

## HOMEBUILDERS

### BUILDER'S RISK COVERAGE FORM

Various provisions of this Policy restrict coverage. Read the entire Policy carefully to determine rights, duties, and what is or is not covered.

Throughout this Policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to section **F - Definitions**.

#### **A. Coverage**

We will pay for "loss" to Covered Property from any of the Covered Causes of Loss.

##### **1. Covered Property** as used in this Coverage Form, means:

- a. your property and property for which you are legally responsible consisting of: building materials and supplies, equipment, machinery and fixtures in your care, custody or control; which is, or is intended to become a permanent part of any one to six family residential building, including private garages and similar service buildings, as described in the Declarations.
- b. retaining walls that are attached to a covered residential building, fences, foundations, excavations, underground pipes, drains, paving, pilings at any construction premises covered by this Coverage Form;
- c. temporary structures, scaffolding and construction forms used at any construction premises covered by this Coverage Form.
- d. household appliances to be sold with a covered residential building.

##### **2. Property Not Covered**

Covered Property does not include:

- a. land, including land on which the property is located;
- b. water;
- c. lawns, growing crops, grading or fill;
- d. accounts, bills, currency, deeds, evidences of debt, money, notes or securities;
- e. contractor's equipment, aircraft, motor vehicles, watercraft, machinery, tools or similar property (other than temporary structures, scaffolding and construction forms), which will not become a permanent part of the structure described in the Declarations;
- f. bridges, tunnels, piers, wharves and dams whether or not in the course of construction, reconstruction, renovation or repair;
- g. property stored at a warehouse or storage yard that you own or lease unless specifically endorsed herein;
- h. buildings or structures that exist prior to any alteration, addition, improvement, renovation or repair.

##### **3. Covered Causes of Loss**

Covered Causes of Loss means risks of direct physical "loss" to Covered Property except those causes of "loss" listed in the Exclusions.

#### 4. Additional Coverage

The **Deductible Provision and Coinsurance Condition** do not apply to the following Additional Coverages.

The Limits of Insurance for the Additional Coverages are separate from the Limits of Insurance stated elsewhere in the Policy.

##### a. Debris Removal

We will pay your actual and necessary expense to remove debris of Covered Property caused by or resulting from a Covered Cause of Loss.

The most we will pay for "loss" under this Additional Coverage is 10% of the "completed value" of the Residential Building that experiences "loss" from a Covered Cause of Loss.

If the sum of the debris removal expense, deductible amount and our payment for direct physical "loss" exceeds the applicable Limit of Insurance, we will pay up to \$25,000 for additional debris removal expense.

This Additional Coverage doesn't apply to the cost to:

- (1) extract "pollutants" from land or water; or
- (2) remove, restore or replace polluted land or water.

##### b. Pollutant Clean Up and Removal

We will pay your necessary expense to extract "pollutants" from land or water at a jobsite if the release, discharge or dispersal of the "pollutants" results from a Covered Cause of Loss to Covered Property that occurs during the policy period. Your expenses will be paid only if they are reported to us within 180 days of the earlier of the following:

- (1) the date of the "loss"; or
- (2) the end of the policy period.

The Additional Coverage does not apply to costs to test for, monitor or assess the existence, concentration or effects of "pollutants." But we will pay

for testing which is performed in the course of extracting the "pollutants" from the land or water.

The most we will pay under this Additional Coverage is \$10,000 For the sum of all such expenses for each separate policy period up to 12 months.

##### c. Plans and Records

We will pay up to \$25,000 to reproduce, replace or restore valuable papers or records such as blueprints, plans, drawings, or data processing media located at any construction premises covered by this Coverage Form.

##### d. Outdoor Trees, Shrubs and Plants

We will pay up to \$20,000 for "loss" to outdoor trees, shrubs, or plants if the "loss" is caused by fire, lightning, explosion, aircraft, civil disturbance or riot. The most we will pay for any one tree, shrub or plant including removal, is \$500.

