisions of this policy apply.” has been moved to the end of the document.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

## SPECIAL PROVISIONS – NORTH CAROLINA

### DEFINITIONS

The following definitions ~~is~~ are added:

"Fungi" means any type or form of fungus, including mold or mildew and any mycotoxins, spores, scents or by-products produced or released by fungi.

#### Actual Cash Value

Throughout this Policy, the following is added to any provision that uses the term actual cash value:

Actual cash value is the value of the covered damaged part of the property at the time of loss, calculated as the estimated cost to repair or replace such property with material of like kind and quality, less a deduction to account for pre-loss depreciation. In calculating the actual cash value, the components of this estimated cost that are subject to depreciation include, but are not limited to:

1. Materials, labor, permits and any applicable tax; and
2. Overhead and profit.

Pre-loss depreciation refers to the decrease in the value of the covered damaged part of the property due to, but not limited to, such considerations as:

1. Age;
2. Condition, including wear and tear or deterioration;
3. Remaining useful life; and
4. Obsolescence.

### COVERAGES

In Basic Coverage Form **DP 00 01**, Paragraph **5. Rental Value** under **E. Other Coverages** is replaced by the following:

#### **5. Rental Value**

You may use up to 10% of the Coverage **A** limit of liability for loss of fair rental value as described in Coverage **D**.

Payment under this coverage reduces the Coverage **A** limit of liability by the amount paid for the same loss.

In Broad Form **DP 00 02** and Special Form **DP 00 03**, Paragraph **5. Rental Value And Additional Living Expense** under **F. Other Coverages** is replaced by the following:

#### **5. Rental Value And Additional Living Expense**

You may use up to 10% of the Coverage **A** limit of liability for loss of both fair rental value as described in Coverage **D** and additional living expense as described in Coverage **E**.

This coverage is additional insurance.

Under **F. Other Coverages**, Paragraph **6. Reasonable Repairs** is replaced by the following:

#### **6. Reasonable Repairs**

- a.** In the event that covered property is damaged by a Peril Insured Against, we will pay the reasonable cost incurred by you for necessary measures taken solely to protect against further damage.
- b.** If the measures taken involve repair to other damaged property, we will pay for those measures only if that property is covered under this Policy and the damage to that property is caused by a Peril Insured Against.
- c.** Coverage provided under **a.** and **b.** does not:
  - (1)** Increase the limit of liability that applies to the covered property; or
  - (2)** Relieve you of your duties, in case of a loss to covered property, described in Conditions, **D.2. Duties After Loss**; and is limited to the greater of:
    - (3)** \$3,000; or
    - (4)** 1% of your Coverage **A** limit of liability; unless we grant you approval within 72 hours of your request to exceed the limit. In such circumstance, we will pay only up to the additional amount for the measures we authorize.

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If we fail to respond to you within 72 hours of your request to us and the damage is caused by a Peril Insured Against, you may exceed the amount stated above only up to the cost incurred by you for the reasonable repairs necessary to protect the covered property from further damage.

- d. In the event such repairs are undertaken, we have the right to inspect the repairs and the removed property which, to the extent possible, you are required to retain.

(This is Paragraph 6. under E. Other Coverages in Form DP 00 01.)

The following is added under Paragraph F. Other Coverages:

**13. "Fungi", Wet Or Dry Rot, Or Bacteria**

- a. We will pay up to a total of \$5,000 for:
  - (1) Direct physical loss to property covered under Coverage A – Dwelling, Coverage B – Other Structures and Coverage C – Personal Property caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria if the direct result of a Peril Insured Against; and
  - (2) The necessary increase in costs which you incur to maintain your normal standard of living when the Described Location is uninhabitable due to a loss caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria which is the direct result of a Peril Insured Against.

The coverage provided above is the only coverage under Coverage A – Dwelling, Coverage B – Other Structures, Coverage C – Personal Property, and, if provided in this Policy, Coverage D – Fair Rental Value and Coverage E – Additional Living Expenses, for damage or loss caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria caused directly or indirectly regardless of any other cause or event contributing concurrently or in any sequence.

- b. The \$5,000 limit is the most we will pay for the cost:
  - (1) To remove "fungi", wet or dry rot, or bacteria from covered property;
  - (2) To tear out and replace any part of the building or other covered property as needed to gain access to the "fungi", wet or dry rot, or bacteria; and

- (3) Of any testing of air or property to confirm the absence, presence or level of "fungi", wet or dry rot, or bacteria whether performed prior to, during or after removal, repair, restoration or replacement. The cost of such testing will be provided only to the extent that there is a reason to believe that there is the presence of "fungi", wet or dry rot, or bacteria.

- c. The coverage provided above applies only when such loss or costs are the result of a Peril Insured Against that occurs during the policy period and only if all reasonable means were used to save and protect the property from further damage at or after the time of the occurrence of that Peril Insured Against.

- d. If there is covered loss or damage to covered property, not caused, in whole or in part, by "fungi", wet or dry rot, or bacteria, loss payment will not be limited by the terms of this Other Coverage, except to the extent that "fungi", wet or dry rot, or bacteria causes an increase in the loss. Any such increase in the loss will be subject to the terms of this Other Coverage.

This is additional insurance and is the most we will pay for the total of all loss or costs payable under this Other Coverage regardless of the number of locations insured or the number of claims made. No deductible applies to this coverage.

(This is Paragraph 9. under E. Other Coverages in Form DP 00 01.)

**PERILS INSURED AGAINST**

Basic Coverage Form DP 00 01 and Broad Coverage Form DP 00 02 only.

Under 2. **Windstorm Or Hail**, Paragraph b. is replaced by the following:

- b. To the following property when outside of the building, unless specifically shown on Endorsement DP 32 19 or the Declarations:
  - (1) Signs or cloth awnings, including their supports;
  - (2) Radio or television antennas or aerials, including their lead-in wiring, masts or towers;
  - (3) Swimming pools;

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- (4) Screens, including their supports, around a swimming pool, patio or other areas;
- (5) Fences, property line and similar walls, including seawalls;
- (6) Bathhouses, cabanas, greenhouses, hothouses, pergolas, slathouses, trellises;
- (7) Outdoor equipment used to service the Described Location;
- (8) Structures located over water, whether or not permanently attached to the ground, including the property in or on the structure; or

Basic Coverage Form **DP 00 01** only.

Under **2. Windstorm Or Hail**, the following paragraph is added:

- c. Caused by frost or cold weather, or ice (other than hail), snow or sleet, whether driven by wind or not.

Broad Coverage Form **DP 00 02** only.

Under **2. Windstorm Or Hail**, the following paragraphs are added:

- c. To lawns, plants, shrubs or trees; or
- d. Caused by frost or cold weather, or ice (other than hail), snow or sleet, whether driven by wind or not.

Special Coverage Form **DP 00 03** only.

Under **B. Coverage C – Personal Property**, Paragraph **2. Windstorm Or Hail** is replaced by the following:

**2. Windstorm Or Hail**

This peril does not include loss:

- a. To property contained in a building caused by rain, snow, sleet, sand or dust unless the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand or dust enters through this opening;
- b. To plants, shrubs or trees; or
- c. Caused by frost or cold weather, or ice (other than hail), snow or sleet, whether driven by wind or not.

In Special Coverage Form **DP 00 03**, under **A. Coverage A – Dwelling And Coverage B – Other Structures** and in Endorsement **DP 04 65**, under **Perils Insured Against**, Paragraph **2.c.(8)(c)** is replaced by the following:

- (c) Smog, rust, or other corrosion;

**GENERAL EXCLUSIONS**

Basic Coverage Form **DP 00 01**, Broad Coverage Form **DP 00 02** and Special Coverage Form **DP 00 03**. Paragraph **8. Intentional Loss** is replaced by the following:

**8. Intentional Loss**

Intentional loss means any loss arising out of any act you or any person or organization named as an additional insured commits or conspires to commit with the intent to cause a loss.

This exclusion only applies to the person insured who commits or conspires to commit an act with an intent to cause a loss.

(This is Paragraph **A.8.** in Forms **DP 00 01** and **DP 00 03.**)

The following exclusion is added:

**10. "Fungi", Wet Or Dry Rot, Or Bacteria**

"Fungi", Wet Or Dry Rot, Or Bacteria means the presence, growth, proliferation, spread or any activity of "fungi", wet or dry rot, or bacteria other than as provided in Other Coverage, "Fungi", Wet Or Dry Rot, Or Bacteria.

(This is General Exclusion **A.10.** in Forms **DP 00 01** and **DP 00 03.**)

Basic Coverage Form **DP 00 01** only.

Exclusion **B.** is replaced by the following:

- B.** We do not cover loss to lawns, plants, shrubs or trees.

Special Coverage Form **DP 00 03** only.

The following exclusion is added to Paragraph **A.:**

**11. Windstorm Or Hail To Certain Property When Outside Of The Building**

This exclusion applies to the following property when outside of the building unless specifically shown on Endorsement **DP 32 19** or the Declarations:

- a. Signs or cloth awnings, including their supports;
- b. Swimming pools;
- c. Screens, including their supports, around a swimming pool, patio or other areas;
- d. Fences, property line and similar walls, including seawalls;
- e. Bathhouses, cabanas, greenhouses, hothouses, pergolas, slathouses, trellises;

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- f. Outdoor equipment used to service the Described Location; or
- g. Structures located over water, whether or not permanently attached to the ground, including the property in or on the structure.

**CONDITIONS**

Under **D. Duties After Loss:**

Paragraph **5.c.** is replaced by the following:

- c. Submit to examination under oath, while not in the presence of any other insured under the Policy, and sign the same;

The following is added to the end of Paragraph **6.:**

However, if a state of disaster is proclaimed or declared for the State of North Carolina or for an area within the state in accordance with North Carolina law and the covered property that has sustained loss is located within the geographic area designated in the disaster proclamation or declaration, this 60-day period shall not commence until the expiration of the disaster proclamation or declaration, including all renewals of the proclamation or 45 days, whichever is later.

In Broad Coverage Form **DP 00 02** and Special Coverage Form **DP 00 03**, under **E. Loss Settlement**, Paragraph **2.a.** is replaced by the following:

**2. Buildings under Coverage A or B** at replacement cost without deduction for depreciation, subject to the following:

- a. If, at the time of loss, the amount of insurance in this Policy on the damaged building is 80% or more of the full replacement cost of the building immediately before the loss, we will pay the cost to repair or replace, without deduction for depreciation, but not more than the least of the following amounts:

- (1) The limit of liability under this Policy that applies to the building;
- (2) The replacement cost of that part of the building damaged with material of like kind and quality and for like use; or
- (3) The necessary amount actually spent to repair or replace the damaged building on the premises described in the Policy or some other location within the State of North Carolina.

Basic Coverage Form **DP 00 01**, Broad Coverage Form **DP 00 02** and Special Coverage Form **DP 00 03**.

Paragraph **G. Appraisal** is replaced by the following:

**G. Appraisal**

If you and we fail to agree on the value or amount of any item or loss, either may demand an appraisal of such item or loss. In this event, each party will choose a competent and disinterested appraiser within 20 days after receiving a written request from the other. The two appraisers will choose a competent and impartial umpire. If they cannot agree upon an umpire within 15 days, you or we may request that a choice be made by a judge of a court of record in the state where the dwelling on the Described Location shown in the Declarations is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss. Each party will:

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

In no event will an appraisal be used for the purpose of interpreting any policy provision, determining causation or determining whether any item or loss is covered under this Policy. If there is an appraisal, we still retain the right to deny the claim.

(This is Condition **H.** in Form **DP 00 01.**)

Paragraph **J. Suit Against Us** is replaced by the following:

**J. Suit Against Us**

No action can be brought against us unless there has been full compliance with all of the terms under this Policy and the action is started within three years after the date of loss.

(This is Condition **K.** in Form **DP 00 01.**)

Paragraph **L. Loss Payment** is replaced by the following:

**L. Loss Payment**

We will adjust all losses with you. We will pay you unless some other person is named in the Policy or is legally entitled to receive payment. We will pay within 60 days after the amount is finally determined.

This amount may be determined by:

- 1. Reaching an agreement with you;
- 2. Entry of a final judgment; or

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3. The filing of an appraisal award with us.  
(This is Condition **M.** in Form **DP 00 01.**)

Paragraph **T. Assignment** is replaced by the following:

**T. Assignment**

1. Assignment of this Policy will not be valid unless we give our written consent.
2. The benefits of this Policy that may be available to you following a covered loss may not be assigned unless:
  - a. All duties listed in Conditions, **D. Duties After Loss** are performed by you, and
  - b. An inspection of the damage has been conducted by an adjuster authorized by us, or we give our written consent.

