



City of Grand Island

Tuesday, September 13, 2011

Council Session

Item G11

**#2011-236 - Approving the Boiler & Machinery Insurance for the
Utilities Department for 2011 - 2012**

Staff Contact: Tim Luchsinger

Council Agenda Memo

From: Tim Luchsinger, Utilities Director
Jason Eley, Assistant City Attorney/Purchasing

Meeting: September 13, 2011

Subject: Boiler and Machinery Insurance – Utilities Department

Item #'s: G-11

Presenter(s): Tim Luchsinger, Utilities Director

Background

The Utilities Department Boiler and Machinery Property Peril and Fire coverage insurance is up for renewal as of October 1, 2011. This insurance is specifically designed for Electric Utilities and is readily adaptable to the Water Utility, which is also included in the coverage. The standard policy excludes losses due to acts of terrorism unless the optional Terrorism Insurance is accepted. The Utilities Department's insurance provider, FM Global, provided the attached proposal for renewal of the present coverage.

The complete policy is available in the Utilities office for review, along with a Policy Holder Disclosure form for execution by the City, either accepting or rejecting terrorism coverage. The renewal proposal and proposed policy have been reviewed by the Legal Department.

Discussion

Key provisions included in the proposed renewal are an increase in the insured valuation from \$456,743,074, to \$479,159,343; a premium increase of \$28,561, which results in an annual premium change from \$354,375 for the current year to \$382,936 for the 2011-2012 year; and a premium increase of \$651 for Terrorism Insurance, which results in an annual premium change from \$21,721 for the current year to \$22,372 for the 2011-2012 year.

The increase in insured valuation of assets was reviewed by Utility staff and is in line with replacement costs seen in the utility industry, as well as the resulting policy premium increase.

The annual premium to add terrorism coverage is \$22,372.00. The probability that a relatively remote location in the central part of the nation would be targeted for a terrorist attack may be very unlikely, but the determination of a terrorist attack is not clearly defined, such as an attack similar to the Oklahoma City Federal Building. Regardless of the cause, the loss of a high valued asset as the Platte Generating Station must be protected from risk, and the acceptance of Terrorism Insurance is recommended.

The premium for the renewal of the Boiler and Machinery, Property Peril, and Fire coverage is \$405,308.00, which includes Terrorism Insurance, and is recommended by the Utilities Department for approval.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve
2. Refer the issue to a Committee
3. Postpone the issue to future date
4. Take no action on the issue

Recommendation

City Administration recommends that the Council approve renewal of the Utilities Department's Boiler and Machinery, Property and Peril, and Fire Insurance with FM Global, and execution of the Notice of Terrorism Insurance Coverage form to accept that coverage.

Sample Motion

Move to approve acceptance of the FM Global Insurance for the Utilities Department, with authorization to accept the Terrorism Coverage.

Proposal

City of Grand Island
August 18, 2011



Overview

For 28 years The City of Grand Island and FM Global have had a continuous business relationship. This relationship focused on a single goal; to protect the value of your business. FM Global wants to help reduce exposure and at the same time have the capital available for Grand Island to continue to serve their customers in a manner they expect to be served. There are very few risk reduction recommendations remaining as Grand Island continues their stellar service to their customers. At FM Global we continue our efforts to improve or revise our service to support your objectives. With new leadership we look forward to at least another 28 year relationship of protecting the value of our clients business.

Client Service Plan /Accomplishments

The review, inspection and testing of fuel burner combustion safety controls at the Platte and Burdick plants has been completed with a program in place to test this equipment on a regular frequency.

The steam valves at the Burdick Station were dismantled on Units No. 1 and 2

FM Global has offered some options to reduce the renewal premium.

FM Global would like to be involved in the plan review process prior to the start of construction for;

- A substation being added to the Platte Generating site in the next couple of years.
- Replacing the Platte Station automatic sprinkler controls for the coal conveyors and control building.

Insurance

Last renewal we discussed the options for the latest innovative two-part coverage, **“Sustainability Select”**. It provides a unique avenue toward developing sound, sustainable risk improvement strategies—and one that will assimilate nicely with your overall sustainability initiatives.

“Sustainability Select” consists of two parts – one allowing for risk improvement following a loss, and the other providing funds to repair or replace physically damaged portions of a facility with materials that qualify as “green.” These coverages are available either separately or together, and both are available on a location specific basis, giving you maximum flexibility to concentrate your sustainability efforts where you feel they are needed most.

- **Risk Improvement Coverage** provides for risk improvement following a loss. It allows you to spend additional funds to complete physical protection recommendations published in the FM Global Property Loss Prevention Data Sheets current at the time of the loss.
 - No other carrier offers any coverage like this, nor do they have the ability to do so effectively.

- This allows you to transfer some of the risk expense for improving the risk quality at a given location to FM Global *after* a loss occurs!
 - The payment is not limited to the physically damaged property – it can be used to satisfy any recommendation within the location affected by the loss, whether or not that portion of the location experienced any damage.
 - There is a two-year timeframe in which to make the improvements.
 - Coverage also applies to loss or damage to production equipment.
 - Pays for 10% of the property damage loss at the location, up to USD500,000 per occurrence.
-
- **Green Coverage** provides you with the opportunity to more easily upgrade physically damaged portions of your facility using more efficient and environmentally accommodating building materials and practices.
 - Damaged portions of the facility can be repaired or replaced to any recognized “green” standard. By not tying this coverage to any one specific “green” authority (for example, LEED), you are given the flexibility to use locally recognized certification authorities/professionals.
 - Time Element coverage is included.
 - Pays up to 25% of the loss amount to the damaged property, up to USD5,000,000 per occurrence.

Contract Certainty – FM Global strives to continue to be a leader in contract certainty. Another new resource available is the FM Global Advantage Policy Commentary, available on *MyRisk* to help you better understand the full scope of the FM Global Advantage policy. The commentary takes language directly from the policy and offers simple explanations of the clauses and definitions, plus realistic loss examples. It is structured to make it quick and easy to find a specific term, clause or definition. This is unique in the marketplace, and demonstrates our commitment to policy transparency.

We continue to pride ourselves on ensuring that documentation reflecting our agreements is provided in a timely manner. With agreement to all renewal terms, if an order to bind coverage as outlined herein is confirmed at least five business days prior to renewal, FM Global will guarantee that the Master Policy will be delivered prior to the renewal date.

Financial Strength and Business Model

Financial Strength and Stability

Despite the tumultuous economy, FM Global maintains a solid balance sheet with ample liquidity to meet policyholder obligations. As of 31 December 2010, Policyholders’ Surplus was nearly US \$7.3 billion and Gross Premium in force was US \$4.8 billion.