##### e. Fire Department Service Charge

When the fire department is called to save or protect Covered Property from a Covered Cause of Loss, we will pay up to \$10,000 for your liability for fire department service charges:

- (1) assumed by contract or agreement prior to "loss"; or
- (2) required by local ordinance.

##### f. Crime Reward

We will reimburse you up to \$10,000 for a reward that you pay to an individual(s) who provides information that leads to the arrest and conviction of a person or persons who committed a crime that resulted in a "loss" to Covered Property that we paid under this Coverage Form.

This coverage does not apply in states that do not allow crime rewards as a matter for insurance, and thereby disallow them as part of an insurance policy.

### **g. Loss Data Preparation Cost**

We will pay up to \$1,000 for your actual cost of preparing a statement of loss or any other exhibits required in connection with any claim under this Coverage Form. This Additional Coverage does not apply to public adjuster fees.

## **B. Exclusions**

1. We will not pay for a "loss" caused directly or indirectly by any of the following. Such "loss" is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the "loss." These exclusions apply whether or not the event results in widespread damage or affects a substantial area.

### **a. Governmental Action**

Seizure or destruction of property by order of governmental authority.

But we will pay for acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread if the fire would be covered under this Coverage Form.

### **b. Nuclear Hazard**

- (1) Any weapon employing atomic fission or fusion; or
- (2) nuclear reaction or radiation, or radioactive contamination from any other cause. But we will pay for direct "loss" caused by resulting fire if the fire would be covered under this Coverage Form.

### **c. War and Military Action**

- (1) War, including undeclared or civil war;
- (2) warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or authority using military personnel or other agents; or

- (3) insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these.

### **d. Earth Movement**

- (1) Any earth movement (other than "sinkhole collapse"), whether the event arises from external or natural forces, such as earthquake, landslide, mine subsidence or earth sinking, rising, shifting, expanding or contracting. But if loss or damage by fire, theft, or explosion results, we will pay for that resulting "loss."
- (2) Volcanic eruption, explosion or effusion. But if "loss" by fire or volcanic action results, we will pay for that resulting "loss."

Volcanic action means direct "loss" resulting from the eruption of a volcano when the "loss" is caused by:

- (a) airborne volcanic blast or airborne shock waves;
- (b) ash, dust or particulate matter; or
- (c) lava flow.

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

Volcanic action does not include the cost to remove ash, dust or particulate matter that does not cause direct physical "loss" to the described property.

### **e. Water**

The following are excluded whether the event arises from external or natural forces:

- (1) flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not.
- (2) mudslide or mudflow;

- (3) water that backs up from a sewer or drain; or
- (4) water under the ground surface pressing on, or flowing or seeping through:
  - (a) foundations, walls, floors or paved surfaces;
  - (b) basements, whether paved or not; or
  - (c) doors, windows or other openings.
- (5) Water Damage as a result of freezing, unless:
  - (i) you have shut off the water supply and drained the plumbing systems; or
  - (ii) made a reasonable effort to maintain heat in an enclosed building.

But if "loss" by fire, explosion, theft or sprinkler leakage results, we will pay for that resulting "loss."

**f. Building Ordinance**

The enforcement of any ordinance or law:

- (1) regulating the construction, use or repair of any property; or
- (2) requiring the tearing down of any property, including the cost of removing its debris.

**g. "Fungus," Wet Rot, Dry Rot and Bacteria**

- (1) Presence, growth, proliferation, spread, destruction, decomposition, or any other activity of "fungus," wet rot, dry rot, or bacteria;
- (2) We will not pay for the cost to test, monitor, contain, remove, extract, dispose of, treat, remediate, neutralize or decontaminate land, water or any property which has been (or is suspected to have

been) contaminated by the presence of "fungus," wet rot, dry rot or bacteria.

This exclusion does not apply to:

- (a) "fungus," wet rot or dry rot that results from a fire or lightning; or
- (b) to the extent that limited coverage is provided by Optional Flood Coverage.