(This is Condition **U.** in Form **DP 00 01.**)

The following condition is added and applies to all risks located in Protection Class 9, 9E, 9S or 10 in the State of North Carolina:

**AA.Vacancy And/Or Unoccupancy (Unprotected Dwellings)**

1. Coverage is extended for the described dwelling while it is vacant for not more than 60 consecutive days immediately before the loss; or unoccupied for not more than 90 consecutive days immediately before the loss.
2. If the vacancy or unoccupancy exceeds the respective period stated above, coverage must be extended for an additional period of vacancy and/or unoccupancy by use of Endorsement **DP 32 52**, otherwise all coverage on such dwelling shall be suspended during the period of vacancy or unoccupancy.
3. "Unoccupied" means the dwelling is entirely furnished but with personal habitants temporarily absent, provided the dwelling is secured against intrusion during this period; except as otherwise provided in this Policy for certain specified perils.
4. A building being constructed shall not be considered vacant.

(This is Condition **BB.** in Form **DP 00 01.**)

The following condition is added to Basic Coverage Form **DP 00 01**, Broad Coverage Form **DP 00 02** and Special Coverage Form **DP 00 03**:

**BB.Choice Of Law**

This Policy is issued in accordance with the laws of North Carolina and covers property or risks principally located in North Carolina. Any and all claims or disputes in any way related to this Policy shall be governed by the laws of North Carolina.

(This is Condition **CC.** in Form **DP 00 01.**)

**SPECIAL CONDITIONS**

When this Policy insures real property of a condominium association, the following Provisions **1.** through **3.** apply:

1. **Conditions, Other Insurance And Service Agreement** is replaced by the following:

**Other Insurance And Service Agreement**

If, at the time of loss, there is other insurance or a service agreement, in the name of a unit-owner, covering the same property covered by this Policy, this Policy shall provide primary insurance.

2. Under **Conditions**, Paragraph **J. Subrogation**, the following sentence is added:

However, we waive any rights of recovery against a unit-owner or member of the unit-owner's household.

3. An act or omission by a unit-owner, unless acting within the scope of his authority on behalf of the condominium association, will **not** preclude recovery by you under this Policy.

All other provisions of this Policy apply.

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

## SPECIAL PROVISIONS – NORTH CAROLINA

### DEFINITIONS

Definition **B.3.** is replaced by the following:

3. "Business" includes:
  - a. Any full- or part-time activity of any kind engaged in for economic gain, including the use of any part of any premises for such purposes; and
  - b. "Home-sharing host activities".

The following definitions is-are added to Paragraph **B.** in all forms:

#### 12. "Fungi"

- a. "Fungi" means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.
- b. Under Section **II**, this does not include any fungi that are, are on, or are contained in any good or product intended for consumption.

#### Actual Cash Value

Throughout this Policy, the following is added to any provision that uses the term actual cash value:

Actual cash value is the value of the covered damaged part of the property at the time of loss, calculated as the estimated cost to repair or replace such property with material of like kind and quality, less a deduction to account for pre-loss depreciation. In calculating the actual cash value, the components of this estimated cost that are subject to depreciation include, but are not limited to:

1. Materials, labor, permits and any applicable tax; and
2. Overhead and profit.

Pre-loss depreciation refers to the decrease in the value of the covered damaged part of the property due to, but not limited to, such considerations as:

1. Age;
2. Condition, including wear and tear or deterioration;
3. Remaining useful life; and
4. Obsolescence.

### SECTION I – PROPERTY COVERAGES

#### C. Coverage C – Personal Property

##### 3. Special Limits Of Liability

Paragraphs **f.** and **g.** are deleted in all forms except **HO 00 08**, and deleted in Endorsements **HO 32 95** and **HO 32 35** when made part of Forms **HO 00 04** and **HO 00 06**, respectively. Paragraphs **f.** and **g.** in those forms are replaced by the following:

- f. 10% of the Coverage **C** limit, subject to a maximum of \$10,000, for loss by theft\* of firearms and related equipment.
- g. 25% of the Coverage **C** limit, subject to a maximum of \$10,000, for loss by theft\* of silverware, silver-plated ware, goldware, gold-plated ware, platinumware, platinum-plated ware and pewterware. This includes flatware, hollowware, tea sets, trays and trophies made of or including silver, gold or pewter.

\*In Form **HO 00 05** and Endorsements **HO 32 95** and **HO 32 35**, theft includes misplacing or losing.

##### 4. Property Not Covered

Paragraph **c.(2)(a)** is replaced by the following:

- (a) Used to service an "insured's" residence; or

#### E. Additional Coverages

In all forms except **HO 00 06** and **HO 00 08**:

Paragraph **1. Debris Removal** is replaced by the following:

##### 1. Debris Removal

- a. We will pay your reasonable expense for the removal of:
  - (1) Debris of covered property if a Peril Insured Against that applies to the damaged property causes the loss; or
  - (2) Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.

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This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit of liability is available for debris removal expense.

- b. We will also pay your reasonable expense, up to \$500, for the removal from the "residence premises" of:
  - (1) Your trees felled by the peril of Windstorm or Hail, or Weight of Ice, Snow or Sleet; or
  - (2) A neighbor's trees felled by a Peril Insured Against under Coverage C;  
provided the trees:
  - (3) Damage a covered structure; or
  - (4) Do not damage a covered structure, but:
    - (a) Block a driveway on the "residence premises" which prevents a "motor vehicle", that is registered for use on public roads or property, from entering or leaving the "residence premises"; or
    - (b) Block a ramp or other fixture designed to assist a handicapped person to enter or leave the dwelling building.

The \$500 limit is the most we will pay in any one loss, regardless of the number of fallen trees.

This coverage is additional insurance.

In Form **HO 00 06**:

Paragraph 1. **Debris Removal** is replaced by the following:

**1. Debris Removal**

- a. We will pay your reasonable expense for the removal of:
  - (1) Debris of covered property if a Peril Insured Against that applies to the damaged property causes the loss; or
  - (2) Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.

This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit of liability is available for debris removal expense.

- b. We will also pay your reasonable expense, up to \$500, for the removal from the "residence premises" of:
  - (1) Trees you solely own felled by the peril of Windstorm or Hail; or Weight of Ice, Snow or Sleet; or
  - (2) A neighbor's trees felled by a Peril Insured Against under Coverage C;  
provided the trees damage a covered structure. The \$500 limit is the most we will pay in any one loss, regardless of the number of fallen trees.

This coverage is additional insurance.

In Form **HO 00 08**:

Paragraph 1. **Debris Removal** is replaced by the following:

**1. Debris Removal**

- a. We will pay your reasonable expense for the removal of:
  - (1) Debris of covered property if a Peril Insured Against that applies to the damaged property causes the loss; or
  - (2) Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.

This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit of liability is available for debris removal expense.

- b. We will also pay your reasonable expense, up to \$500, for the removal from the "residence premises" of:
  - (1) Your trees felled by the peril of Windstorm or Hail; or

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(2) A neighbor's trees felled by a Peril Insured Against under Coverage C;

provided the trees:

(3) Damage a covered structure; or

(4) Do not damage a covered structure, but:

(a) Block a driveway on the "residence premises" which prevents a "motor vehicle", that is registered for use on public roads or property, from entering or leaving the "residence premises"; or

(b) Block a ramp or other fixture designed to assist a handicapped person to enter or leave the dwelling building.

The \$500 limit is the most we will pay in any one loss, regardless of the number of fallen trees.

This coverage is additional insurance.

In all forms:

Paragraph 2. Reasonable Repairs is replaced by the following:

**2. Reasonable Repairs**

a. We will pay the reasonable cost incurred by you for the necessary measures taken solely to protect covered property that is damaged by a Peril Insured Against from further damage.

b. If the measures taken involve repair to other damaged property, we will only pay if that property is covered under this Policy and the damage is caused by a Peril Insured Against.

c. Coverage provided under a. and b. does not:

(1) Increase the limit of liability that applies to the covered property; or

(2) Relieve you of your duties, in case of a loss to covered property, described in Section I – Conditions, C.4. Duties After Loss; and

is limited to the greater of:

(3) \$3,000; or

(4) 1% of your Coverage A limit of liability; unless we grant you approval within 72 hours of your request to exceed the limit. In such circumstance we will pay only up to the additional amount for the measures we authorize.

If we fail to respond to you within 72 hours of your request to us and the damage is caused by a Peril Insured Against, you may exceed the amount stated above only up to the cost incurred by you for the reasonable repairs necessary to protect the covered property from further damage.

d. In the event such repairs are undertaken, we have the right to inspect the repairs and the removed property which, to the extent possible, you are required to retain.

**10. Landlord's Furnishings**

**k. Accidental Discharge Or Overflow Of Water Or Steam**

Paragraph (2)(d) is replaced by the following in Form HO 00 05:

(d) Caused by constant or repeated seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years; or

The following Additional Coverage is added to all forms except HO 00 04:

**13. "Fungi", Wet Or Dry Rot, Or Bacteria**

a. We will pay up to a total of \$5,000 for:

(1) Direct physical loss to property covered under Section I – Coverage A – Dwelling, Coverage B – Other Structures and Coverage C – Personal Property caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria if the direct result of a Peril Insured Against; and

(2) The necessary increase in costs which you incur to maintain your normal standard of living when the "residence premises" is uninhabitable due to a loss caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria which is the direct result of a Peril Insured Against.

The coverage provided above is the only coverage under Section I – Coverage A – Dwelling, Coverage B – Other Structures, Coverage C – Personal Property and Coverage D – Loss Of Use for loss caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria caused directly or indirectly regardless of any other cause or event contributing concurrently or in any sequence.

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b. The amount in a. above is the most we will pay for the cost:

- (1) To remove "fungi", wet or dry rot, or bacteria from covered property;
- (2) To tear out and replace any part of the building or other covered property as needed to gain access to the "fungi", wet or dry rot, or bacteria; and
- (3) Of any testing of air or property to confirm the absence, presence or level of "fungi", wet or dry rot, or bacteria whether performed prior to, during or after removal, repair, restoration or replacement. The cost of such testing will be provided only to the extent that there is a reason to believe that there is the presence of "fungi", wet or dry rot, or bacteria.

c. The coverage provided above applies only when such loss or costs are the result of a Peril Insured Against that occurs during the policy period and only if all reasonable means were used to save and protect the property from further damage at or after the time of the occurrence of that Peril Insured Against.

d. If there is covered loss to covered property, not caused, in whole or in part, by "fungi", wet or dry rot, or bacteria, loss payment will not be limited by the terms of this Additional Coverage, except to the extent that "fungi", wet or dry rot, or bacteria causes an increase in the loss. Any such increase in the loss will be subject to the terms of this Additional Coverage.

This is additional insurance and is the most we will pay for the total of all loss or costs payable under the Additional Coverage regardless of the number of locations insured or the number of claims made. No deductible applies to this coverage.

(This is Additional Coverage 12. in Form HO 00 06 and Additional Coverage 9. in Form HO 00 08.)

### SECTION I – PERILS INSURED AGAINST

In Form HO 00 03:

#### A. Coverage A – Dwelling And Coverage B – Other Structures

Paragraph 2.c.(5) is replaced by the following:

- (5) Constant or repeated discharge, seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years; or

Paragraph 2.c.(6)(c) is replaced by the following:

- (c) Smog, rust or other corrosion;

#### B. Coverage C – Personal Property

##### 12. Accidental Discharge Or Overflow Of Water Or Steam

Paragraph b.(4) is replaced by the following:

- (4) Caused by constant or repeated seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years.

In Form HO 00 05:

Paragraph A.2.d. is replaced by the following:

- d. Constant or repeated seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years; or

Paragraph A.2.e.(3) is replaced by the following:

- (3) Smog, rust or other corrosion;

In Forms HO 00 02, HO 00 04 and HO 00 06:

##### 12. Accidental Discharge Or Overflow Of Water Or Steam

Paragraph b.(5) in Forms HO 00 02 and HO 00 06 and Paragraph b.(4) in Form HO 00 04 are replaced by the following:

- (5) To a building caused by constant or repeated seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years.

### SECTION I – EXCLUSIONS

Paragraph 2. Earth Movement is replaced by the following:

#### 2. Earth Movement

Earth Movement means:

- a. Earthquake, including land shock waves or tremors before, during or after a volcanic eruption;
- b. Landslide, mudslide or mudflow;
- c. Subsidence or sinkhole; or
- d. Any other earth movement including earth sinking, rising or shifting.

This Exclusion 2. applies regardless of whether any of the above, in 2.a. through 2.d., is caused by an act of nature, an act of man or is otherwise caused.

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However, direct loss by fire, explosion or theft resulting from any of the above, in **2.a.** through **2.d.**, is covered.

