

## EARNINGS COVERAGE PART

Coverage is provided for one or more of the Coverage Options when shown by a limit on the declarations. If a limit is shown for more than one of the Coverage Options, the provisions of the Commercial Property Coverage apply separately to each.

<b>ADDITIONAL DEFINITIONS</b>
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1. **Business** means normal business activities occurring at the described premises including the tenantability of the described premises when the selected coverage option includes rents.
2. **Restoration period** means the time it should reasonably take to resume **your business** starting from the date of loss to the described premises caused by a covered peril, and ending on the date the property should be rebuilt, repaired, or replaced. This is not limited by the expiration date of the policy.

This does not include any increase in time due to the enforcement of any ordinance, law, or decree that regulates or requires:

- a. the construction, use, repair, or demolition of any property; or
  - b. the testing, evaluating, observing, or recording the existence, level, or effects of **pollutants**.
3. **Rents** means **your** actual loss of:
    - a. rental income of the described premises as furnished or equipped less any expenses that do not continue;
    - b. the rental value of any part of the described premises that **you** occupy less any expenses that do not continue; and
    - c. other charges for which a tenant is legally obligated and for which **you** would otherwise be obligated.

<b>COVERAGE OPTIONS</b>
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1. Earnings including rents.
2. Earnings other than rents.
3. **Rents** only.

Earnings includes **rents** when option 1. is selected. Earnings means only **rents** when option 3. is selected.

**We** provide the coverage shown below during the **restoration period** when **your business** is necessarily interrupted by direct physical loss to real or personal property as a result of a covered peril. This coverage applies only when the loss to real or personal property is at the described premises or in the open (or in vehicles) within 100 feet thereof.

**EARNINGS**

**We** cover **your** actual loss of net income (net profit or loss before income taxes), payroll expense, interest, and other continuing operating expenses normally incurred and earned by **your business**.

**We** cover only the expenses that are necessary during the **restoration period**. Consideration is given to continuation of payroll and other expenses to the extent necessary to resume **your business** with the same quality of service that existed before the loss.

<b>EXCLUSIONS AND LIMITATIONS</b>
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1. Electronic Information - **We** do not cover loss of earnings caused by damage to or loss of electronic information beyond:
  - a. 60 consecutive days from the date of loss; or
  - b. the time from the date of loss until the date **you** could reasonably rebuild, repair, or replace other damaged property at the described premises caused by the same occurrence whichever is greater.

Electronic information is media, programs, or records for electronic data processing or electronically controlled equipment including films, tapes, discs, drums, or cells.

2. Finished Stock - **We** do not cover loss of earnings caused by loss to stock

manufactured by **you** which is ready to pack, ship, or sell. This does not apply to stock manufactured for retail outlets that **you** own.

3. Fire Extinguishment - **We** do not cover expenses to put out a fire.
4. Leases, Licenses, Contracts, or Orders - **We** do not cover any increase in loss due to the suspension, lapse, or cancellation of leases, licenses, contracts, or orders.

However, **we** do cover loss during the **restoration period** if the suspension, lapse, or cancellation results directly from the interruption of **your business**.

5. Strikes, Protests, and Other Interference - **We** do not cover any increase in loss due to interference by strikers or other persons at the described premises. This applies to interference with rebuilding, repairing, or replacing the property or with resuming **your business**.
6. Unnecessary Expenses - **We** do not cover any expenses that are not necessary during the **restoration period**.

#### ADDITIONAL COVERAGES

1. Alterations and New Buildings - **We** extend **your** coverage to include loss caused by damage to:
  - a. additions or alterations;
  - b. new buildings or structures, completed or under construction; and
  - c. machinery, equipment, supplies, or building materials located on or within 100 feet of the described premises used in the construction, alterations, or additions; or incidental to the occupancy of new buildings or structures at the described premises caused by a covered peril.

If such loss delays the start of **your business**, the **restoration period** starts from the time **your business** would have begun had no loss occurred. This does not increase the limit.