**2. We will not pay for a "loss" caused by or resulting from any of the following:**

a. Delay, loss of use, loss of market or any other consequential loss.

b. Dishonest acts by:

(1) you, your partners, directors, managers, officers or trustees, employees (including leased employees) or your or their authorized representatives;

(2) anyone else with an interest in the property, or their employees (including leased employees) or authorized representatives;

(3) anyone else (other than a carrier for hire or public warehouseman) to whom you entrust the property.

This exclusion applies whether or not such persons are acting alone or in collusion with other persons, or such acts occur during the hours of employment.

This exclusion does not apply to acts of destruction by employees (including leased employees), but theft by employees (and leased employees) is not covered.

c. Unexplained loss, mysterious disappearance or shortage found upon taking inventory. This exclusion does not apply to property in the custody of a carrier for hire or public warehouseman.

d. Rain, sleet, snow, hail, ice or dust to property that is:

- (1) not in a fully enclosed building; or
- (2) in the open.

This exclusion does not apply to:

- (1) property in the custody of a carrier for hire;
- (2) "loss" due to collapse of a structure caused by the weight of rain, sleet, snow, hail, ice or dust;
- (3) "loss" to the exterior of the building, such as the roof and walls/siding.

3. We will not pay for a "loss" caused by or resulting from any of the following. But if "loss" by a Covered Cause of Loss results, we will pay for that resulting "loss."

- a. Collapse or weather conditions. But this exclusion only applies if collapse or weather conditions contribute in any way with a cause or event excluded in paragraph 1. above to produce the "loss."
- b. Acts or decision, including the failure to act or decide, of any person, group, organization or governmental body.
- c. Gradual deterioration, hidden or latent defects, any quality in the property that causes it to damage or destroy itself, wear and tear, depreciation, corrosion, rust, dampness or dryness, cold or heat, insects, vermin, rodents, birds or other animals.
- d. Settling, cracking, shrinking, bulging or expansion.

4. We will not pay for "loss" caused by or resulting from the following causes. But if as a result of the following there is "loss" to other Covered Property by a Covered Cause of Loss, we will pay for that resulting "loss."

- a. Artificially generated electric current that creates a short circuit or other electric disturbance within electrical devices, appliances or wires. But we will pay for direct "loss" caused by resulting fire if the fire would be covered under this Coverage Form.

b. Mechanical breakdown of machinery including rupture or bursting caused by centrifugal force.

c. Faulty, inadequate or defective:

- (1) planning, zoning, development, surveying, siting;
- (2) design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
- (3) materials used in repair, construction, renovation or remodeling; or
- (4) maintenance.

5. We will not pay for:

- a. Penalties for noncompletion or non-compliance with contract conditions or liquidated damages.
- b. Any "loss" covered under any guarantee, warranty or other expressed or implied obligation of any contractor, manufacturer or supplier. This exclusion applies whether or not such contractor, manufacturer or supplier is a Named Insured.

### C. Limits of Insurance

The most we will pay for "loss" in any one occurrence is the applicable Limit of Insurance shown in the Declarations.

### D. Deductible

We will pay the amount of the adjusted "loss" in any one occurrence in excess of the Deductible amount shown in the Declarations, up to the applicable Limit of Insurance.

### E. Additional Conditions

The following conditions apply in addition to the Commercial Inland Marine Conditions and Common Policy Conditions.

#### 1. Coinsurance

Covered Property, except property at "temporary" storage locations or in transit, must be insured for its total value or you will incur a penalty.

The penalty is that we will pay only the proportion of any "loss" that the applicable Limit of Insurance shown in the Declarations bears to the following amount for each type of Covered Property.

- a. Buildings Under Construction – the total value is the estimated "completed value" of the described building or structure, including household appliances.
- b. Construction Forms, Scaffolding and Temporary Structures the total value of that Property is all such property at all construction premises described in the Declarations at the time of loss.