(This is Paragraph **A.2.** in Forms **HO 00 03** and **HO 00 05.**)

In all forms except **HO 00 05:**

Paragraph **3. Water** is replaced by the following:

### **3. Water**

This means:

- a.** Flood, including but not limited to flash flood, surface water, waves, including tidal wave and tsunami, seiche, 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.** Water which:
  - (1)** Backs up through sewers or drains; or
  - (2)** Overflows or is otherwise discharged from a sump, sump pump or related equipment;
- c.** Water below the surface of the ground, including water which exerts pressure on, or seeps, leaks or flows through a building, sidewalk, driveway, patio, foundation, swimming pool or other structure; or
- d.** Waterborne material carried or otherwise moved by any of the water referred to in **3.a.** through **3.c.** of this exclusion.

This Exclusion **3.** applies regardless of whether any of the above, in **3.a.** through **3.d.**, is caused by an act of nature, an act of man or is otherwise caused.

This Exclusion **3.** applies to, but is not limited to, escape, overflow or discharge, for any reason, of water or waterborne material from a dam, levee, seawall or any other boundary or containment system whether natural, man-made or is otherwise made.

However, direct loss by fire, explosion or theft resulting from any of the above, in **3.a.** through **3.d.**, is covered.

(This is Paragraph **A.3.** in Form **HO 00 03.**)

In Form **HO 00 05:**

Paragraph **A.3.** is replaced by the following:

### **3. Water**

This means:

- a.** Flood, including but not limited to flash flood, surface water, waves, including tidal wave and tsunami, seiche, 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.** Water which:

- (1)** Backs up through sewers or drains; or
- (2)** Overflows or is otherwise discharged from a sump, sump pump or related equipment;

**c.** Water below the surface of the ground, including water which exerts pressure on, or seeps, leaks or flows through a building, sidewalk, driveway, patio, foundation, swimming pool or other structure; or

**d.** Waterborne material carried or otherwise moved by any of the water referred to in **3.a.** through **3.c.** of this exclusion.

This Exclusion **A.3.** applies regardless of whether any of the above, in **A.3.a.** through **A.3.d.**, is caused by an act of nature, an act of man or is otherwise caused.

This Exclusion **A.3.** applies to, but is not limited to, escape, overflow or discharge, for any reason, of water or waterborne material from a dam, levee, seawall or any other boundary or containment system whether natural, man-made or is otherwise made.

However, direct loss by fire, explosion or theft resulting from any of the above, in **A.3.a.** through **A.3.d.**, is covered.

This exclusion does not apply to property described in Coverage **C** that is away from a premises or location owned, rented, occupied or controlled by an "insured".

This exclusion applies to property described in Coverage **C** that is on a premises or location owned, rented, occupied or controlled by an "insured", even if weather conditions contribute in any way to produce the loss.

Paragraph **8. Intentional Loss** is replaced by the following:

### **8. Intentional Loss**

Intentional Loss means any loss arising out of any act an "insured" commits or conspires to commit with the intent to cause a loss.

This exclusion only applies to an "insured" who commits or conspires to commit an act with the intent to cause a loss.

(This is Paragraph **A.8.** in Forms **HO 00 03** and **HO 00 05.**)

The following exclusion is added:

### **10. "Fungi", Wet Or Dry Rot, Or Bacteria**

"Fungi", Wet Or Dry Rot, Or Bacteria means the presence, growth, proliferation, spread or any activity of "fungi", wet or dry rot, or bacteria other than as provided in Additional Coverage **13. "Fungi", Wet Or Dry Rot, Or Bacteria.**

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(This is Exclusion **A.10.** in Forms **HO 00 03** and **HO 00 05.**)

**SECTION I – CONDITIONS**

**C. Duties After Loss**

The following is added to the end of Paragraph **8.:**

However, if a state of disaster is proclaimed or declared for the State of North Carolina or for an area within the state in accordance with North Carolina law and the covered property that has sustained loss is located within the geographic area designated in the disaster proclamation or declaration, this 60-day period shall not commence until the expiration of the disaster proclamation or declaration, including all renewals of the proclamation, or the expiration of the commissioner's order.

**D. Loss Settlement**

In Forms **HO 00 02**, **HO 00 03** and **HO 00 05**, Subparagraph **2.a.** is replaced by the following:

**2.** Buildings covered under Coverage **A** or **B** at replacement cost without deduction for depreciation, subject to the following:

**a.** If, at the time of loss, the amount of insurance in this Policy on the damaged building is 80% or more of the full replacement cost of the building immediately before the loss, we will pay the cost to repair or replace, without deduction for depreciation, but not more than the least of the following amounts:

- (1)** The limit of liability under this Policy that applies to the building;
- (2)** The replacement cost of that part of the building damaged with material of like kind and quality and for like use; or
- (3)** The necessary amount actually spent to repair or replace the damaged building on the "residence premises" or some other premises within the State of North Carolina.

Paragraph **F. Appraisal** is replaced by the following:

**F. Appraisal**

If you and we fail to agree on the value or amount of any item or loss, either may demand an appraisal of such item or loss. In this event, each party will choose a competent and disinterested appraiser within 20 days after receiving a written request from the other. The two appraisers will choose a competent and impartial umpire. If they cannot agree upon an umpire within 15 days, you or we may request that a choice be made by a judge of a court of record in the state where the "residence premises" is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss. Each party will:

- 1.** Pay its own appraiser; and
- 2.** Bear the other expenses of the appraisal and umpire equally.

In no event will an appraisal be used for the purpose of interpreting any policy provision, determining causation or determining whether any item or loss is covered under this Policy. If there is an appraisal, we still retain the right to deny the claim.

Paragraph **H. Suit Against Us** is replaced by the following:

**H. Suit Against Us**

No action can be brought against us unless there has been full compliance with all of the terms under Section **I** of this Policy and the action is started within three years after the date of loss.

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Paragraph **J. Loss Payment** is replaced by the following:

**J. Loss Payment**

We will adjust all losses with you. We will pay you unless some other person is named in the Policy or is legally entitled to receive payment. We will pay within 60 days after the amount is finally determined.

This amount may be determined by:

- ~~a-1.~~ Reaching an agreement with you;
- ~~b-2.~~ Entry of a final judgment; or
- ~~c-3.~~ The filing of an appraisal award with us.

**SECTION II – EXCLUSIONS**

**A. "Motor Vehicle Liability"**

Paragraph **2.b.** is replaced in all forms by the following:

- b.** Used to service an "insured's" residence;

**E. Coverage E – Personal Liability And Coverage F – Medical Payments To Others**

Paragraph **1. Expected Or Intended Injury** is replaced in all forms by the following:

**1. Expected Or Intended Injury**

"Bodily injury" or "property damage" which is intended by or which may reasonably be expected to result from the intentional acts or omissions or criminal acts or omissions of one or more "insured" persons. This exclusion applies even if:

- a.** The "insured" persons lack the mental capacity to govern their own conduct;
- b.** The "bodily injury" or "property damage" is of a different kind, quality or degree than intended or reasonably expected; or
- c.** The "bodily injury" or "property damage" is sustained by a different person or entity than intended or reasonably expected.

This exclusion applies regardless of whether or not an "insured" person is actually charged with, or convicted of, a crime.

If the Broadened Home-sharing Host Activities Coverage Endorsement is not made a part of this Policy, Paragraph **2. "Business"** is replaced by the following:

**2. "Business"**

- a.** "Bodily injury" or "property damage" arising out of or in connection with a "business" engaged in by an "insured".

This Exclusion **E.2.** applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the "business".

- b.** With respect to other than "home-sharing host activities", this Exclusion **E.2.** does not apply to:

- (1)** The rental or holding for rental of an "insured location":
  - (a)** On an occasional basis if used only as a residence;
  - (b)** In part, for use only as a residence, unless a single family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or
  - (c)** In part, as an office, school, studio or private garage; and
- (2)** An insured minor involved in part-time, self-employed "business" pursuits normally undertaken by minors, unless the minor is employed by a "business". A minor means a person who has not attained his or her 19th birthday (or age 23 if a full-time student);

If the Broadened Home-sharing Host Activities Coverage Endorsement is made a part of this Policy, Paragraph **2. "Business"** is replaced by the following:

**2. "Business"**

- a.** "Bodily injury" or "property damage" arising out of or in connection with a "business" engaged in by an "insured".

This Exclusion **E.2.** applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the "business".

- b.** This Exclusion **E.2.** does not apply to:
  - (1)** "Home-sharing host activities";
  - (2)** With respect to other than "home-sharing host activities":
    - (a)** The rental or holding for rental of an "insured location":
      - (i)** On an occasional basis if used only as a residence;

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- (ii) In part, for use only as a residence, unless a single family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or
- (iii) In part, as an office, school, studio or private garage; and
- (b) An insured minor involved in part-time, self-employed "business" pursuits normally undertaken by minors, unless the minor is employed by a "business". A minor means a person who has not attained his or her 19th birthday (or age 23 if a full-time student);

The following exclusion is added:

**9. "Fungi", Wet Or Dry Rot, Or Bacteria**

"Bodily injury" or "property damage" arising directly or indirectly, in whole or in part, out of the actual, alleged or threatened inhalation of, ingestion of, contact with, exposure to, existence of or presence of any "fungi", wet or dry rot, or bacteria.

**SECTIONS I AND II – CONDITIONS**

Paragraph **E. Assignment** is replaced by the following:

**E. Assignment**

- 1. Assignment of this Policy will not be valid unless we give our written consent.

- 2. The benefits of this Policy that may be available to you following a covered loss may not be assigned unless:
  - a. All duties listed in Section I – Conditions, **C. Duties After Loss** are performed by you, and;
  - b. An inspection of the damage has been conducted by an adjuster authorized by us, or we give our written consent.

The following condition is added:

**Choice Of Law**

This Policy is issued in accordance with the laws of North Carolina and covers property or risks principally located in North Carolina. Any and all claims or disputes in any way related to this Policy shall be governed by the laws of North Carolina.

All other provisions of this Policy apply.

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

## **AMENDMENT OF POLICY PROVISIONS – NORTH CAROLINA**

With respect to the coverage provided by this endorsement, the provisions of the Policy apply unless modified by this endorsement.

### **DEFINITIONS**

Definition **B.2.** is replaced by the following:

2. "Business" includes any full- or part-time activity of any kind engaged in for economic gain, including the use of any part of any premises for such purposes.

The following definition is added to Paragraph B.:

#### **Actual Cash Value**

Throughout this Policy, the following is added to any provision that uses the term actual cash value:

Actual cash value is the value of the covered damaged part of the property at the time of loss, calculated as the estimated cost to repair or replace such property with material of like kind and quality, less a deduction to account for pre-loss depreciation. In calculating the actual cash value, the components of this estimated cost that are subject to depreciation include, but are not limited to:

1. Materials, labor, permits and any applicable tax; and
2. Overhead and profit.

Pre-loss depreciation refers to the decrease in the value of the covered damaged part of the property due to, but not limited to, such considerations as:

1. Age;
2. Condition, including wear and tear or deterioration;
3. Remaining useful life; and
4. Obsolescence.

### **COVERAGES**

#### **C. Coverage C – Personal Property**

##### **3. Property Not Covered**

Paragraph **3.d.(2)(a)** is replaced by the following:

- (a) Used to service an "insured's" residence; or

#### **E. Additional Coverages**

Paragraph **2. Reasonable Repairs** is replaced by the following:

##### **2. Reasonable Repairs**

- a. We will pay the reasonable cost incurred by you for the necessary measures taken solely to protect covered property that is damaged by "flood" from further damage.
- b. If the measures taken involve repair to other damaged property, we will only pay if that property is covered under this Policy and the damage is caused by "flood".
- c. Coverage provided under **a.** and **b.** does not:
  - (1) Increase the limit of liability that applies to the covered property; or
  - (2) Relieve you of your duties, in case of a loss to covered property, described in Conditions, Paragraph **2.** under **C.** Duties After Loss; and

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is limited to the greater of:

(3) \$3,000; or

(4) 1% of your Coverage A limit of liability;

unless we grant you approval within 72 hours of your request to exceed the limit. In such circumstance, we will pay only up to the additional amount for the measures we authorize.

If we fail to respond to you within 72 hours of your request to us and the damage is caused by "flood", you may exceed the amount stated above only up to the cost incurred by you for the reasonable repairs necessary to protect the covered property from further damage.

- d. In the event such repairs are undertaken, we have the right to inspect the repairs and the removed property which, to the extent possible, you are required to retain.

## EXCLUSIONS

Paragraph **A.2. Earth Movement** is replaced by the following:

### 2. Earth Movement

Earth Movement means:

- a. Earthquake, including land shock waves or tremors before, during or after a volcanic eruption;
- b. Landslide;
- c. Subsidence or sinkhole;
- d. Destabilization;
- e. Gradual erosion; or
- f. Any other earth movement including earth sinking, rising or shifting.