FM Global’s ability to provide stable capacity and meet its obligations to policyholders has been confirmed by major industry rating agencies, principally:

Proposal



In October 2010 A.M. Best affirmed FM Global's A+ (Superior) rating and Stable rating outlook, citing FM Global's "solid operating performance" and "very strong capitalization". An A+ rating is assigned to those insurers with "a very strong ability to meet their ongoing obligations to policyholders", according to A.M. Best, who also noted FM Global as a "market leader" with significant market share and policyholder retention as a result of its "stable capacity, unmatched engineering, global reach, loss prevention technology and shared commitment to property preservation . . ." for its policyholders.

In January 2011 Fitch Ratings affirmed FM Global's AA (Very Strong) rating and Stable rating outlook. Fitch views FM Global's engineering and property loss prevention services as "key advantages that are difficult to replicate", and believes "this expertise will result in sustainable underwriting results that are better than peers."

Mutual Ownership

As a mutual company, our clients are our owners. Our difference is the ability to absorb and tolerate volatility. The value to our clients is large, stable capacity and the ability to focus on understanding the risk.

Our philosophy as a mutual company is that to meet our customers' needs we must maintain open lines of communication. Through our Board of Directors, Regional Advisory Boards and Risk Management Executive Councils, FM Global senior management receives input from a representation of policyholders. Many positive changes in our operations including the development of new products have been made as a result of these interactions.

As a mutual company, FM Global is able to share our positive results with clients instead of returning money to shareholders. We have been able to deliver this benefit in a number of ways including:

Membership Credits - we have distributed five Membership Credits with a total of nearly US \$1.7 billion returned to our policyholders since 2001.

A Membership Credit was not declared by the Board of Directors that would affect this renewal. The 2010 – 2011 renewal invoice provided a Membership Credit in the amount of USD54,073.

Proposal



Changes from the current Policy include:

- Increase in the Policy Limit to \$580,000,000

***Note:** The above does not replace or modify any of the actual terms and conditions stated in the policy. For the actual terms and conditions of your coverage, please refer to your FM Global policy.*

Proposal



Schedule of Locations and Values

Loc. No.	Address	100% Values	
	See Policy for schedule of locations		
		Building	USD 71,474,765
		<u>Machinery and Equipment</u>	USD407,684,578
		Total Property	USD479,159,578

Total Insurable Value:	
2010	2011
USD 456,743,074	USD479,159,578

Premium

2009	2011
USD 354,375 All Risk	USD 382,936 All Risk
<u>USD 21,721 Terrorism</u>	<u>USD 22,372 Terrorism</u>
USD 376,096 Total	USD 405,308 Total

Sustainability Select Coverage

Coverage	Limit	Premium
A	USD100,000	USD 6,558
	USD500,000	USD 9,938
B	USD500,000	USD13,117
	USD5,000,000	USD26,233

Payment is due upon receipt of invoice or on the date coverage begins, whichever is later. Policies will be subject to cancellation for non-payment of premium bills.

Premium does not include various fees, taxes or surcharges.

Premium does not include the quote for Certified Terrorism. See the optional Terrorism quote detailed elsewhere.

U. S. Terrorism

The Terrorism Risk Insurance Act of 2002 as amended and extended in 2005 and again in 2007, requires that insurers advise clients, prior to the renewal date of their current policy, of their option to elect or reject terrorism coverage under the act as part of their property renewal policy. It also requires insurers to disclose the cost of such coverage for the policy term. As a brief reminder, the act provides licensed, admitted carriers with a substantial federal reinsurance backstop for terrorism acts that are certified by the Secretary of the Treasury of the United States as covered events (known as certified losses). Generally speaking, the act responds strictly to events that take place within the United States, its protectorates, territories, and possessions. The Act has been extended to expire on 31 December 2014.

Attached is the Policyholder Disclosure Notice of Terrorism Insurance Coverage document and the applicable certified terrorism endorsement. **Please note the following important conditions that require your action:**

The Disclosure form must be completed, signed and returned to Patrick Belding prior to the renewal policy effective date of October 1, 2011 indicating your choice to accept or decline certified coverage as part of your renewal policy.

The premium for certified coverage is USD22,372 for the term of October 1, 2011 to October 1, 2012. This premium corresponds with the annual premium stated on the Policyholder Disclosure Notice of Terrorism Insurance Coverage and does not include applicable taxes or surcharges.

POLICYHOLDER DISCLOSURE
NOTICE OF TERRORISM INSURANCE COVERAGE

Date: August 18, 2011

Insured Name: City of Grand Island
Account Number: 05249

Insurer Name: Factory Mutual Insurance Company

The Terrorism Risk Insurance Act of 2002, as amended and extended in 2005 and again in 2007, gives you the right as part of your property renewal policy to elect or reject insurance coverage for locations within the United States or any territory or possession of the United States for losses arising out of acts of terrorism, as defined and certified in accordance with the provisions of the act.

YOU SHOULD KNOW THAT WHERE COVERAGE IS PROVIDED FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM, SUCH LOSSES MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. UNDER THIS FORMULA, THE UNITED STATES GOVERNMENT GENERALLY PAYS 85% OF COVERED TERRORISM LOSSES EXCEEDING A STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURER REFERENCED ABOVE.

YOU SHOULD ALSO KNOW THAT THE TERRORISM RISK INSURANCE ACT, AS AMENDED, CONTAINS A \$100 BILLION CAP THAT LIMITS THE U.S. GOVERNMENT REIMBURSEMENT AS WELL AS INSURERS' LIABILITY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM WHEN THE AMOUNT OF SUCH LOSSES IN ANY ONE PROGRAM YEAR EXCEEDS \$100 BILLION. IF THE AGGREGATE INSURED LOSSES FOR ALL INSURERS EXCEED \$100 BILLION, YOUR COVERAGE MAY BE REDUCED.

THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

ACCEPTANCE OR REJECTION OF TERRORISM INSURANCE COVERAGE: UNDER FEDERAL LAW, YOU HAVE THE RIGHT TO ACCEPT OR REJECT THIS OFFER OF COVERAGE FOR TERRORIST ACTS COVERED BY THE ACT AS PART OF YOUR RENEWAL POLICY. IF WE DO NOT RECEIVE THIS SIGNED DISCLOSURE FORM PRIOR TO THE RENEWAL POLICY EFFECTIVE DATE OF October1, 2011 THEN YOUR RENEWAL POLICY WILL REFLECT YOUR DECISION NOT TO PURCHASE THE TERRORISM COVERAGE PROVIDED BY THE ACT.

_____ I hereby elect to purchase coverage for terrorist acts covered by the act for an annual premium of \$ 22,372 . This premium does not include applicable taxes or surcharges.

_____ I hereby decline this offer of coverage for terrorist acts covered by the act.

Policyholder / Applicant Signature

Print Name

Date

SUPPLEMENTAL UNITED STATES CERTIFIED ACT OF TERRORISM ENDORSEMENT

This Endorsement is applicable to all insured Locations in the United States, its territories and possessions and the Commonwealth of Puerto Rico.