2. Expenses to Reduce Loss - **We** extend **your** coverage to include expenses to reduce the amount of loss, but only to the extent that they reduce the amount of loss under this Coverage Part. This does not increase the limit.
3. Interruption by Civil Authority - **We** extend **your** coverage to include loss while access to the described premises is specifically denied by an order of civil authority. This order must be a result of damage to property other than at the described premises and caused by a covered peril. This extension is limited to two consecutive weeks from the date of the order. This does not increase the limit.
4. Newly Acquired Locations - **We** extend **your** coverage to include loss caused by damage to property at locations, other than at fairs or exhibitions, that **you** acquire. The damage must be caused by a covered peril. The most **we** pay is 10 percent of the highest limit shown on the declarations for this Coverage Part, but not exceeding \$100,000.

This coverage applies for 30 days after **you** acquire the location or until **you** report the newly acquired location to us, whichever occurs first. This coverage does not go beyond the expiration of this policy.

**You** must pay any additional premium due from the date **you** acquire the location.

This is an additional amount of insurance and is not subject to and not considered in applying coinsurance.

5. Period of Loss Extension - **We** extend **your** coverage for earnings to cover loss from the date the property that incurred the loss is rebuilt, repaired, or replaced until:
  - a. the end of 30 consecutive days (unless otherwise shown on the declarations); or
  - b. the date **you** could reasonably resume **your business** to the conditions that would have existed had no loss occurred, whichever is earlier.

This does not increase the limit.

### PERILS COVERED

See the applicable Perils Part shown on the declarations.

### WHAT MUST BE DONE IN CASE OF LOSS

1. **Notice** - In case of a loss, **you** must:
  - a. give **us** or **your** agent prompt notice including a description of the property involved (**we** may request written notice); and
  - b. give notice to the police when the act that causes the loss is a crime.
2. **Protect Property** - **You** must take all reasonable steps to protect covered property at and after an insured loss to avoid further loss. **We** pay the reasonable costs incurred by **you** for necessary repairs or emergency measures performed solely to protect covered property from further damage by a covered peril if a covered peril has already caused a loss to covered property. However, **we** do not pay for such repairs or emergency measures performed on property which has not been damaged by a covered peril. This does not increase **our** limit.
3. **Proof of Loss** - **You** must send us, within 60 days after **our** request, a signed, sworn proof of loss. This must include the time, place, and circumstances of the loss, and other information **we** request to investigate the loss.
4. **Examination Under Oath** - **You** must submit to examination under oath in matters connected with the loss as often as **we** reasonably request and give **us** sworn statements of the answers. If more than one person is examined, **we** have the right to examine and receive statements separately and not in the presence of others.
5. **Records** - **You** must produce records, including tax returns and bank microfilms of all cancelled checks, relating to value, loss and expense and permit copies and

extracts to be made of them as often as **we** reasonably request.

6. **Damaged Property** - **You** must exhibit the damaged and undamaged property as often as **we** reasonably request and allow **us** to inspect or take samples of the property.
7. **Cooperation** - **You** must cooperate in performing all acts required by the Commercial Property Coverage.
8. **Intent to Continue Business** - If **you** intend to continue **your business**, **you** must resume all or part of **your business** as soon as possible.

### VALUATION

In determining a loss, **we** consider the experience of **your business** before the loss and the probable experience had no loss occurred.

**We** do not pay for any increase in loss due to **your** failure to use reasonable efforts to resume all or part of **your business**. This includes making use of other locations and property to reduce the loss.

If **your business** is not resumed as soon as possible, or if it is not resumed at all, the value of loss payment is based on the period of time it would have otherwise taken to resume **your business** as soon as possible.

### HOW MUCH WE PAY

**We** pay no more than **our** limit for any loss. Payment for earnings and extra expense combined does not exceed the limit.

1. **Period of Indemnity** - The following applies when a coinsurance percentage or a monthly limitation is not shown on the declarations.
 

**We** do not cover more than the loss of earnings sustained within 120 days right after the loss to property, or the limit, whichever is less.
2. **Coinsurance** - The following applies when a coinsurance percentage is shown on the declarations. Coinsurance does not apply to the Additional Coverage, Expenses to Reduce Loss.