This Exclusion **A.2.** applies regardless of whether any of the above, in **A.2.a.** through **A.2.f.**, is caused by an act of nature, an act of man or is otherwise caused.

However, direct physical loss by "flood" resulting from any of the above, in **A.2.a.** through **A.2.f.**, is covered.

Paragraph **A.6. Water** is replaced by the following:

### 6. Water

This means:

- a. Water or waterborne material which backs up, overflows or is otherwise discharged from:
  - (1) Sewers or drains; or
  - (2) A sump, sump pump or related equipment; that does not result from "flood"; or
- b. Water below the surface of the ground which:
  - (1) Exerts pressure on, or seeps, leaks or flows through a building, foundation or other structure; and
  - (2) Does not result from flooding as described in Paragraph **a.(1)** or **a.(2)** in the definition of "flood".

This Exclusion **A.6.** applies regardless of whether any of the above, in **A.6.a.** through **A.6.b.**, is caused by an act of nature, an act of man or is otherwise caused.

Paragraph **A.8. Intentional Loss** is replaced by the following:

### 8. Intentional Loss

Intentional Loss means any loss arising out of any act an "insured" commits or conspires to commit with the intent to cause a loss.

This exclusion only applies to an "insured" who commits or conspires to commit an act with the intent to cause a loss.

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**CONDITIONS**

**C. Duties After Loss**

The following is added to the end of Paragraph 6.:

However, if a state of disaster is proclaimed or declared for the state of North Carolina or for an area within the state in accordance with North Carolina law and the covered property that has sustained loss is located within the geographic area designated in the disaster proclamation or declaration, this 60-day period shall not commence until the expiration of the disaster proclamation or declaration, including all renewals of the proclamation, or 45 days, whichever is later.

Paragraph **F. Appraisal** is replaced by the following:

**F. Appraisal**

If you and we fail to agree on the value or amount of any item or loss, either may demand an appraisal of such item or loss. In this event, each party will choose a competent and disinterested appraiser within 20 days after receiving a written request from the other. The two appraisers will choose a competent and impartial umpire. If they cannot agree upon an umpire within 15 days, you or we may request that a choice be made by a judge of a court of record in the state where the "residence premises" is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss. Each party will:

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

In no event will an appraisal be used for the purpose of interpreting any policy provision, determining causation or determining whether any item or loss is covered under this Policy. If there is an appraisal, we still retain the right to deny the claim.

Paragraph **H. Suit Against Us** is replaced by the following:

**H. Suit Against Us**

No action can be brought against us unless there has been full compliance with all of the terms of this Policy and the action is started within three years after the date of loss.

Paragraph **W. Assignment** is replaced by the following:

**W. Assignment**

- 1. Assignment of this Policy will not be valid unless we give our written consent.
- 2. The benefits of this Policy that may be available to you following a covered loss may not be assigned unless:
  - a. All duties listed in Condition **C. Duties After Loss** are performed by you; and
  - b. An inspection of the damage has been conducted by an adjuster authorized by us, or we give our written consent.

The following conditions are added:

**Choice Of Law**

This Policy is issued in accordance with the laws of North Carolina and covers property or risks principally located in North Carolina. Any and all claims or disputes in any way related to this Policy shall be governed by the laws of North Carolina.

**Improvements, Alterations And Additions**

We must be promptly notified if the risk has changed since this Policy was issued due to:

- 1. Improvements, alterations or additions to a covered building; or
- 2. Partial or complete enclosure of a previously unenclosed space.

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

# SPECIAL PROVISIONS

## AMENDATORY ENDORSEMENT

**DEFINITIONS**

The following is added:

**Actual Cash Value**

Throughout this policy, the following is added to any provision that uses the term actual cash value:

Actual cash value is the value of the covered damaged part of the property at the time of loss, calculated as the estimated cost to repair or replace such property with material of like kind and quality, less a deduction to account for pre-loss depreciation.

In calculating the actual cash value, the components of this estimated cost that are subject to depreciation include, but are not limited to:

- 1. Materials, labor, permits and any applicable tax; and
- 2. Overhead and profit.

Pre-loss depreciation refers to the decrease in the value of the covered damaged part of the property due to, but not limited to, such considerations as:

- 1. Age;
- 2. Condition, including wear and tear or deterioration;
- 3. Remaining useful life; and
- 4. Obsolescence.

**SECTION I - COVERAGES**  
**ADDITIONAL COVERAGES Paragraph 2. is replaced with the following:**

**2. Reasonable Repairs**

- a. We will pay the reasonable cost incurred by you for the necessary measures taken solely to protect covered property that is damaged by a Peril Insured Against from further damage.
- b. If the measures taken involve repair to other damaged property, we will only pay if that property is covered under this policy and the damage is caused by a Peril Insured Against.
- c. Coverage provided under a. and b. does not:
  - (1) Increase the limit of liability that applies to the covered property; or
  - (2) Relieve you of your duties, in case of a loss to covered property, described in Section I – Conditions; and is limited to the greater of:
    - (3) \$3,000; or
    - (4) 1% of your Coverage A limit of liability; unless we grant you approval within 72 hours of your request to exceed the limit.

In such circumstance we will pay only up to the additional amount for the measures we authorize.

If we fail to respond to you within 72 hours of your request to us and the damage is caused by a Peril Insured Against you may exceed the amount stated above only up to the cost incurred by you for the reasonable repairs necessary to protect the covered property from further damage.

- d. In the event such repairs are undertaken, we have the right to inspect the repairs and the removed property which, to the extent possible, you are required to retain.

**SECTION I – CONDITIONS**

**2. Your Duties After Loss**

The following is added to the end of Paragraph e:

However, if a state of disaster is proclaimed or declared for the State of North Carolina or for an area within the state in accordance with North Carolina law and the covered property that has sustained loss is located within the geographic area designated in the disaster proclamation or declaration, this 60 day period shall not commence until the expiration of the disaster proclamation or declaration, including all renewals of the proclamation or 45 days, whichever is later.

**SECTION II - EXCLUSIONS**

Under item 1. Coverage E - Personal Liability and Coverage F - Medical Payment to Others, the following exclusion is added to all Forms:

- g. arising out of sexual molestation, corporal punishment or physical or mental abuse.

**SECTION II - ADDITIONAL COVERAGES**

Under item 1. Claim Expenses the following paragraph is added:

- e. prejudgment interest awarded against any insured on that part of the judgment we pay. If we make an offer to pay the applicable limit of liability, we will not pay any prejudgment interest based on that period of time after the offer.

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**SECTION II – CONDITIONS**

**3. Duties After Loss**

The following is added to the end of Paragraph d.:

However, if a state of disaster is proclaimed or declared for the State of North Carolina or for an area within the state in accordance with North Carolina law and the covered property that has sustained loss is located within the geographic area designated in the disaster proclamation or declaration, this 60 day period shall not commence until the expiration of the disaster proclamation or declaration, including all renewals of the proclamation or 45 days, whichever is later.

**SECTION I AND SECTION II – CONDITIONS**

**7. Assignment is replaced by the following:**

**7. Non-Assignability of Policy or Policy Benefits**

- a. Assignment of this policy will not be valid unless we give our written consent.
- b. The benefits of this policy that may be available to you following a covered loss may not be assigned unless:
  - (1) All duties listed in Section I - Conditions are performed by you; and
  - (2) An inspection of the damage has been conducted by an adjuster authorized by us, or we give our written consent.

All other provisions of this policy apply.

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

## SPECIAL PROVISIONS

### AMENDATORY ENDORSEMENT

#### **PHYSICAL DAMAGE**

The following is added following YOUR ADDITIONAL COVERAGES:

#### **ACTUAL CASH VALUE**

Throughout this policy, the following is added to any provision that uses the term actual cash value:

Actual cash value is the value of the covered damaged part of the property at the time of loss, calculated as the estimated cost to repair or replace such property with material of like kind and quality, less a deduction to account for pre-loss depreciation.

In calculating the actual cash value, the components of this estimated cost that are subject to depreciation include, but are not limited to:

1. Materials, labor, permits and any applicable tax; and
2. Overhead and profit.

Pre-loss depreciation refers to the decrease in the value of the covered damaged part of the property due to, but not limited to, such considerations as:

1. Age;
2. Condition, including wear and tear or deterioration;
3. Remaining useful life; and
4. Obsolescence.

#### **LIABILITY**

The Claim Expense coverage is deleted and replaced by the following:

For claim expenses WE pay:

- Expenses incurred by US and costs taxed against YOU in any suit WE defend;
- Premiums on bonds required in a suit defended by US, but not for bond amounts greater than the Limit of Liability for Personal Liability Coverage. WE are not obligated to apply for or furnish any bonds;
- Expenses incurred by YOU at OUR request, including up to \$25 a day actual loss of earnings, for assisting US in the investigation or defense of any claim or suit;

- Interest on the entire judgment which accrues after entry of the judgment and before WE pay, formally offer, or deposit in Court that part of the judgment which does not exceed the limit of OUR liability on that judgment; and
- Prejudgment interest awarded against YOU on that part of the judgment WE pay. If WE make an offer to pay the applicable limit of liability, WE will not pay any prejudgment interest based on that period of time after the offer.

The **LIABILITY DOESN'T PROVIDE PAYMENT FOR** Section is deleted and replaced by the following:

#### **PERSONAL LIABILITY COVERAGE AND MEDICAL PAYMENTS TO OTHERS COVERAGE DOESN'T PAY FOR BODILY INJURY OR PROPERTY DAMAGE:**

- Arising out of the serving or furnishing of alcoholic beverages to any person;
- Arising out of YOUR business pursuits;
- Arising out of the rental of holding for rental of any premises owned by YOU intended for use as a residence for more than two roomers or boarders;
- Arising out of the rendering or failing to render professional services;
- Arising out of any premises owned or rented to YOU unless it is shown on Page One or a premium charge has been made;
- Arising out of the ownership, maintenance, use, loading or unloading of:
  - Any motor vehicle licensed or not for road use, on or off public roads except golf carts while used for golfing, riding lawn mowers or equipment usual and incidental to the maintenance of YOUR mobile home premises;
  - Aircraft;
  - Watercraft;If the watercraft has inboard or inboard-outboard motor(s) exceeding 50 horsepower;

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If it is a sailing vessel, with or without auxiliary power, 26 feet or more in overall length; or

If it is powered by one or more outboard motors with more than 25 combined total horsepower owned by YOU;

- Caused directly or indirectly by war, hostile or war-like action in time of peace, or war whether or not declared, riot or civil disorder; or which is expected or intended by YOU;
- Arising out of sexual molestation, corporal punishment or physical or mental abuse.

### GENERAL POLICY CONDITIONS

#### WHAT TO DO WHEN YOU HAVE A LOSS

**The fifth paragraph is replaced with the following:**

#### Reasonable Repairs

- a. We will pay the reasonable cost incurred by you for the necessary measures taken solely to protect covered property that is damaged by a Named Peril from further damage.
- b. If the measures taken involve repair to other damaged property, we will only pay if that property is covered under this policy and the damage is caused by a Named Peril
- c. Coverage provided under a. and b. does not:
  - (1) Increase the limits of liability that applies to the covered property; or
  - (2) Relieve you of your duties, in case of a loss to covered property, described in Section I – Conditions; andis limited to the greater of:
  - (3) \$3,000; or
  - (4) 1% of your limit of liability;unless we grant you approval within 72 hours of your request to exceed the limit. In such circumstance we will pay only up to the additional amount for the measures we authorize.

If we fail to respond to you within 72 hours of your request to us and the damage is caused by a Named Peril you may exceed the amount stated above only up to the cost incurred by you for the reasonable repairs necessary to protect the covered property from further damage.
- d. In the event such repairs are undertaken, we have the right to inspect the repairs and the removed property which, to the extent possible, you are required to retain.

The following is added to the sixth paragraph:

However, if a state of disaster is proclaimed or declared for the State of North Carolina or for an area within the state in accordance with North Carolina law and the covered property that has sustained loss is located within the geographic area designated in the disaster proclamation or declaration, this 90 day period shall not commence until the expiration of the disaster proclamation or declaration, including all renewals of the proclamation or 45 days, whichever is later.

The following is added under **General Policy Conditions:**

#### Non-Assignability of Policy or Policy Benefits

- a. Assignment of this policy will not be valid unless we give our written consent.
- b. The benefits of this policy that may be available to you following a covered loss may not be assigned unless:
  - (1) All duties listed in General Policy Conditions are performed by you; and
  - (2) An inspection of the damage has been conducted by an adjuster authorized by us, or we give our written consent.

All other provisions of this policy apply.

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

## **SPECIAL PROVISIONS – NORTH CAROLINA**

### **DEFINITIONS**

The following definitions are added:

"Fungi" means any type or form of fungus, including mold or mildew and any mycotoxins, spores, scents or by-products produced or released by fungi.