Coverage for “Certified Act of Terrorism” Under The Terrorism Risk Insurance Act of 2002, as amended.

In consideration of a premium charged of USD22,372 this Policy, subject to the terms and conditions therein and in this Endorsement, covers direct physical loss or damage to insured property and any resulting TIME ELEMENT loss, as provided in the TIME ELEMENT section of the Policy, caused by or resulting from a Certified Act of Terrorism as defined herein.

Notwithstanding anything contained elsewhere in this Policy, any exclusion or limitation of terrorism in this Policy and any endorsement attached to and made a part of this Policy, is hereby amended to the effect that such exclusion or limitation does not apply to a “Certified Act of Terrorism” as defined herein. This amendment does not apply to any limit of liability for a Certified Act of Terrorism, if any, stated under the LIMITS OF LIABILITY clause of the DECLARATIONS section of this Policy.

With respect to any one or more Certified Act(s) of Terrorism, this Company will not pay any amounts for which the Company is not responsible under the terms of the Terrorism Risk Insurance Act of 2002 (including subsequent action of Congress pursuant to the Act) which includes a provision stating that if the aggregate insured losses exceed USD100,000,000,000 during any program year, neither the United States Government nor any insurer that has met its insurer deductible shall be liable for the payment of any portion of the amount of such losses that exceed USD100,000,000,000. If the aggregate insured losses for all insurers exceed USD100,000,000,000, your coverage may be reduced.

The coverage provided under this Endorsement for “Certified” losses caused by acts of terrorism will be partially reimbursed by the United States Government under a formula established by Federal Law. Under this formula, the United States pays 85% of covered terrorism losses exceeding a statutorily established retention by the insurer referenced in this Policy. The premium charged for this coverage is provided above.

The terms and limitations of any terrorism exclusion, or the inapplicability or omission of a terrorism exclusion, do not serve to create coverage for any loss which would otherwise be excluded under this Endorsement or the Policy.

The coverage provided by this Endorsement only applies to a Certified Act of Terrorism.

Reference and Application: The following term(s) means:

Proposal



Certified Act of Terrorism:

A "Certified Act of Terrorism" means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States, to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act of 2002 as amended and extended in 2005 and in 2007. The criteria contained in that Act for a "Certified Act of Terrorism" include the following:

- a. The act resulted in aggregate losses in excess of USD5,000,000; and
- b. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.



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SUPPLEMENTAL UNITED STATES CERTIFIED ACT OF TERRORISM ENDORSEMENT,
Form FMG7308, Edition January 2008

DRAFT



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DECLARATIONS - SECTION A

1. NAMED INSURED AND MAILING ADDRESS

City of Grand Island (Electric and Water Utilities Departments), hereafter referred to as the "Insured", including legal representatives.

100 East First Street
Grand Island, Nebraska 68802

2. POLICY DATES

FROM: 1 October, 2011
TO: 1 October, 2012
TERM: 1 Year

3. TERRITORY

This Policy covers Insured Locations in:

- A. Canada.
- B. The United States of America.
- C. The Commonwealth of Puerto Rico.

4. INSURED LOCATION

- A. The coverages under this Policy apply to an Insured Location unless otherwise provided.

Insured Location is a location:

- 1) listed on a Schedule of Locations, Appendix A attached to this Policy.
- 2) covered as a Miscellaneous Unnamed Location.
- 3) covered under the terms and conditions of the Automatic Coverage or Errors and Omissions provisions.

- B. References and Application. The following term(s) wherever used in this Policy means:

- 1) Miscellaneous Unnamed Location: A Location owned, leased or rented by the Insured, but not specified in the Schedule of Locations.
- 2) Location:
 - a) as specified in the Schedule of Locations, or



- b) if not so specified in the Schedule of Locations: a Location is a building, yard, dock, wharf, pier or bulkhead (or any group of the foregoing) bounded on all sides by public streets, clear land space or open waterways, each not less than fifty feet wide. Any bridge or tunnel crossing such street, space or waterway will render such separation inoperative for the purpose of this References and Application.

5. CURRENCY

All amounts, including deductibles, premiums and limits of liability, indicated in this Policy shall be in the currency represented by the three letter currency designation shown. This three letter currency designator is defined in Table A.1-Currency and funds code list, International Standards Organization (ISO) 4217, edition effective at inception of this Policy.

6. OCCURRENCE

The following term wherever used in this Policy means:

A. Occurrence:

The sum total of all loss or damage of the type insured, including any insured TIME ELEMENT loss, arising out of or caused by one discrete event of physical loss or damage, except as respects the following:

- 1) Terrorism: Occurrence shall mean the sum total of all loss or damage of the type insured, including any insured TIME ELEMENT loss, arising out of or caused by all acts of Terrorism during a continuous period of seventy-two (72) hours.
- 2) Earth Movement: Occurrence shall mean the sum total of all loss or damage of the type insured, including any insured TIME ELEMENT loss, arising out of or caused by all Earth Movement(s) during a continuous period of seventy-two (72) hours.

7. LIMITS OF LIABILITY

The Company's maximum limit of liability in an Occurrence regardless of the number of Locations or coverages involved, including any insured TIME ELEMENT loss, will not exceed the Policy limit of liability of USD580,000,000 subject to the following provisions:

- A. limits of liability stated below or elsewhere in this Policy are part of, and not in addition to, the Policy limit of liability.
- B. limits of liability in an Occurrence apply to the total loss or damage at all Locations and for all coverages involved, including any insured TIME ELEMENT loss, subject to the following provisions:
 - 1) when a limit of liability applies in the Aggregate During Any Policy Year, the Company's maximum amount payable will not exceed such limit of liability during any policy year regardless of the number of Locations, coverages or Occurrences involved.



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- 2) when a limit of liability applies to a Location or other specified property, such limit of liability will be the maximum amount payable for all loss or damage at all Locations arising from physical loss or damage at such Location or to such other specified property.
- C. Should an Occurrence result in liability payable under more than one policy issued to the Named Insured by the Company, or its Representative Companies, the maximum amount payable in the aggregate under all such policies will be the applicable limit(s) of liability indicated in this Policy regardless of the number of Locations, coverages or perils involved.