**We** only pay a part of the loss if the limit is less than the coinsurance percentage multiplied by the sum of **your** net income (net profit or loss before income taxes), payroll expense, interest, and other continuing operating expenses projected for the 12 months following the inception, or last previous anniversary date of this policy (whichever is later), normally earned by **your business**. **Our** part of the loss is determined using the following steps:

- a. Multiply the coinsurance percentage by the sum of **your** net income (net profit or loss before income taxes), payroll expense, interest, and other continuing operating expenses projected for the 12 months following the inception, or last previous anniversary date of this policy;
- b. Divide the limit by the figure determined in 2.a. above;
- c. Multiply the total amount of loss by the figure determined in 2.b. above.

**We** pay the amount determined in 2.c. above; or the limit, whichever is less. **We** do not pay any remaining part of the loss.

If there is more than one limit shown on the declarations for this Coverage Part, this procedure applies separately to each limit.

**Example - Underinsurance**

Net Income \$100,000  
 Coinsurance 50%  
 Limit \$ 30,000  
 Loss \$ 20,000

Step a.:  $\$100,000 \times 50\% = \$50,000$   
 (minimum limit needed to meet coinsurance requirement)

Step b.:  $\$30,000 / \$50,000 = .60$

Step c.:  $\$20,000 \times .60 = \$12,000$

**We** pay no more than \$12,000. **We** do not pay the remaining \$8,000.

**Example - Sufficient Insurance**

Net Income \$100,000  
 Coinsurance 50%  
 Limit \$ 50,000  
 Loss \$ 20,000

Step a.:  $\$100,000 \times 50\% = \$50,000$   
 (minimum limit needed to meet coinsurance requirement)

Step b.:  $\$50,000 / \$50,000 = 1.00$

Step c.:  $\$20,000 \times 1.00 = \$20,000$

**We** pay no more than \$20,000. No penalty applies.

3. **Monthly Limitation** - The following applies when a monthly limitation is shown on the declarations.

**We** do not cover more than the monthly limitation shown on the declarations multiplied by the limit during any 30 consecutive days.

**Example**

Limit \$100,000  
 Monthly limitation 1/4

**We** pay no more than  $\$25,000 / \$100,000 (1/4)$  during any 30 consecutive days.

If the actual amount of loss is:

Days	1 - 30	\$30,000
Days	31 - 60	\$25,000
Days	61 - 90	<u>\$10,000</u>
Total		\$65,000

**We** pay:

Days	1 - 30	\$25,000
Days	31 - 60	\$25,000
Days	61 - 90	<u>\$10,000</u>
Total		\$60,000

**We** do not pay the remaining \$5,000.

4. **Insurance Under More Than One Coverage** - If more than one coverage of this policy insures the same loss, **we** pay no more than the actual claim or loss sustained.
5. **Insurance Under More Than One Policy** - **You** may have another policy subject to the same plan, terms, conditions, and provisions as this policy. If **you** do, **we** pay **our** share of

the covered loss. **Our** share is the proportion that the applicable limit

6. under this policy bears to the limit of all policies covering on the same basis.

If there is another policy covering the same loss, other than that described above, **we** pay only for the amount of covered loss in excess of the amount due from that other policy, whether **you** can collect on it or not. But **we** do not pay more than the applicable limit.

so itemized and signed by any two of these three is binding on all parties.

Each appraiser is paid by the party selecting that appraiser. Other expenses of the appraisal and the compensation of the umpire is paid equally by **you** and us.

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

### LOSS PAYMENT

A covered loss is payable 30 days after a satisfactory proof of loss is received, and the amount of the loss has been established either by written agreement with **you** or the filing of an appraisal award with us.

### OTHER CONDITIONS

In addition to the policy terms which are contained in other sections of the Commercial Property Coverage, the following condition applies:

**Appraisal** - If **you** and **we** do not agree on the amount of net income (net profit or loss before income taxes), payroll expense, interest, and operating expenses or the amount of loss, either party may demand that these amounts be determined by appraisal.

If either makes a written demand for appraisal, each selects a competent, independent appraiser and notifies the other of the appraiser's identity within 20 days of receipt of the written demand. The two appraisers then select a competent, impartial umpire. If the two appraisers are unable to agree upon an umpire within 15 days, **you** or **we** can ask a judge of a court of record in the state where the property is located to select an umpire.

The appraisers then determine and state separately the amount of each loss.

A written agreement is binding on all parties. If the appraisers fail to agree within a reasonable time, they submit only their differences to the umpire. Written agreement