#### **Actual Cash Value**

Throughout this Policy, the following is added to any provision that uses the term actual cash value:

Actual cash value is the value of the covered damaged part of the property at the time of loss, calculated as the estimated cost to repair or replace such property with material of like kind and quality, less a deduction to account for pre-loss depreciation. In calculating the actual cash value, the components of this estimated cost that are subject to depreciation include, but are not limited to:

1. Materials, labor, permits and any applicable tax; and
2. Overhead and profit.

Pre-loss depreciation refers to the decrease in the value of the covered damaged part of the property due to, but not limited to, such considerations as:

1. Age;
2. Condition, including wear and tear or deterioration;
3. Remaining useful life; and
4. Obsolescence.

### **COVERAGES**

In Basic Coverage Form **DP 00 01**, Paragraph **5. Rental Value** under **E. Other Coverages** is replaced by the following:

#### **5. Rental Value**

You may use up to 10% of the Coverage **A** limit of liability for loss of fair rental value as described in Coverage **D**.

Payment under this coverage reduces the Coverage **A** limit of liability by the amount paid for the same loss.

In Broad Form **DP 00 02** and Special Form **DP 00 03**, Paragraph **5. Rental Value And Additional Living Expense** under **F. Other Coverages** is replaced by the following:

#### **5. Rental Value And Additional Living Expense**

You may use up to 10% of the Coverage **A** limit of liability for loss of both fair rental value as described in Coverage **D** and additional living expense as described in Coverage **E**.

This coverage is additional insurance.

Under **F. Other Coverages**, Paragraph **6. Reasonable Repairs** is replaced by the following:

#### **6. Reasonable Repairs**

- a. In the event that covered property is damaged by a Peril Insured Against, we will pay the reasonable cost incurred by you for necessary measures taken solely to protect against further damage.
- b. If the measures taken involve repair to other damaged property, we will pay for those measures only if that property is covered under this Policy and the damage to that property is caused by a Peril Insured Against.
- c. Coverage provided under **a.** and **b.** does not:
  - (1) Increase the limit of liability that applies to the covered property; or
  - (2) Relieve you of your duties, in case of a loss to covered property, described in Conditions, **D.2. Duties After Loss**; and is limited to the greater of:
    - (3) \$3,000; or
    - (4) 1% of your Coverage **A** limit of liability;unless we grant you approval within 72 hours of your request to exceed the limit. In such circumstance, we will pay only up to the additional amount for the measures we authorize.



If we fail to respond to you within 72 hours of your request to us and the damage is caused by a Peril Insured Against, you may exceed the amount stated above only up to the cost incurred by you for the reasonable repairs necessary to protect the covered property from further damage.

- d. In the event such repairs are undertaken, we have the right to inspect the repairs and the removed property which, to the extent possible, you are required to retain.

(This is Paragraph 6. under E. Other Coverages in Form DP 00 01.)

The following is added under Paragraph F. Other Coverages:

**13. "Fungi", Wet Or Dry Rot, Or Bacteria**

- a. We will pay up to a total of \$5,000 for:
  - (1) Direct physical loss to property covered under Coverage A – Dwelling, Coverage B – Other Structures and Coverage C – Personal Property caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria if the direct result of a Peril Insured Against; and
  - (2) The necessary increase in costs which you incur to maintain your normal standard of living when the Described Location is uninhabitable due to a loss caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria which is the direct result of a Peril Insured Against.

The coverage provided above is the only coverage under Coverage A – Dwelling, Coverage B – Other Structures, Coverage C – Personal Property, and, if provided in this Policy, Coverage D – Fair Rental Value and Coverage E – Additional Living Expenses, for damage or loss caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria caused directly or indirectly regardless of any other cause or event contributing concurrently or in any sequence.

- b. The \$5,000 limit is the most we will pay for the cost:
  - (1) To remove "fungi", wet or dry rot, or bacteria from covered property;
  - (2) To tear out and replace any part of the building or other covered property as needed to gain access to the "fungi", wet or dry rot, or bacteria; and

- (3) Of any testing of air or property to confirm the absence, presence or level of "fungi", wet or dry rot, or bacteria whether performed prior to, during or after removal, repair, restoration or replacement. The cost of such testing will be provided only to the extent that there is a reason to believe that there is the presence of "fungi", wet or dry rot, or bacteria.

- c. The coverage provided above applies only when such loss or costs are the result of a Peril Insured Against that occurs during the policy period and only if all reasonable means were used to save and protect the property from further damage at or after the time of the occurrence of that Peril Insured Against.
- d. If there is covered loss or damage to covered property, not caused, in whole or in part, by "fungi", wet or dry rot, or bacteria, loss payment will not be limited by the terms of this Other Coverage, except to the extent that "fungi", wet or dry rot, or bacteria causes an increase in the loss. Any such increase in the loss will be subject to the terms of this Other Coverage.

This is additional insurance and is the most we will pay for the total of all loss or costs payable under this Other Coverage regardless of the number of locations insured or the number of claims made. No deductible applies to this coverage.

(This is Paragraph 9. under E. Other Coverages in Form DP 00 01.)

**PERILS INSURED AGAINST**

Basic Coverage Form DP 00 01 and Broad Coverage Form DP 00 02 only.

Under 2. Windstorm Or Hail, Paragraph b. is replaced by the following:

- b. To the following property when outside of the building, unless specifically shown on Endorsement DP 32 19 or the Declarations:
  - (1) Signs or cloth awnings, including their supports;
  - (2) Radio or television antennas or aerials, including their lead-in wiring, masts or towers;
  - (3) Swimming pools;

- (4) Screens, including their supports, around a swimming pool, patio or other areas;
- (5) Fences, property line and similar walls, including seawalls;
- (6) Bathhouses, cabanas, greenhouses, hothouses, pergolas, slathouses, trellises;
- (7) Outdoor equipment used to service the Described Location;
- (8) Structures located over water, whether or not permanently attached to the ground, including the property in or on the structure; or

Basic Coverage Form **DP 00 01** only.

Under **2. Windstorm Or Hail**, the following paragraph is added:

- c. Caused by frost or cold weather, or ice (other than hail), snow or sleet, whether driven by wind or not.

Broad Coverage Form **DP 00 02** only.

Under **2. Windstorm Or Hail**, the following paragraphs are added:

- c. To lawns, plants, shrubs or trees; or
- d. Caused by frost or cold weather, or ice (other than hail), snow or sleet, whether driven by wind or not.

Special Coverage Form **DP 00 03** only.

Under **B. Coverage C – Personal Property**, Paragraph **2. Windstorm Or Hail** is replaced by the following:

**2. Windstorm Or Hail**

This peril does not include loss:

- a. To property contained in a building caused by rain, snow, sleet, sand or dust unless the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand or dust enters through this opening;
- b. To plants, shrubs or trees; or
- c. Caused by frost or cold weather, or ice (other than hail), snow or sleet, whether driven by wind or not.

In Special Coverage Form **DP 00 03**, under **A. Coverage A – Dwelling And Coverage B – Other Structures** and in Endorsement **DP 04 65**, under **Perils Insured Against**, Paragraph **2.c.(8)(c)** is replaced by the following:

- (c) Smog, rust or other corrosion;

**GENERAL EXCLUSIONS**

Basic Coverage Form **DP 00 01**, Broad Coverage Form **DP 00 02** and Special Coverage Form **DP 00 03**.

Paragraph **8. Intentional Loss** is replaced by the following:

**8. Intentional Loss**

Intentional loss means any loss arising out of any act you or any person or organization named as an additional insured commits or conspires to commit with the intent to cause a loss.

This exclusion only applies to the person insured who commits or conspires to commit an act with an intent to cause a loss.

(This is Paragraph **A.8.** in Forms **DP 00 01** and **DP 00 03.**)

The following exclusion is added:

**10. "Fungi", Wet Or Dry Rot, Or Bacteria**

"Fungi", Wet Or Dry Rot, Or Bacteria means the presence, growth, proliferation, spread or any activity of "fungi", wet or dry rot, or bacteria other than as provided in Other Coverage, "Fungi", Wet Or Dry Rot, Or Bacteria.

(This is General Exclusion **A.10.** in Forms **DP 00 01** and **DP 00 03.**)

Basic Coverage Form **DP 00 01** only.

Exclusion **B.** is replaced by the following:

- B.** We do not cover loss to lawns, plants, shrubs or trees.

Special Coverage Form **DP 00 03** only.

The following exclusion is added to Paragraph **A.:**

**11. Windstorm Or Hail To Certain Property When Outside Of The Building**

This exclusion applies to the following property when outside of the building unless specifically shown on Endorsement **DP 32 19** or the Declarations:

- a. Signs or cloth awnings, including their supports;
- b. Swimming pools;
- c. Screens, including their supports, around a swimming pool, patio or other areas;
- d. Fences, property line and similar walls, including seawalls;
- e. Bathhouses, cabanas, greenhouses, hothouses, pergolas, slathouses, trellises;

- f. Outdoor equipment used to service the Described Location; or
- g. Structures located over water, whether or not permanently attached to the ground, including the property in or on the structure.

**CONDITIONS**

**Under D. Duties After Loss:**

Paragraph 5.c. is replaced by the following:

- c. Submit to examination under oath, while not in the presence of any other insured under the Policy, and sign the same;

The following is added to the end of Paragraph 6.:

However, if a state of disaster is proclaimed or declared for the State of North Carolina or for an area within the state in accordance with North Carolina law and the covered property that has sustained loss is located within the geographic area designated in the disaster proclamation or declaration, this 60-day period shall not commence until the expiration of the disaster proclamation or declaration, including all renewals of the proclamation or 45 days, whichever is later.

In Broad Coverage Form **DP 00 02** and Special Coverage Form **DP 00 03**, under **E. Loss Settlement**, Paragraph **2.a.** is replaced by the following:

- 2. Buildings under Coverage **A** or **B** at replacement cost without deduction for depreciation, subject to the following:
  - a. If, at the time of loss, the amount of insurance in this Policy on the damaged building is 80% or more of the full replacement cost of the building immediately before the loss, we will pay the cost to repair or replace, without deduction for depreciation, but not more than the least of the following amounts:
    - (1) The limit of liability under this Policy that applies to the building;
    - (2) The replacement cost of that part of the building damaged with material of like kind and quality and for like use; or
    - (3) The necessary amount actually spent to repair or replace the damaged building on the premises described in the Policy or some other location within the State of North Carolina.

Basic Coverage Form **DP 00 01**, Broad Coverage Form **DP 00 02** and Special Coverage Form **DP 00 03**.

Paragraph **G. Appraisal** is replaced by the following:

**G. Appraisal**

If you and we fail to agree on the value or amount of any item or loss, either may demand an appraisal of such item or loss. In this event, each party will choose a competent and disinterested appraiser within 20 days after receiving a written request from the other. The two appraisers will choose a competent and impartial umpire. If they cannot agree upon an umpire within 15 days, you or we may request that a choice be made by a judge of a court of record in the state where the dwelling on the Described Location shown in the Declarations is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss. Each party will:

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

In no event will an appraisal be used for the purpose of interpreting any policy provision, determining causation or determining whether any item or loss is covered under this Policy. If there is an appraisal, we still retain the right to deny the claim.

(This is Condition **H.** in Form **DP 00 01.**)

Paragraph **J. Suit Against Us** is replaced by the following:

**J. Suit Against Us**

No action can be brought against us unless there has been full compliance with all of the terms under this Policy and the action is started within three years after the date of loss.

(This is Condition **K.** in Form **DP 00 01.**)

Paragraph **L. Loss Payment** is replaced by the following:

**L. Loss Payment**

We will adjust all losses with you. We will pay you unless some other person is named in the Policy or is legally entitled to receive payment. We will pay within 60 days after the amount is finally determined.

This amount may be determined by:

- 1. Reaching an agreement with you;
- 2. Entry of a final judgment; or

3. The filing of an appraisal award with us.

(This is Condition **M.** in Form **DP 00 01.**)

Paragraph **T. Assignment** is replaced by the following:

**T. Assignment**

1. Assignment of this Policy will not be valid unless we give our written consent.
2. The benefits of this Policy that may be available to you following a covered loss may not be assigned unless:
  - a. All duties listed in Conditions, **D. Duties After Loss** are performed by you, and
  - b. An inspection of the damage has been conducted by an adjuster authorized by us, or we give our written consent.