References and Application. The following term(s) means:

Representative Company(ies):

FM Insurance Company Limited; Affiliated FM Insurance Company; Appalachian Insurance Company or any other company issuing an Underlyer policy at the direction of the Company

Limits of Liability

USD10,000,000:

Miscellaneous Unnamed Locations per Location

USD25,000,000 applies to each of the following:

ACCOUNTS RECEIVABLE;
ERRORS AND OMISSIONS;
FINE ARTS;
VALUABLE PAPERS AND RECORDS

USD15,000,000:

TRANSPORTATION

USD10,000,000 applies to each of the following:

DATA, PROGRAMS OR SOFTWARE and COMPUTER SYSTEMS – NON PHYSICAL DAMAGE combined;
DEBRIS REMOVAL;
DECONTAMINATION COSTS;
DEMOLITION AND INCREASED COST OF CONSTRUCTION;
EXPEDITING COSTS;
MISCELLANEOUS PERSONAL PROPERTY per Location;
OFF PREMISES STORAGE FOR PROPERTY UNDER CONSTRUCTION per Location

USD1,000,000:

EXTRA EXPENSE

USD100,000,000:

EARTH MOVEMENT in the Aggregate During Any Policy Year



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USD100,000,000:

FLOOD but not to exceed the following limits:

- a) USD1,000,000 for Miscellaneous Unnamed Locations
- b) USD1,000,000 for ERRORS AND OMISSIONS
- c) USD1,000,000 for MISCELLANEOUS PERSONAL PROPERTY
- d) USD1,000,000 for OFF PREMISES STORAGE FOR PROPERTY UNDER CONSTRUCTION

USD1,000,000:

Coal

USD50,000:

LAND AND WATER CONTAMINANT CLEANUP, REMOVAL AND DISPOSAL in the Aggregate During Any Policy Year

USD25,000 plus 50% of the amount recoverable under this coverage in excess of USD25,000:

PROFESSIONAL FEES

USD5,000,000:

SUPPLEMENTAL UNITED STATES CERTIFIED ACT OF TERRORISM ENDORSEMENT attached to this Policy

This limit shall not include the Actual Cash Value portion of fire damage caused by Terrorism

USD5,000,000:

TERRORISM in the Aggregate During Any Policy Year but not to exceed the following limit(s) in the Aggregate During Any Policy Year:

- a) USD5,000,000 for Miscellaneous Unnamed Locations, MISCELLANEOUS PERSONAL PROPERTY, OFF PREMISES STORAGE FOR PROPERTY UNDER CONSTRUCTION and TEMPORARY REMOVAL OF PROPERTY combined
- b) USD5,000,000 for Flood when caused by or resulting from Terrorism

These limits shall not include the Actual Cash Value portion of fire damage caused by Terrorism

These limits do not apply to the SUPPLEMENTAL UNITED STATES CERTIFIED ACT OF TERRORISM ENDORSEMENT

Time Limits



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In addition to the time limits shown elsewhere in this Policy, the following apply:

90 day period but not to
exceed a USD25,000,000
limit, per Location:

AUTOMATIC COVERAGE but not to exceed the following limit:

a) USD1,000,000 for FLOOD

180 day period but not to
exceed the lesser of a
USD5,000,000 limit or
200% of the Normal Cost:

LOGISTICS EXTRA COST

12 month period:

TIME ELEMENT loss as respects TERRORISM

This Time Limit for TERRORISM coverage shall not be considered additive to any other Time Limits or to any PERIOD OF LIABILITY applying to any coverage provided in the TIME ELEMENT section, and shall be subject to the limits of liability for TERRORISM.

8. PREMIUM

This Policy is issued in consideration of an initial premium. If the term of this Policy is longer than one year, for each subsequent year of coverage, premium will be due at the anniversary and will be subject to rules and rates in effect at that time.

9. PREMIUM PAYABLE

INSUR, Inc. pays the premium under this Policy, and any return of the paid premium accruing under this Policy will be paid to the account of INSUR, Inc.

10. VALUE REPORTING PROVISIONS

The Insured will provide the Company 100% values by location.

These statement(s) of values are due on the date(s) shown below.

<u>Values as Of</u>	<u>Due Date</u>	<u>Type of Values</u>
1 October	1 August	Property values in accordance with the VALUATION clause of the LOSS ADJUSTMENT AND SETTLEMENT section.
1 October	1 August	In addition, Stock and Supplies on the average and maximum values based on the previous 12 month period.

11. WAITING PERIOD

For the purposes of applying COMPUTER SYSTEMS-NON PHYSICAL DAMAGE Coverage, the Waiting Period is 48 hours.



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For the purposes of applying DATA, PROGRAMS OR SOFTWARE Coverage when the loss or damage is caused by the malicious introduction of a machine code or instruction, the Waiting Period is 48 hours.

For the purposes of applying LOGISTICS EXTRA COST Coverage, the Waiting Period is 48 hours except 168 hours applies for Earth Movement and/or Flood and/or Wind.

References and Application. The following term(s) means:

Wind:

Direct action of wind including substance driven by wind. Wind does not mean or include anything defined as Flood in this Policy.

12. DEDUCTIBLES

In each case of loss covered by this Policy, the Company will be liable only if the Insured sustains a loss, including any insured TIME ELEMENT loss, in a single Occurrence greater than the applicable deductible specified below, and only for its share of that greater amount.

- A. When this Policy insures more than one Location, the deductible will apply against the total loss covered by this Policy in an Occurrence except that a deductible that applies on a per Location basis, if specified, will apply separately to each Location where the physical damage occurred regardless of the number of Locations involved in the Occurrence.
- B. Unless stated otherwise, if two or more deductibles apply to an Occurrence, the total to be deducted will not exceed the largest deductible applicable. If two or more deductibles apply on a per Location basis in an Occurrence the largest deductible applying to each Location will be applied separately to each such Location.

Policy Deductible(s)

USD500,000 combined all coverages, per Occurrence, except as follows.

Exceptions to Policy Deductible(s)

- A. Location Nos. 2-01 through 2-11

USD25,000 combined all coverages, per Occurrence, except as follows:

USD500,000 combined all coverages, per Occurrence for Flood

- B. Logistics Extra Cost

USD500,000 per Occurrence



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C. Terrorism coverage and the Actual Cash Value portion of fire damage caused by Terrorism

As respects Locations outside of the United States, its territories and possessions and the Commonwealth of Puerto Rico:

- 1) The greater of the Policy Deductible, or if applicable the Location deductible, per Location.

D. Transportation

USD50,000 per Occurrence, except:

USD250,000 per Occurrence applies to Turbine Units or any components or parts thereof



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PROPERTY DAMAGE - SECTION B

1. PROPERTY INSURED

This Policy insures the following property, unless otherwise excluded elsewhere in this Policy, located at an Insured Location or within 1,000 feet thereof, to the extent of the interest of the Insured in such property.