## 2. Valuation

General Condition F. **Valuation** in the Commercial Inland Marine Conditions is replaced by the following:

### a. Building or Structure

We will adjust a "loss" to buildings or structures on the basis of replacement cost, at the time of loss, including the contractor's reasonable overhead and profit.

### b. Other Covered Property

We will adjust "loss" to:

- (1) owned property at the actual cash value, including labor and delivery charges;
- (2) property of others at the cost to repair or replace but not more than the amount for which you are legally liable.

Property will be valued as of the time the "loss" occurs.

The most we will pay is:

- (1) the amount necessary to repair the Covered Property; or
- (2) the amount necessary to replace the Covered Property with materials of the same kind or quality; or
- (3) the applicable Limit of Insurance;

whichever is less.

## 3. Duty to Preserve Rights of Recovery

a. If any act or agreement of yours (before or after a "loss") impairs your right to recover from:

(1) Any architect, engineer, or other party or entity responsible for any design, specifications, or plans for the fabrication, erection or completion of the property insured with respect to any loss or damage that may be caused by:

- (i) fault, defect, error or omission in such design, specifications, or plans;
- (ii) performance of, or failure to perform, supervisory or management functions related to the construction project(s).

(2) Any contractor, manufacturer or supplier of Covered Property that has agreed to make good any loss or damage under a guarantee or warranty.

we will not cover the "loss."

b. Nor, will we cover any "loss" which you settle or compromise without our written consent.

## 4. Where Coverage Applies

Coverage applies while Covered Property is:

- a. at the construction jobsite premises described on the Declarations;
- b. at a "temporary" storage location; or
- c. in transit.

but only while within:

- (1) the states of the United States;
- (2) the District of Columbia;
- (3) Canada;

excluding while in transit:

- (1) to or from Hawaii; and
- (2) to or from Alaska.

## 5. When Coverage Begins and Ends

We cover from the time the Covered Property is at your risk starting on or after the date this Policy begins.

This coverage will end on each structure when any of the following occurs:

- a. the purchaser accepts it;
- b. your interest in the Covered Property ceases; or you abandon the construction;
- c. 60 days after the structure is "substantially completed" (if no work on the structure has taken place during that period);
- d. when a structure is occupied or put to its intended use, without our written consent; a multifamily building is considered occupied when more than 50% of the units are leased or rented to others;
- e. any other insurance covers the property as a completed building or structure;
- f. this Coverage Form is cancelled; or
- g. the end of the policy period.
- h. the covered residential building is put to use as a Model home, unless it is endorsed on this Policy for Model Home Coverage.

## F. Definitions

**"Completed Value"** means the total value of the Covered Property (including building, fences, foundations, underground pipes, drains, paving, pilings and attached retaining walls that are a permanent part of the covered residential building and appurtenant structures including swimming pools), when the job will have been finished at the end of the construction period. "Completed Value" includes the cost of labor, the cost of materials and the contractor's reasonable overhead and profit.

"Completed Value" does not include:

1. the cost of land; or
2. the cost of developing the land to make it suitable for building (e.g. clearing, filling, grading, utility and sewer hook up or septic tank installation); or
3. the percentage of the general development cost apportioned to each building lot in a subdivision.

**"Fungus"** means any type or form of fungus, including mold, mildew, yeast or mushroom and any toxin, mycotoxin, spore, scent, waste product, or by-product produced or released by any fungus or by metabolism, growth, death or decay of any fungus.

**"Loss"** means accidental loss or damage.

**"Pollutant"** means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

**"Sinkhole Collapse"** means a sudden sinking or collapse of the land into an underground empty space(s) created by the action of water on limestone or similar rock formations.

It does not include:

- a. the cost of land;
- b. the cost of filling the sinkhole;
- c. indirect or consequential loss, the loss of use arising from sinkhole collapse;
- d. sinking of land into man-made structures.

**"Substantially Completed"** means construction project structure(s) is usable for its intended purpose.

**"Temporary"** means a period of 90 consecutive days or less.