(This is Condition **U.** in Form **DP 00 01.**)

The following condition is added and applies to all risks located in Protection Class 9, 9E, 9S or 10 in the State of North Carolina:

**AA. Vacancy And/Or Unoccupancy (Unprotected Dwellings)**

1. Coverage is extended for the described dwelling while it is vacant for not more than 60 consecutive days immediately before the loss; or unoccupied for not more than 90 consecutive days immediately before the loss.
2. If the vacancy or unoccupancy exceeds the respective period stated above, coverage must be extended for an additional period of vacancy and/or unoccupancy by use of Endorsement **DP 32 52**, otherwise all coverage on such dwelling shall be suspended during the period of vacancy or unoccupancy.
3. "Unoccupied" means the dwelling is entirely furnished but with personal habitants temporarily absent, provided the dwelling is secured against intrusion during this period; except as otherwise provided in this Policy for certain specified perils.
4. A building being constructed shall not be considered vacant.

(This is Condition **BB.** in Form **DP 00 01.**)

The following condition is added to Basic Coverage Form **DP 00 01**, Broad Coverage Form **DP 00 02** and Special Coverage Form **DP 00 03**:

**BB. Choice Of Law**

This Policy is issued in accordance with the laws of North Carolina and covers property or risks principally located in North Carolina. Any and all claims or disputes in any way related to this Policy shall be governed by the laws of North Carolina.

(This is Condition **CC.** in Form **DP 00 01.**)

**SPECIAL CONDITIONS**

When this Policy insures real property of a condominium association, the following Provisions **1.** through **3.** apply:

1. **Conditions, Other Insurance And Service Agreement** is replaced by the following:

**Other Insurance And Service Agreement**

If, at the time of loss, there is other insurance or a service agreement, in the name of a unit-owner, covering the same property covered by this Policy, this Policy shall provide primary insurance.

2. Under **Conditions**, Paragraph **J. Subrogation**, the following sentence is added:

However, we waive any rights of recovery against a unit-owner or member of the unit-owner's household.

3. An act or omission by a unit-owner, unless acting within the scope of his authority on behalf of the condominium association, will **not** preclude recovery by you under this Policy.

All other provisions of this Policy apply.

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

## **SPECIAL PROVISIONS – NORTH CAROLINA**

### **DEFINITIONS**

Definition **B.3.** is replaced by the following:

3. "Business" includes:
  - a. Any full- or part-time activity of any kind engaged in for economic gain, including the use of any part of any premises for such purposes; and
  - b. "Home-sharing host activities".

The following definitions are added to Paragraph **B.** in all forms:

#### **12. "Fungi"**

- a. "Fungi" means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.
- b. Under Section **II**, this does not include any fungi that are, are on, or are contained in any good or product intended for consumption.

### **Actual Cash Value**

Throughout this Policy, the following is added to any provision that uses the term actual cash value:

Actual cash value is the value of the covered damaged part of the property at the time of loss, calculated as the estimated cost to repair or replace such property with material of like kind and quality, less a deduction to account for pre-loss depreciation. In calculating the actual cash value, the components of this estimated cost that are subject to depreciation include, but are not limited to:

1. Materials, labor, permits and any applicable tax; and
2. Overhead and profit.

Pre-loss depreciation refers to the decrease in the value of the covered damaged part of the property due to, but not limited to, such considerations as:

1. Age;
2. Condition, including wear and tear or deterioration;
3. Remaining useful life; and
4. Obsolescence.

### **SECTION I – PROPERTY COVERAGES**

#### **C. Coverage C – Personal Property**

##### **3. Special Limits Of Liability**

Paragraphs **f.** and **g.** are deleted in all forms except **HO 00 08**, and deleted in Endorsements **HO 32 95** and **HO 32 35** when made part of Forms **HO 00 04** and **HO 00 06**, respectively. Paragraphs **f.** and **g.** in those forms are replaced by the following:

- f. 10% of the Coverage **C** limit, subject to a maximum of \$10,000, for loss by theft\* of firearms and related equipment.
- g. 25% of the Coverage **C** limit, subject to a maximum of \$10,000, for loss by theft\* of silverware, silver-plated ware, goldware, gold-plated ware, platinumware, platinum-plated ware and pewterware. This includes flatware, hollowware, tea sets, trays and trophies made of or including silver, gold or pewter.

\*In Form **HO 00 05** and Endorsements **HO 32 95** and **HO 32 35**, theft includes misplacing or losing.

##### **4. Property Not Covered**

Paragraph **c.(2)(a)** is replaced by the following:

- (a) Used to service an "insured's" residence; or

#### **E. Additional Coverages**

In all forms except **HO 00 06** and **HO 00 08**:

Paragraph **1. Debris Removal** is replaced by the following:

##### **1. Debris Removal**

- a. We will pay your reasonable expense for the removal of:
  - (1) Debris of covered property if a Peril Insured Against that applies to the damaged property causes the loss; or
  - (2) Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.

This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit of liability is available for debris removal expense.

- b. We will also pay your reasonable expense, up to \$500, for the removal from the "residence premises" of:
- (1) Your trees felled by the peril of Windstorm or Hail, or Weight of Ice, Snow or Sleet; or
  - (2) A neighbor's trees felled by a Peril Insured Against under Coverage C;  
provided the trees:
  - (3) Damage a covered structure; or
  - (4) Do not damage a covered structure, but:
    - (a) Block a driveway on the "residence premises" which prevents a "motor vehicle", that is registered for use on public roads or property, from entering or leaving the "residence premises"; or
    - (b) Block a ramp or other fixture designed to assist a handicapped person to enter or leave the dwelling building.

The \$500 limit is the most we will pay in any one loss, regardless of the number of fallen trees.

This coverage is additional insurance.

In Form **HO 00 06**:

Paragraph 1. **Debris Removal** is replaced by the following:

**1. Debris Removal**

- a. We will pay your reasonable expense for the removal of:
- (1) Debris of covered property if a Peril Insured Against that applies to the damaged property causes the loss; or
  - (2) Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.

This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit of liability is available for debris removal expense.

- b. We will also pay your reasonable expense, up to \$500, for the removal from the "residence premises" of:
- (1) Trees you solely own felled by the peril of Windstorm or Hail; or Weight of Ice, Snow or Sleet; or
  - (2) A neighbor's trees felled by a Peril Insured Against under Coverage C;  
provided the trees damage a covered structure. The \$500 limit is the most we will pay in any one loss, regardless of the number of fallen trees.

This coverage is additional insurance.

In Form **HO 00 08**:

Paragraph 1. **Debris Removal** is replaced by the following:

**1. Debris Removal**

- a. We will pay your reasonable expense for the removal of:
- (1) Debris of covered property if a Peril Insured Against that applies to the damaged property causes the loss; or
  - (2) Ash, dust or particles from a volcanic eruption that has caused direct loss to a building or property contained in a building.

This expense is included in the limit of liability that applies to the damaged property. If the amount to be paid for the actual damage to the property plus the debris removal expense is more than the limit of liability for the damaged property, an additional 5% of that limit of liability is available for debris removal expense.

- b. We will also pay your reasonable expense, up to \$500, for the removal from the "residence premises" of:
- (1) Your trees felled by the peril of Windstorm or Hail; or

(2) A neighbor's trees felled by a Peril Insured Against under Coverage C;

provided the trees:

(3) Damage a covered structure; or

(4) Do not damage a covered structure, but:

(a) Block a driveway on the "residence premises" which prevents a "motor vehicle", that is registered for use on public roads or property, from entering or leaving the "residence premises"; or

(b) Block a ramp or other fixture designed to assist a handicapped person to enter or leave the dwelling building.

The \$500 limit is the most we will pay in any one loss, regardless of the number of fallen trees.

This coverage is additional insurance.

In all forms:

Paragraph 2. **Reasonable Repairs** is replaced by the following:

## 2. Reasonable Repairs

a. We will pay the reasonable cost incurred by you for the necessary measures taken solely to protect covered property that is damaged by a Peril Insured Against from further damage.

b. If the measures taken involve repair to other damaged property, we will only pay if that property is covered under this Policy and the damage is caused by a Peril Insured Against.

c. Coverage provided under a. and b. does not:

(1) Increase the limit of liability that applies to the covered property; or

(2) Relieve you of your duties, in case of a loss to covered property, described in Section I – Conditions, C.4. Duties After Loss; and

is limited to the greater of:

(3) \$3,000; or

(4) 1% of your Coverage A limit of liability;

unless we grant you approval within 72 hours of your request to exceed the limit. In such circumstance we will pay only up to the additional amount for the measures we authorize.

If we fail to respond to you within 72 hours of your request to us and the damage is caused by a Peril Insured Against, you may exceed the amount stated above only up to the cost incurred by you for the reasonable repairs necessary to protect the covered property from further damage.

d. In the event such repairs are undertaken, we have the right to inspect the repairs and the removed property which, to the extent possible, you are required to retain.

## 10. Landlord's Furnishings

### k. Accidental Discharge Or Overflow Of Water Or Steam

Paragraph (2)(d) is replaced by the following in Form HO 00 05:

(d) Caused by constant or repeated seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years; or

The following Additional Coverage is added to all forms except HO 00 04:

## 13. "Fungi", Wet Or Dry Rot, Or Bacteria

a. We will pay up to a total of \$5,000 for:

(1) Direct physical loss to property covered under Section I – Coverage A – Dwelling, Coverage B – Other Structures and Coverage C – Personal Property caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria if the direct result of a Peril Insured Against; and

(2) The necessary increase in costs which you incur to maintain your normal standard of living when the "residence premises" is uninhabitable due to a loss caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria which is the direct result of a Peril Insured Against.

The coverage provided above is the only coverage under Section I – Coverage A – Dwelling, Coverage B – Other Structures, Coverage C – Personal Property and Coverage D – Loss Of Use for loss caused by, resulting from, or consisting of "fungi", wet or dry rot, or bacteria caused directly or indirectly regardless of any other cause or event contributing concurrently or in any sequence.

b. The amount in a. above is the most we will pay for the cost:

- (1) To remove "fungi", wet or dry rot, or bacteria from covered property;
- (2) To tear out and replace any part of the building or other covered property as needed to gain access to the "fungi", wet or dry rot, or bacteria; and
- (3) Of any testing of air or property to confirm the absence, presence or level of "fungi", wet or dry rot, or bacteria whether performed prior to, during or after removal, repair, restoration or replacement. The cost of such testing will be provided only to the extent that there is a reason to believe that there is the presence of "fungi", wet or dry rot, or bacteria.

c. The coverage provided above applies only when such loss or costs are the result of a Peril Insured Against that occurs during the policy period and only if all reasonable means were used to save and protect the property from further damage at or after the time of the occurrence of that Peril Insured Against.

d. If there is covered loss to covered property, not caused, in whole or in part, by "fungi", wet or dry rot, or bacteria, loss payment will not be limited by the terms of this Additional Coverage, except to the extent that "fungi", wet or dry rot, or bacteria causes an increase in the loss. Any such increase in the loss will be subject to the terms of this Additional Coverage.

This is additional insurance and is the most we will pay for the total of all loss or costs payable under the Additional Coverage regardless of the number of locations insured or the number of claims made. No deductible applies to this coverage.

(This is Additional Coverage 12. in Form HO 00 06 and Additional Coverage 9. in Form HO 00 08.)

## SECTION I – PERILS INSURED AGAINST

In Form HO 00 03:

### A. Coverage A – Dwelling And Coverage B – Other Structures

Paragraph 2.c.(5) is replaced by the following:

- (5) Constant or repeated discharge, seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years; or

Paragraph 2.c.(6)(c) is replaced by the following:

- (c) Smog, rust or other corrosion;

### B. Coverage C – Personal Property

#### 12. Accidental Discharge Or Overflow Of Water Or Steam

Paragraph b.(4) is replaced by the following:

- (4) Caused by constant or repeated seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years.

In Form HO 00 05:

Paragraph A.2.d. is replaced by the following:

- d. Constant or repeated seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years; or

Paragraph A.2.e.(3) is replaced by the following:

- (3) Smog, rust or other corrosion;

In Forms HO 00 02, HO 00 04 and HO 00 06:

#### 12. Accidental Discharge Or Overflow Of Water Or Steam

Paragraph b.(5) in Forms HO 00 02 and HO 00 06 and Paragraph b.(4) in Form HO 00 04 are replaced by the following:

- (5) To a building caused by constant or repeated seepage or leakage of water or the presence or condensation of humidity, moisture or vapor, over a period of weeks, months or years.

## SECTION I – EXCLUSIONS

Paragraph 2. Earth Movement is replaced by the following:

### 2. Earth Movement

Earth Movement means:

- a. Earthquake, including land shock waves or tremors before, during or after a volcanic eruption;
- b. Landslide, mudslide or mudflow;
- c. Subsidence or sinkhole; or
- d. Any other earth movement including earth sinking, rising or shifting.

This Exclusion 2. applies regardless of whether any of the above, in 2.a. through 2.d., is caused by an act of nature, an act of man or is otherwise caused.



However, direct loss by fire, explosion or theft resulting from any of the above, in **2.a.** through **2.d.**, is covered.