- A. Real Property, including new buildings and additions under construction at an Insured Location, in which the Insured has an insurable interest.
- B. Personal Property:
 - 1) owned by the Insured.
 - 2) consisting of the Insured's interest as a tenant in improvements and betterments. In the event of physical loss or damage, the Company agrees to accept and consider the Insured as sole and unconditional owner of improvements and betterments, notwithstanding any contract or lease to the contrary.
 - 3) of officers and employees of the Insured.
 - 4) of others in the Insured's custody to the extent the Insured is under obligation to keep insured for physical loss or damage insured by this Policy.
 - 5) of others in the Insured's custody to the extent of the Insured's legal liability for physical loss or damage to Personal Property. The Company will defend that portion of any suit against the Insured that alleges such liability and seeks damages for such insured physical loss or damage. The Company may, without prejudice, investigate, negotiate and settle any claim or suit as the Company deems expedient.

This Policy also insures the interest of contractors and subcontractors in insured property during construction at an Insured Location or within 1,000 feet thereof, to the extent of the Insured's legal liability for insured physical loss or damage to such property. Such interest of contractors and subcontractors is limited to the property for which they have been hired to perform work and such interest will not extend to any TIME ELEMENT coverage provided under this Policy.

2. PROPERTY EXCLUDED

This Policy excludes:

- A. currency, money, precious metal in bullion form, notes, or securities.
- B. land, water or any other substance in or on land; except this exclusion does not apply to:
 - 1) land improvements consisting of landscape gardening, roadways and pavements, but not including any fill or land beneath such property.



- 2) water that is contained within any enclosed tank, piping system or any other processing equipment.
- C. animals, standing timber, growing crops.
- D. watercraft or aircraft.
- E. vehicles of officers and employees of the Insured or vehicles otherwise insured for physical loss or damage.
- F. underground mines or mine shafts or any property within such mine or shaft.
- G. dams and dikes.
- H. property in transit, except as otherwise provided by this Policy.
- I. property sold by the Insured under conditional sale, trust agreement, installment plan or other deferred payment plan after delivery to customers.
- J. electronic data, programs and software, except when they are stock in process, finished goods manufactured by the Insured, raw materials, supplies or other merchandise not manufactured by the Insured or as otherwise provided by the DATA, PROGRAMS OR SOFTWARE coverage of this Policy.
- K. railroad rolling stock, except when at a location specifically described on the Schedule of Locations.
- L. transmission and distribution systems except as provided by the TRANSMISSION AND DISTRIBUTION SYSTEMS coverage of this Policy.
- M. any Turbine Unit installed or acquired by the Insured after the inception date of this Policy unless specifically endorsed to the Policy.
- N. property insured by Employers Mutual Companies, Policy No. 1A5-03-96-08 or renewal or replacement thereof.

3. ADDITIONAL COVERAGES

This Policy includes the following Additional Coverages for physical loss or damage insured by this Policy.

These Additional Coverages:

- 1) are subject to the applicable limit of liability;
- 2) will not increase the Policy limit of liability; and



- 3) are subject to the Policy provisions, including applicable exclusions and deductibles, all as shown in this section and elsewhere in this Policy.

A. ACCOUNTS RECEIVABLE

This Policy covers any shortage in the collection of accounts receivable, resulting from insured physical loss or damage to accounts receivable records, including accounts receivable records stored as electronic data, while anywhere within this Policy's TERRITORY, including while in transit. The Company will be liable for the interest charges on any loan to offset impaired collections pending repayment of such sum uncollectible as the result of such loss or damage. Unearned interest and service charges on deferred payment accounts and normal credit losses on bad debts will be deducted in determining the recovery.

- 1) In the event of loss to accounts receivable records, the Insured will use all reasonable efforts, including legal action, if necessary, to effect collection of outstanding accounts receivable.
- 2) The Insured agrees to use any suitable property or service:
 - a) owned or controlled by the Insured; or
 - b) obtainable from other sources,in reducing the loss under this Additional Coverage.
- 3) This Policy covers any other necessary and reasonable costs incurred to reduce the loss, to the extent the losses are reduced.
- 4) If it is possible to reconstruct accounts receivable records so that no shortage is sustained, the Company will be liable only for the reasonable and necessary cost incurred for material and time required to re-establish or reconstruct such records, and not for any costs covered by any other insurance.
- 5) ACCOUNTS RECEIVABLE Exclusions: The following exclusions are in addition to the EXCLUSIONS clause of this section:

This Additional Coverage does not insure against shortage resulting from:

- a) bookkeeping, accounting or billing errors or omissions; or
- b) (i) alteration, falsification, manipulation; or
- (ii) concealment, destruction or disposal,

of accounts receivable records committed to conceal the wrongful giving, taking, obtaining or withholding of money, securities or other property; but only to the extent of such wrongful giving, taking, obtaining or withholding.



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- 6) The settlement of loss will be made within 90 days from the date of physical loss or damage. All amounts recovered by the Insured on outstanding accounts receivable on the date of loss will belong and be paid to the Company up to the amount of loss paid by the Company. All recoveries exceeding the amount paid will belong to the Insured.

B. AUTOMATIC COVERAGE

This Policy covers insured property at any Location purchased, leased or rented by the Insured after the inception date of this Policy. This coverage applies from the date of purchase, lease or rental.

This Additional Coverage does not apply to property insured in whole or in part by any other insurance policy.

This coverage will apply until whichever of the following occurs first:

- 1) The Location is bound by the Company.
- 2) Agreement is reached that the Location will not be insured under this Policy.
- 3) The Time Limit shown in the LIMITS OF LIABILITY clause in the DECLARATIONS section has been reached. The Time Limit begins on the date of purchase, lease or rental.

C. CONSEQUENTIAL REDUCTION IN VALUE

This Policy covers the reduction in value of insured merchandise that is a part of pairs, sets, or components, directly resulting from physical loss or damage insured by this Policy to other insured parts of pairs, sets or components of such merchandise. If settlement is based on a constructive total loss, the Insured will surrender the undamaged parts of such merchandise to the Company.

D. DATA, PROGRAMS OR SOFTWARE

This Policy covers insured Physical Loss Or Damage To Electronic Data, Programs Or Software, including physical loss or damage caused by the malicious introduction of a machine code or instruction, while anywhere within this Policy's TERRITORY, including while in transit.

- 1) With respect to Physical Loss Or Damage caused by the malicious introduction of machine code or instruction, this Additional Coverage will apply when the Period of Liability is in excess of the time shown as Waiting Period in the WAITING PERIOD clause of the DECLARATIONS section.
- 2) This Additional Coverage also covers the cost of the following reasonable and necessary actions taken by the Insured:



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- a) Actions to temporarily protect and preserve insured electronic data, programs or software;
- b) Actions taken for the temporary repair of insured Physical Loss Or Damage To Electronic Data, Programs Or Software and to expedite the permanent repair or replacement of such damaged property,

provided such actions are taken due to actual insured Physical Loss Or Damage To Electronic Data, Programs Or Software.