(This is Paragraph **A.2.** in Forms **HO 00 03** and **HO 00 05.**)

In all forms except **HO 00 05:**

Paragraph **3. Water** is replaced by the following:

### **3. Water**

This means:

- a.** Flood, including but not limited to flash flood, surface water, waves, including tidal wave and tsunami, seiche, 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.** Water which:
  - (1)** Backs up through sewers or drains; or
  - (2)** Overflows or is otherwise discharged from a sump, sump pump or related equipment;
- c.** Water below the surface of the ground, including water which exerts pressure on, or seeps, leaks or flows through a building, sidewalk, driveway, patio, foundation, swimming pool or other structure; or
- d.** Waterborne material carried or otherwise moved by any of the water referred to in **3.a.** through **3.c.** of this exclusion.

This Exclusion **3.** applies regardless of whether any of the above, in **3.a.** through **3.d.**, is caused by an act of nature, an act of man or is otherwise caused.

This Exclusion **3.** applies to, but is not limited to, escape, overflow or discharge, for any reason, of water or waterborne material from a dam, levee, seawall or any other boundary or containment system whether natural, man-made or is otherwise made.

However, direct loss by fire, explosion or theft resulting from any of the above, in **3.a.** through **3.d.**, is covered.

(This is Paragraph **A.3.** in Form **HO 00 03.**)

In Form **HO 00 05:**

Paragraph **A.3.** is replaced by the following:

### **3. Water**

This means:

- a.** Flood, including but not limited to flash flood, surface water, waves, including tidal wave and tsunami, seiche, 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.** Water which:

- (1)** Backs up through sewers or drains; or
- (2)** Overflows or is otherwise discharged from a sump, sump pump or related equipment;

**c.** Water below the surface of the ground, including water which exerts pressure on, or seeps, leaks or flows through a building, sidewalk, driveway, patio, foundation, swimming pool or other structure; or

**d.** Waterborne material carried or otherwise moved by any of the water referred to in **3.a.** through **3.c.** of this exclusion.

This Exclusion **A.3.** applies regardless of whether any of the above, in **A.3.a.** through **A.3.d.**, is caused by an act of nature, an act of man or is otherwise caused.

This Exclusion **A.3.** applies to, but is not limited to, escape, overflow or discharge, for any reason, of water or waterborne material from a dam, levee, seawall or any other boundary or containment system whether natural, man-made or is otherwise made.

However, direct loss by fire, explosion or theft resulting from any of the above, in **A.3.a.** through **A.3.d.**, is covered.

This exclusion does not apply to property described in Coverage **C** that is away from a premises or location owned, rented, occupied or controlled by an "insured".

This exclusion applies to property described in Coverage **C** that is on a premises or location owned, rented, occupied or controlled by an "insured", even if weather conditions contribute in any way to produce the loss.

Paragraph **8. Intentional Loss** is replaced by the following:

### **8. Intentional Loss**

Intentional Loss means any loss arising out of any act an "insured" commits or conspires to commit with the intent to cause a loss.

This exclusion only applies to an "insured" who commits or conspires to commit an act with the intent to cause a loss.

(This is Paragraph **A.8.** in Forms **HO 00 03** and **HO 00 05.**)

The following exclusion is added:

### **10. "Fungi", Wet Or Dry Rot, Or Bacteria**

"Fungi", Wet Or Dry Rot, Or Bacteria means the presence, growth, proliferation, spread or any activity of "fungi", wet or dry rot, or bacteria other than as provided in Additional Coverage **13. "Fungi", Wet Or Dry Rot, Or Bacteria.**

(This is Exclusion **A.10.** in Forms **HO 00 03** and **HO 00 05.**)

## **SECTION I – CONDITIONS**

### **C. Duties After Loss**

The following is added to the end of Paragraph **8.:**

However, if a state of disaster is proclaimed or declared for the State of North Carolina or for an area within the state in accordance with North Carolina law and the covered property that has sustained loss is located within the geographic area designated in the disaster proclamation or declaration, this 60-day period shall not commence until the expiration of the disaster proclamation or declaration, including all renewals of the proclamation, or the expiration of the commissioner's order.

### **D. Loss Settlement**

In Forms **HO 00 02**, **HO 00 03** and **HO 00 05**, Subparagraph **2.a.** is replaced by the following:

**2.** Buildings covered under Coverage **A** or **B** at replacement cost without deduction for depreciation, subject to the following:

**a.** If, at the time of loss, the amount of insurance in this Policy on the damaged building is 80% or more of the full replacement cost of the building immediately before the loss, we will pay the cost to repair or replace, without deduction for depreciation, but not more than the least of the following amounts:

- (1)** The limit of liability under this Policy that applies to the building;
- (2)** The replacement cost of that part of the building damaged with material of like kind and quality and for like use; or
- (3)** The necessary amount actually spent to repair or replace the damaged building on the "residence premises" or some other premises within the State of North Carolina.

Paragraph **F. Appraisal** is replaced by the following:

### **F. Appraisal**

If you and we fail to agree on the value or amount of any item or loss, either may demand an appraisal of such item or loss. In this event, each party will choose a competent and disinterested appraiser within 20 days after receiving a written request from the other. The two appraisers will choose a competent and impartial umpire. If they cannot agree upon an umpire within 15 days, you or we may request that a choice be made by a judge of a court of record in the state where the "residence premises" is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss. Each party will:

- 1.** Pay its own appraiser; and
- 2.** Bear the other expenses of the appraisal and umpire equally.

In no event will an appraisal be used for the purpose of interpreting any policy provision, determining causation or determining whether any item or loss is covered under this Policy. If there is an appraisal, we still retain the right to deny the claim.

Paragraph **H. Suit Against Us** is replaced by the following:

### **H. Suit Against Us**

No action can be brought against us unless there has been full compliance with all of the terms under Section **I** of this Policy and the action is started within three years after the date of loss.

Paragraph **J. Loss Payment** is replaced by the following:

**J. Loss Payment**

We will adjust all losses with you. We will pay you unless some other person is named in the Policy or is legally entitled to receive payment. We will pay within 60 days after the amount is finally determined.

This amount may be determined by:

1. Reaching an agreement with you;
2. Entry of a final judgment; or
3. The filing of an appraisal award with us.

**SECTION II – EXCLUSIONS**

**A. "Motor Vehicle Liability"**

Paragraph **2.b.** is replaced in all forms by the following:

- b. Used to service an "insured's" residence;

**E. Coverage E – Personal Liability And Coverage F – Medical Payments To Others**

Paragraph **1. Expected Or Intended Injury** is replaced in all forms by the following:

**1. Expected Or Intended Injury**

"Bodily injury" or "property damage" which is intended by or which may reasonably be expected to result from the intentional acts or omissions or criminal acts or omissions of one or more "insured" persons. This exclusion applies even if:

- a. The "insured" persons lack the mental capacity to govern their own conduct;
- b. The "bodily injury" or "property damage" is of a different kind, quality or degree than intended or reasonably expected; or
- c. The "bodily injury" or "property damage" is sustained by a different person or entity than intended or reasonably expected.

This exclusion applies regardless of whether or not an "insured" person is actually charged with, or convicted of, a crime.

If the Broadened Home-sharing Host Activities Coverage Endorsement is not made a part of this Policy, Paragraph **2. "Business"** is replaced by the following:

**2. "Business"**

- a. "Bodily injury" or "property damage" arising out of or in connection with a "business" engaged in by an "insured".

This Exclusion **E.2.** applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the "business".

- b. With respect to other than "home-sharing host activities", this Exclusion **E.2.** does not apply to:

- (1) The rental or holding for rental of an "insured location":

- (a) On an occasional basis if used only as a residence;

- (b) In part, for use only as a residence, unless a single family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or

- (c) In part, as an office, school, studio or private garage; and

- (2) An insured minor involved in part-time, self-employed "business" pursuits normally undertaken by minors, unless the minor is employed by a "business". A minor means a person who has not attained his or her 19th birthday (or age 23 if a full-time student);

If the Broadened Home-sharing Host Activities Coverage Endorsement is made a part of this Policy, Paragraph **2. "Business"** is replaced by the following:

**2. "Business"**

- a. "Bodily injury" or "property damage" arising out of or in connection with a "business" engaged in by an "insured".

This Exclusion **E.2.** applies but is not limited to an act or omission, regardless of its nature or circumstance, involving a service or duty rendered, promised, owed, or implied to be provided because of the nature of the "business".

- b. This Exclusion **E.2.** does not apply to:

- (1) "Home-sharing host activities";

- (2) With respect to other than "home-sharing host activities":

- (a) The rental or holding for rental of an "insured location":

- (i) On an occasional basis if used only as a residence;

- (ii) In part, for use only as a residence, unless a single family unit is intended for use by the occupying family to lodge more than two roomers or boarders; or
- (iii) In part, as an office, school, studio or private garage; and
- (b) An insured minor involved in part-time, self-employed "business" pursuits normally undertaken by minors, unless the minor is employed by a "business". A minor means a person who has not attained his or her 19th birthday (or age 23 if a full-time student);

The following exclusion is added:

**9. "Fungi", Wet Or Dry Rot, Or Bacteria**

"Bodily injury" or "property damage" arising directly or indirectly, in whole or in part, out of the actual, alleged or threatened inhalation of, ingestion of, contact with, exposure to, existence of or presence of any "fungi", wet or dry rot, or bacteria.

**SECTIONS I AND II – CONDITIONS**

Paragraph **E. Assignment** is replaced by the following:

**E. Assignment**

- 1. Assignment of this Policy will not be valid unless we give our written consent.

- 2. The benefits of this Policy that may be available to you following a covered loss may not be assigned unless:
  - a. All duties listed in Section I – Conditions, **C. Duties After Loss** are performed by you, and;
  - b. An inspection of the damage has been conducted by an adjuster authorized by us, or we give our written consent.

The following condition is added:

**Choice Of Law**

This Policy is issued in accordance with the laws of North Carolina and covers property or risks principally located in North Carolina. Any and all claims or disputes in any way related to this Policy shall be governed by the laws of North Carolina.

All other provisions of this Policy apply.

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

## **AMENDMENT OF POLICY PROVISIONS – NORTH CAROLINA**

With respect to the coverage provided by this endorsement, the provisions of the Policy apply unless modified by this endorsement.

### **DEFINITIONS**

Definition **B.2.** is replaced by the following:

2. "Business" includes any full- or part-time activity of any kind engaged in for economic gain, including the use of any part of any premises for such purposes.

The following definition is added to Paragraph **B.:**

#### **Actual Cash Value**

Throughout this Policy, the following is added to any provision that uses the term actual cash value:

Actual cash value is the value of the covered damaged part of the property at the time of loss, calculated as the estimated cost to repair or replace such property with material of like kind and quality, less a deduction to account for pre-loss depreciation. In calculating the actual cash value, the components of this estimated cost that are subject to depreciation include, but are not limited to:

1. Materials, labor, permits and any applicable tax; and
2. Overhead and profit.

Pre-loss depreciation refers to the decrease in the value of the covered damaged part of the property due to, but not limited to, such considerations as:

1. Age;
2. Condition, including wear and tear or deterioration;
3. Remaining useful life; and
4. Obsolescence.

### **COVERAGES**

#### **C. Coverage C – Personal Property**

##### **3. Property Not Covered**

Paragraph **3.d.(2)(a)** is replaced by the following:

- (a) Used to service an "insured's" residence; or

#### **E. Additional Coverages**

Paragraph **2. Reasonable Repairs** is replaced by the following:

##### **2. Reasonable Repairs**

- a. We will pay the reasonable cost incurred by you for the necessary measures taken solely to protect covered property that is damaged by "flood" from further damage.
- b. If the measures taken involve repair to other damaged property, we will only pay if that property is covered under this Policy and the damage is caused by "flood".
- c. Coverage provided under **a.** and **b.** does not:
  - (1) Increase the limit of liability that applies to the covered property; or
  - (2) Relieve you of your duties, in case of a loss to covered property, described in Conditions, Paragraph **2.** under **C.** Duties After Loss; and

is limited to the greater of:

(3) \$3,000; or

(4) 1% of your Coverage A limit of liability;

unless we grant you approval within 72 hours of your request to exceed the limit. In such circumstance, we will pay only up to the additional amount for the measures we authorize.

If we fail to respond to you within 72 hours of your request to us and the damage is caused by "flood", you may exceed the amount stated above only up to the cost incurred by you for the reasonable repairs necessary to protect the covered property from further damage.

- d. In the event such repairs are undertaken, we have the right to inspect the repairs and the removed property which, to the extent possible, you are required to retain.

## EXCLUSIONS

Paragraph **A.2. Earth Movement** is replaced by the following:

### 2. Earth Movement

Earth Movement means:

- a. Earthquake, including land shock waves or tremors before, during or after a volcanic eruption;
- b. Landslide;
- c. Subsidence or sinkhole;
- d. Destabilization;
- e. Gradual erosion; or
- f. Any other earth movement including earth sinking, rising or shifting.

This Exclusion **A.2.** applies regardless of whether any of the above, in **A.2.a.** through **A.2.f.**, is caused by an act of nature, an act of man or is otherwise caused.

However, direct physical loss by "flood" resulting from any of the above, in **A.2.a.** through **A.2.f.**, is covered.

Paragraph **A.6. Water** is replaced by the following:

### 6. Water

This means:

- a. Water or waterborne material which backs up, overflows or is otherwise discharged from:
  - (1) Sewers or drains; or
  - (2) A sump, sump pump or related equipment; that does not result from "flood"; or
- b. Water below the surface of the ground which:
  - (1) Exerts pressure on, or seeps, leaks or flows through a building, foundation or other structure; and
  - (2) Does not result from flooding as described in Paragraph **a.(1)** or **a.(2)** in the definition of "flood".

This Exclusion **A.6.** applies regardless of whether any of the above, in **A.6.a.** through **A.6.b.**, is caused by an act of nature, an act of man or is otherwise caused.

Paragraph **A.8. Intentional Loss** is replaced by the following:

### 8. Intentional Loss

Intentional Loss means any loss arising out of any act an "insured" commits or conspires to commit with the intent to cause a loss.

This exclusion only applies to an "insured" who commits or conspires to commit an act with the intent to cause a loss.

## CONDITIONS

### C. Duties After Loss

The following is added to the end of Paragraph 6.:

However, if a state of disaster is proclaimed or declared for the state of North Carolina or for an area within the state in accordance with North Carolina law and the covered property that has sustained loss is located within the geographic area designated in the disaster proclamation or declaration, this 60-day period shall not commence until the expiration of the disaster proclamation or declaration, including all renewals of the proclamation, or 45 days, whichever is later.

Paragraph **F. Appraisal** is replaced by the following:

### F. Appraisal

If you and we fail to agree on the value or amount of any item or loss, either may demand an appraisal of such item or loss. In this event, each party will choose a competent and disinterested appraiser within 20 days after receiving a written request from the other. The two appraisers will choose a competent and impartial umpire. If they cannot agree upon an umpire within 15 days, you or we may request that a choice be made by a judge of a court of record in the state where the "residence premises" is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss. Each party will:

1. Pay its own appraiser; and
2. Bear the other expenses of the appraisal and umpire equally.

In no event will an appraisal be used for the purpose of interpreting any policy provision, determining causation or determining whether any item or loss is covered under this Policy. If there is an appraisal, we still retain the right to deny the claim.

Paragraph **H. Suit Against Us** is replaced by the following:

### H. Suit Against Us

No action can be brought against us unless there has been full compliance with all of the terms of this Policy and the action is started within three years after the date of loss.

Paragraph **W. Assignment** is replaced by the following:

### W. Assignment

1. Assignment of this Policy will not be valid unless we give our written consent.
2. The benefits of this Policy that may be available to you following a covered loss may not be assigned unless:
  - a. All duties listed in Condition **C. Duties After Loss** are performed by you; and
  - b. An inspection of the damage has been conducted by an adjuster authorized by us, or we give our written consent.

The following conditions are added:

### Choice Of Law

This Policy is issued in accordance with the laws of North Carolina and covers property or risks principally located in North Carolina. Any and all claims or disputes in any way related to this Policy shall be governed by the laws of North Carolina.

### Improvements, Alterations And Additions

We must be promptly notified if the risk has changed since this Policy was issued due to:

1. Improvements, alterations or additions to a covered building; or
2. Partial or complete enclosure of a previously unenclosed space.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

## SPECIAL PROVISIONS

### AMENDATORY ENDORSEMENT

#### DEFINITIONS

The following is added:

##### **Actual Cash Value**

Throughout this policy, the following is added to any provision that uses the term actual cash value:

Actual cash value is the value of the covered damaged part of the property at the time of loss, calculated as the estimated cost to repair or replace such property with material of like kind and quality, less a deduction to account for pre-loss depreciation.

In calculating the actual cash value, the components of this estimated cost that are subject to depreciation include, but are not limited to:

1. Materials, labor, permits and any applicable tax; and
2. Overhead and profit.

Pre-loss depreciation refers to the decrease in the value of the covered damaged part of the property due to, but not limited to, such considerations as:

1. Age;
2. Condition, including wear and tear or deterioration;
3. Remaining useful life; and
4. Obsolescence.

#### SECTION I - COVERAGES

**ADDITIONAL COVERAGES Paragraph 2. is replaced with the following:**

##### **2. Reasonable Repairs**

- a. We will pay the reasonable cost incurred by you for the necessary measures taken solely to protect covered property that is damaged by a Peril Insured Against from further damage.
- b. If the measures taken involve repair to other damaged property, we will only pay if that property is covered under this policy and the damage is caused by a Peril Insured Against.
- c. Coverage provided under a. and b. does not:
  - (1) Increase the limit of liability that applies to the covered property; or
  - (2) Relieve you of your duties, in case of a loss to covered property, described in Section I – Conditions; and is limited to the greater of:
    - (3) \$3,000; or
    - (4) 1% of your Coverage A limit of liability; unless we grant you approval within 72

hours of your request to exceed the limit.

In such circumstance we will pay only up to the additional amount for the measures we authorize.

If we fail to respond to you within 72 hours of your request to us and the damage is caused by a Peril Insured Against you may exceed the amount stated above only up to the cost incurred by you for the reasonable repairs necessary to protect the covered property from further damage.

- d. In the event such repairs are undertaken, we have the right to inspect the repairs and the removed property which, to the extent possible, you are required to retain.

#### SECTION I – CONDITIONS

##### **2. Your Duties After Loss**

The following is added to the end of Paragraph e:

However, if a state of disaster is proclaimed or declared for the State of North Carolina or for an area within the state in accordance with North Carolina law and the covered property that has sustained loss is located within the geographic area designated in the disaster proclamation or declaration, this 60 day period shall not commence until the expiration of the disaster proclamation or declaration, including all renewals of the proclamation or 45 days, whichever is later.

#### SECTION II - EXCLUSIONS

Under item 1. Coverage E - Personal Liability and Coverage F - Medical Payment to Others, the following exclusion is added to all Forms:

- g. arising out of sexual molestation, corporal punishment or physical or mental abuse.

#### SECTION II - ADDITIONAL COVERAGES

Under item 1. Claim Expenses the following paragraph is added:

- e. prejudgment interest awarded against any insured on that part of the judgment we pay. If we make an offer to pay the applicable limit of liability, we will not pay any prejudgment interest based on that period of time after the offer.



## **SECTION II – CONDITIONS**

### **3. Duties After Loss**

The following is added to the end of Paragraph d.:

However, if a state of disaster is proclaimed or declared for the State of North Carolina or for an area within the state in accordance with North Carolina law and the covered property that has sustained loss is located within the geographic area designated in the disaster proclamation or declaration, this 60 day period shall not commence until the expiration of the disaster proclamation or declaration, including all renewals of the proclamation or 45 days, whichever is later.

## **SECTION I AND SECTION II – CONDITIONS**

### **7. Assignment is replaced by the following:**

#### **7. Non-Assignability of Policy or Policy Benefits**

- a. Assignment of this policy will not be valid unless we give our written consent.
- b. The benefits of this policy that may be available to you following a covered loss may not be assigned unless:
  - (1) All duties listed in Section I - Conditions are performed by you; and
  - (2) An inspection of the damage has been conducted by an adjuster authorized by us, or we give our written consent.

All other provisions of this policy apply.

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

## **SPECIAL PROVISIONS**

### **AMENDATORY ENDORSEMENT**

#### **PHYSICAL DAMAGE**

The following is added following YOUR ADDITIONAL COVERAGES:

#### **ACTUAL CASH VALUE**

Throughout this policy, the following is added to any provision that uses the term actual cash value:

Actual cash value is the value of the covered damaged part of the property at the time of loss, calculated as the estimated cost to repair or replace such property with material of like kind and quality, less a deduction to account for pre-loss depreciation.

In calculating the actual cash value, the components of this estimated cost that are subject to depreciation include, but are not limited to:

1. Materials, labor, permits and any applicable tax; and
2. Overhead and profit.

Pre-loss depreciation refers to the decrease in the value of the covered damaged part of the property due to, but not limited to, such considerations as:

1. Age;
2. Condition, including wear and tear or deterioration;
3. Remaining useful life; and
4. Obsolescence.

#### **LIABILITY**

The Claim Expense coverage is deleted and replaced by the following:

For claim expenses WE pay:

1. Expenses incurred by US and costs taxed against YOU in any suit WE defend;
2. Premiums on bonds required in a suit defended by US, but not for bond amounts greater than the Limit of Liability for Personal Liability Coverage. WE are not obligated to apply for or furnish any bonds;
3. Expenses incurred by YOU at OUR request, including up to \$25 a day actual loss of earnings, for assisting US in the investigation or defense of any claim or suit;

4. Interest on the entire judgment which accrues after entry of the judgment and before WE pay, formally offer, or deposit in Court that part of the judgment which does not exceed the limit of OUR liability on that judgment; and
5. Prejudgment interest awarded against YOU on that part of the judgment WE pay. If WE make an offer to pay the applicable limit of liability, WE will not pay any prejudgment interest based on that period of time after the offer.

The **LIABILITY DOESN'T PROVIDE PAYMENT FOR** Section is deleted and replaced by the following:

#### **PERSONAL LIABILITY COVERAGE AND MEDICAL PAYMENTS TO OTHERS COVERAGE DOESN'T PAY FOR BODILY INJURY OR PROPERTY DAMAGE:**

- Arising out of the serving or furnishing of alcoholic beverages to any person;
- Arising out of YOUR business pursuits;
- Arising out of the rental of holding for rental of any premises owned by YOU intended for use as a residence for more than two roomers or boarders;
- Arising out of the rendering or failing to render professional services;
- Arising out of any premises owned or rented to YOU unless it is shown on Page One or a premium charge has been made;
- Arising out of the ownership, maintenance, use, loading or unloading of:
  - Any motor vehicle licensed or not for road use, on or off public roads except golf carts while used for golfing, riding lawn mowers or equipment usual and incidental to the maintenance of YOUR mobile home premises;
  - Aircraft;
  - Watercraft;If the watercraft has inboard or inboard-outboard motor(s) exceeding 50 horsepower;

If it is a sailing vessel, with or without auxiliary power, 26 feet or more in overall length; or

If it is powered by one or more outboard motors with more than 25 combined total horsepower owned by YOU;

- Caused directly or indirectly by war, hostile or war-like action in time of peace or war whether or not declared, riot or civil disorder; or which is expected or intended by YOU;
- Arising out of sexual molestation, corporal punishment or physical or mental abuse.

### **GENERAL POLICY CONDITIONS**

#### **WHAT TO DO WHEN YOU HAVE A LOSS**

**The fifth paragraph is replaced with the following:**

#### **Reasonable Repairs**

- a. We will pay the reasonable cost incurred by you for the necessary measures taken solely to protect covered property that is damaged by a Named Peril from further damage.
- b. If the measures taken involve repair to other damaged property, we will only pay if that property is covered under this policy and the damage is caused by a Named Peril
- c. Coverage provided under a. and b. does not:

(1) Increase the limits of liability that applies to the covered property; or

(2) Relieve you of your duties, in case of a loss to covered property, described in Section I – Conditions; and

is limited to the greater of:

(3) \$3,000; or

(4) 1% of your limit of liability;

unless we grant you approval within 72 hours of your request to exceed the limit. In such circumstance we will pay only up to the additional amount for the measures we authorize.

If we fail to respond to you within 72 hours of your request to us and the damage is caused by a Named Peril you may exceed the amount stated above only up to the cost incurred by you for the reasonable repairs necessary to protect the covered property from further damage.

- d. In the event such repairs are undertaken, we have the right to inspect the repairs and the removed property which, to the extent possible, you are required to retain.

The following is added to the sixth paragraph:

However, if a state of disaster is proclaimed or declared for the State of North Carolina or for an area within the state in accordance with North Carolina law and the covered property that has sustained loss is located within the geographic area designated in the disaster proclamation or declaration, this 90 day period shall not commence until the expiration of the disaster proclamation or declaration, including all renewals of the proclamation or 45 days, whichever is later.

The following is added under **General Policy Conditions**:

#### **Non-Assignability of Policy or Policy Benefits**

a. Assignment of this policy will not be valid unless we give our written consent.

b. The benefits of this policy that may be available to you following a covered loss may not be assigned unless:

(1) All duties listed in General Policy Conditions are performed by you; and

(2) An inspection of the damage has been conducted by an adjuster authorized by us, or we give our written consent.

All other provisions of this policy apply.