- 3) This Additional Coverage also covers the reasonable and necessary costs incurred by the Insured to temporarily protect or preserve insured electronic data, programs or software against immediately impending insured Physical Loss Or Damage To Electronic Data, Programs Or Software. In the event that the physical loss or damage does not occur, the costs covered under this item 3 will be subject to the deductible that would have applied if the physical loss or damage had occurred.
- 4) Costs recoverable under this Additional Coverage are excluded from coverage elsewhere in this Policy.
- 5) This Additional Coverage excludes loss or damage to data, programs or software when they are stock in process, finished goods manufactured by the Insured, raw materials, supplies or other merchandise not manufactured by the Insured.
- 6) DATA, PROGRAMS OR SOFTWARE Exclusions: The exclusions in the EXCLUSIONS clause of this section do not apply to DATA, PROGRAMS OR SOFTWARE except for A1, A2, A6, B1, B2, B3a, B4 and B5. In addition as respects DATA, PROGRAMS OR SOFTWARE the following exclusions apply:

This Policy does not insure:

- a) errors or omissions in processing, or copying; all unless physical damage not excluded by this Policy results, in which event, only that resulting damage is insured.
 - b) loss or damage to data, programs or software from errors or omissions in programming or machine instructions; all unless physical damage not excluded by this Policy results, in which event, only that resulting damage is insured.
 - c) deterioration, inherent vice, vermin or wear and tear; all unless physical damage not excluded by this Policy results, in which event, only that resulting damage is insured.
- 7) References and Application. The following term(s) means:
 - a) Physical Loss Or Damage To Electronic Data, Programs Or Software:

The destruction, distortion or corruption of electronic data, programs or software.



E. DEBRIS REMOVAL

This Policy covers the reasonable and necessary costs incurred to remove debris from an Insured Location that remains as a direct result of physical loss or damage insured by this Policy.

This Additional Coverage does not cover the costs of removal of:

- 1) contaminated uninsured property; or
- 2) the Contaminant in or on uninsured property,

whether or not the Contamination results from insured physical loss or damage. This Additional Coverage shall cover the costs of removal of contaminated insured property or the Contaminant in or on insured property only if the Contamination, due to the actual not suspected presence of Contaminant(s), of the debris resulted directly from other physical damage not excluded by the Policy.

F. DECONTAMINATION COSTS

If insured property is contaminated as a direct result of physical damage insured by this Policy and there is in force at the time of the loss any law or ordinance regulating Contamination due to the actual not suspected presence of Contaminant(s), then this Policy covers, as a direct result of enforcement of such law or ordinance, the increased cost of decontamination and/or removal of such contaminated insured property in a manner to satisfy such law or ordinance. This Additional Coverage applies only to that part of insured property so contaminated due to the actual not suspected presence of Contaminant(s) as a direct result of insured physical damage.

The Company is not liable for the costs required for removing contaminated uninsured property nor the Contaminant therein or thereon, whether or not the Contamination results from an insured event.

G. DEMOLITION AND INCREASED COST OF CONSTRUCTION

- 1) This Policy covers the reasonable and necessary costs incurred, described in item 3 below, to satisfy the minimum requirements of the enforcement of any law or ordinance regulating the demolition, construction, repair, replacement or use of buildings or structures at an Insured Location, provided:
 - a) such law or ordinance is in force on the date of insured physical loss or damage; and
 - b) its enforcement is a direct result of such insured physical loss or damage.
- 2) This Additional Coverage does not cover loss due to any law or ordinance with which the Insured was required to comply had the loss not occurred.



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- 3) This Additional Coverage, as respects the property insured in item 1 above, covers:
- a) the cost to repair or rebuild the physically damaged portion of such property with materials and in a manner to satisfy such law or ordinance; and
 - b) the cost:
 - (i) to demolish the physically undamaged portion of such property insured; and
 - (ii) to rebuild it with materials and in a manner to satisfy such law or ordinance,to the extent that such costs result when the demolition of the physically damaged insured property is required to satisfy such law or ordinance.
- 4) This Additional Coverage excludes any costs incurred as a direct or indirect result of enforcement of any laws or ordinances regulating any form of Contamination.
- 5) The Company's maximum liability for this Additional Coverage at each Insured Location in any Occurrence will not exceed the actual cost incurred in demolishing the physically undamaged portion of the property insured in item 1 above plus the lesser of:
- a) the reasonable and necessary actual cost incurred, excluding the cost of land, in rebuilding on another site; or
 - b) the cost of rebuilding on the same site.

H. EARTH MOVEMENT

This Policy covers physical loss or damage caused by or resulting from Earth Movement.

This Additional Coverage does not apply to loss or damage caused by or resulting from Flood.

- 1) References and Application. The following term(s) wherever used in this Policy means:
- a) Earth Movement:

Any natural or man-made earth movement including, but not limited to earthquake or landslide, regardless of any other cause or event contributing concurrently or in any other sequence of loss. However, physical loss or damage by fire, explosion, or sprinkler leakage resulting from Earth Movement will not be considered to be loss by Earth Movement within the terms and conditions of this Policy.

I. ERRORS AND OMISSIONS

If physical loss or damage is not payable under this Policy solely due to an error or unintentional omission:

- 1) in the description of where insured property is physically located;



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- 2) to include any Location:
 - a) owned, leased or rented by the Insured on the effective date of this Policy; or
 - b) purchased, leased or rented by the Insured during the term of this Policy; or
- 3) that results in cancellation of the property insured under this Policy;

this Policy covers such physical loss or damage, to the extent it would have provided coverage had such error or unintentional omission not been made.

It is a condition of this Additional Coverage that any error or unintentional omission be reported by the Insured to the Company when discovered and corrected.

J. EXPEDITING COSTS

This Policy covers the reasonable and necessary costs incurred to pay for the temporary repair of insured damage to insured property and to expedite the permanent repair or replacement of such damaged property.

This Additional Coverage does not cover costs:

- 1) recoverable elsewhere in this Policy; or
- 2) of permanent repair or replacement of damaged property.

K. FINE ARTS

This Policy covers insured physical loss or damage to Fine Arts articles while anywhere within this Policy's TERRITORY, including while in transit.

- 1) This Additional Coverage excludes loss or damage if the Fine Arts cannot be replaced with other of like kind and quality, unless it is specifically declared to the Company.
- 2) FINE ARTS Exclusion: The exclusions in the EXCLUSIONS clause of this section do not apply to FINE ARTS coverage except for A1, A2, A6, A7, B1, B2, B3a, B4 and B5. In addition, as respects FINE ARTS, the following exclusions apply:

This Policy does not insure against:

- a) deterioration, wear and tear or inherent vice.
- b) fungus, mold or mildew; unless directly resulting from other physical damage not excluded by this Policy.
- c) loss or damage from any repairing, restoration or retouching process.



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3) References and Application. The following term(s) wherever used in this Policy means:

a) Fine Arts:

Paintings; etchings; pictures; tapestries; rare or art glass; art glass windows; valuable rugs; statuary; sculptures; antique furniture; antique jewelry; bric-a-brac; porcelains; and similar property of rarity, historical value, or artistic merit excluding automobiles, coins, stamps, furs, jewelry, precious stones, precious metals, watercraft, aircraft, money, securities.

L. FLOOD

This Policy covers physical loss or damage caused by or resulting from Flood.

1) References and Application. The following term(s) wherever used in this Policy means:

a) Flood:

Flood; surface waters; rising waters; storm surge, sea surge, wave wash; waves; tsunami; tide or tidal water; the release of water, the rising, overflowing or breaking of boundaries of natural or man-made bodies of water; or the spray therefrom; all whether driven by wind or not; or sewer back-up resulting from any of the foregoing; regardless of any other cause or event, whether natural or man-made, contributing concurrently or in any other sequence of loss. Physical loss or damage from Flood associated with a storm or weather disturbance whether or not identified by name by the U.S. National Hurricane Center or any other meteorological authority, such as the Tokyo Typhoon Center or the Central Pacific Hurricane Center, is considered to be Flood within the terms of this Policy. However, physical loss or damage by fire, explosion or sprinkler leakage resulting from Flood is not considered to be loss by Flood within the terms and conditions of this Policy.

M. LAND AND WATER CONTAMINANT CLEANUP, REMOVAL AND DISPOSAL

This Policy covers the reasonable and necessary cost for the cleanup, removal and disposal of the actual not suspected presence of Contaminant(s) from uninsured property consisting of land, water or any other substance in or on land at the Insured Location if the release, discharge or dispersal of such Contaminant(s) is a direct result of insured physical loss or damage to insured property.

This Policy does not cover the cost to cleanup, remove and dispose of Contamination from such property:

- 1) at any location insured for Personal Property only.
- 2) at any property insured under AUTOMATIC COVERAGE, ERRORS AND OMISSIONS or Miscellaneous Unnamed Location coverage provided by this Policy.



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- 3) when the Insured fails to give written notice of loss to the Company within 180 days after inception of the loss.

N. MISCELLANEOUS PERSONAL PROPERTY

This Policy covers insured physical loss or damage to Personal Property of the type insured:

- 1) owned by the Insured or
- 2) property of others in the custody of the Insured, to the extent the Insured is under obligation to keep insured for physical loss or damage, not otherwise excluded from this Policy,

at any Location within the TERRITORY of this Policy.

This Additional Coverage excludes property insured under any other coverage in this Policy.

O. OFF PREMISES STORAGE FOR PROPERTY UNDER CONSTRUCTION

This Policy covers insured physical loss or damage to property of the type insured that is under contract to be used in a construction project at an Insured Location.

Coverage attaches at the time such property is delivered to the Insured or their contractor (with respect to the property under construction) by the manufacturer or supplier and such property is located at a storage site within this Policy's TERRITORY but away from the Insured Location.

This coverage includes necessary expendable materials and supplies to be utilized in the construction project but does not include any property owned or rented by the contractor.

P. OPERATIONAL TESTING

This Policy covers insured physical loss or damage to insured property during the Period Of Operational Testing.

Property, including stock or material, manufactured or processed by the Insured is excluded under this Additional Coverage.

- 1) References and Application. The following term(s) means:
 - a) Period Of Operational Testing:

The period of time beginning 24 hours prior to the earlier of the following:

- (i) introduction, into a system, of feedstock or other materials for processing or handling;



(ii) commencement of fuel or energy supply to a system,

and ending with the earlier of the following:

(i) the expiration date or cancellation date of this Policy.

(ii) if specified, the number of consecutive days shown in the LIMITS OF LIABILITY clause in the DECLARATIONS section.

Q. PROFESSIONAL FEES

This Policy covers the actual costs incurred by the Insured, of reasonable fees payable to the Insured's accountants, architects, auditors, engineers, or other professionals and the cost of using the Insured's employees, for producing and certifying any particulars or details contained in the Insured's books or documents, or such other proofs, information or evidence required by the Company resulting from insured loss payable under this Policy for which the Company has accepted liability.

- 1) This Additional Coverage will not include the fees and costs of attorneys, public adjusters, and loss appraisers, all including any of their subsidiary, related or associated entities either partially or wholly owned by them or retained by them for the purpose of assisting them nor the fees and costs of loss consultants who provide consultation on coverage or negotiate claims.
- 2) This Additional Coverage is subject to the deductible that applies to the loss.

R. PROTECTION AND PRESERVATION OF PROPERTY

This Policy covers:

- 1) reasonable and necessary costs incurred for actions to temporarily protect or preserve insured property; provided such actions are necessary due to actual, or to prevent immediately impending, insured physical loss or damage to such insured property.
- 2) reasonable and necessary:
 - a) fire department fire fighting charges imposed as a result of responding to a fire in, on or exposing the insured property.
 - b) costs incurred of restoring and recharging fire protection systems following an insured loss.
 - c) costs incurred for the water used for fighting a fire in, on or exposing the insured property.

This Additional Coverage does not cover costs incurred for actions to temporarily protect or preserve insured property from actual, or to prevent immediately impending, physical loss or damage covered by TERRORISM coverage as provided in this section of the Policy.



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This Additional Coverage is subject to the deductible provisions that would have applied had the physical loss or damage occurred.

S. TEMPORARY REMOVAL OF PROPERTY

- 1) When insured property is removed from an Insured Location for the purpose of being repaired or serviced or in order to avoid threatened physical loss or damage of the type insured by this Policy, this Policy covers such property:
 - a) while at the location to which such property has been moved; and
 - b) for physical loss or damage as provided at the Insured Location from which such property was removed.
- 2) This Additional Coverage does not apply to property:
 - a) insured, in whole or in part, elsewhere in this Policy.
 - b) insured, in whole or in part, by any other insurance policy.
 - c) removed for normal storage, processing or preparation for sale or delivery.

T. TERRORISM

This Policy covers physical loss or damage caused by or resulting from Terrorism only at locations as specifically described on the Schedule of Locations, at Miscellaneous Unnamed Locations and property covered under MISCELLANEOUS PERSONAL PROPERTY and OFF PREMISES STORAGE FOR PROPERTY UNDER CONSTRUCTION.

Any act which satisfies the definition of Terrorism in item B2f of the EXCLUSIONS clause in this section of the Policy shall not be considered to be vandalism, malicious mischief, riot, civil commotion, or any other risk of physical loss or damage covered elsewhere in this Policy.

Amounts recoverable under this Additional Coverage are excluded from coverage elsewhere in this Policy.

This Additional Coverage does not cover loss or damage which also comes within the terms of either item B2a or B2c of the EXCLUSIONS clause in this section of the Policy.

This Additional Coverage does not in any event cover loss or damage directly or indirectly caused by or resulting from any of the following, regardless of any other cause or event, whether or not insured under this Policy contributing concurrently or in any other sequence to the loss:

- 1) that involves the use, release or escape of nuclear materials, or that directly or indirectly results in nuclear reaction or radiation or radioactive contamination or that involves the discharge, explosion or use of any nuclear device, weapon or material employing or



involving nuclear fission, fusion, or radioactive force, whether in time of peace or war and regardless of who commits the act; or

- 2) that is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or
- 3) in which pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the terrorism was to release such materials; or
- 4) that involves action taken to prevent, defend against, respond to or retaliate against Terrorism or suspected Terrorism.

As respects this Additional Coverage, this Policy does not insure any TIME ELEMENT loss as provided in the TIME ELEMENT section of this Policy for more than the number of months shown in the LIMITS OF LIABILITY clause of the DECLARATIONS section.

U. TRANSMISSION AND DISTRIBUTION SYSTEMS

- 1) This Policy covers insured physical loss or damage to:
 - a) Electricity Transmission and Distribution Systems:
 - (i) when located at or within 1,000 feet of a power generating facility owned and operated by the Insured and listed below.
 - (a) Location No. 1-01, Index No. 070402.54, Platte Generating Station, Grand Island, Nebraska
 - (b) Location No. 1-02, Index No. 070402.53, Burdick Station, Grand Island, Nebraska
 - (ii) when located within an insured substation or switchyard beginning at the first incoming circuit breaker or transformer bushing and ending at the last outgoing circuit breaker or transformer bushing.
 - b) Telecommunication Transmission and Distribution Systems beginning at the incoming receiver and ending at the outgoing transmitter at an Insured Location.
- 2) References and Application: The following term(s) means:
 - a) Electricity Transmission and Distribution System:

Electricity transmission and distribution systems, including poles, towers and fixtures, overhead conductors and devices, underground or underwater conduit, underground or underwater conductors and devices.



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b) Telecommunication Transmission and Distribution System:

Telecommunication transmission and distribution systems including but not limited to telephone, cable television, emergency communication, fiber optic systems, and including poles, towers and fixtures, overhead conductors and devices, underground or underwater conduit, underground or underwater conductors and devices.

V. TRANSPORTATION

- 1) This Policy covers the following Personal Property, except as excluded by this Policy, while in transit within the TERRITORY of this Policy:
 - a) owned by the Insured.
 - b) shipped to customers under F.O.B., C & F or similar terms. The Insured's contingent interest in such shipments is admitted.
 - c) of others in the actual or constructive custody of the Insured to the extent of the Insured's interest or legal liability.
 - d) of others sold by the Insured, that the Insured has agreed prior to the loss to insure during course of delivery including:
 - (i) when shipped by the Insured's direct contract service provider or by the Insured's direct contract manufacturer to the Insured or to the Insured's customer.
 - (ii) when shipped by the Insured's customer to the Insured or to the Insured's contract service provider or to the Insured's contract manufacturer.
- 2) This Additional Coverage excludes:
 - a) samples in the custody of salespeople or selling agents.
 - b) property insured under import or export ocean marine insurance.
 - c) waterborne shipments, unless:
 - (i) by inland water; or
 - (ii) by coastal shipments.
 - d) waterborne shipments via Panama Canal or to and from Alaska, the Commonwealth of Puerto Rico, and Hawaii.
 - e) airborne shipments unless by regularly scheduled passenger airlines or air freight carriers.



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- f) property of others, including the Insured's legal liability for it, hauled on vehicles owned, leased or operated by the Insured when acting as a common or contract carrier.
 - g) any transporting vehicle.
- 3) Coverage Attachment and Duration:
- a) This Additional Coverage covers from the time the property leaves the original point of shipment for transit until the property arrives at the destination.
 - b) However, coverage on export shipments not insured under ocean cargo policies ends when the property is loaded on board overseas vessels or aircraft. Coverage on import shipments not insured under ocean cargo policies begins after discharge from overseas vessels or aircraft.
- 4) This Additional Coverage:
- a) covers general average and salvage charges on shipments covered while waterborne.
 - b) insures physical loss or damage caused by or resulting from:
 - (i) unintentional acceptance of fraudulent bills of lading, shipping or messenger receipts.
 - (ii) improper parties having gained possession of property through fraud or deceit.
- 5) The exclusions in the EXCLUSIONS clause of this section do not apply to TRANSPORTATION coverage except for A1 through A4, B1 through B5, C1, C3, C5, C6, D1 through D3.
- 6) Additional General Provisions:
- a) This Additional Coverage will not inure directly or indirectly to the benefit of any carrier or bailee.
 - b) The Insured has permission, without prejudicing this insurance, to accept:
 - (i) ordinary bills of lading used by carriers;
 - (ii) released bills of lading;
 - (iii) undervalued bills of lading; and
 - (iv) shipping or messenger receipts.



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- c) The Insured may waive subrogation against railroads under side track agreements.

Except as otherwise stated, the Insured will not enter into any special agreement with carriers releasing them from their common law or statutory liability.

W. VALUABLE PAPERS AND RECORDS

This Policy covers insured physical loss or damage to Valuable Papers and Records while anywhere within this Policy's TERRITORY, including while in transit.

- 1) This Additional Coverage excludes loss or damage to:
 - a) property described below, if such property cannot be replaced with other of like kind and quality, unless specifically declared to the Company.
 - b) currency, money or securities.
 - c) property held as samples or for sale or for delivery after sale.
- 2) VALUABLE PAPERS AND RECORDS Exclusions: The exclusions in the EXCLUSIONS clause of this section do not apply to VALUABLE PAPERS AND RECORDS coverage except for A1, A2, A6, A7, B1, B2, B3a, B4, and B5. In addition, as respects VALUABLE PAPERS AND RECORDS the following exclusions apply:

This Policy does not insure:

- a) errors or omissions in processing, or copying; all unless physical damage not excluded by this Policy results, in which event, only that resulting damage is insured.
 - b) deterioration, inherent vice, vermin or wear and tear; all unless physical damage not excluded by this Policy results, in which event, only that resulting damage is insured.
 - c) fungus, mold or mildew; unless directly resulting from other physical damage not excluded by this Policy.
- 3) References and Application. The following term(s) wherever used in this Policy means:
 - a) Valuable Papers and Records:

Written, printed or otherwise inscribed documents and records, including books, maps, films, drawings, abstracts, deeds, mortgages and manuscripts, all of which must be of value to the Insured.



4. APPLICATION OF POLICY TO DATE OR TIME RECOGNITION

- A. With respect to situations caused by the so-called "Year 2000" problem or any other Date or Time Recognition problem by Electronic Data Processing Equipment or Media, this Policy applies as follows.
- 1) This Policy does not pay for remediation, change, correction, repair or assessment of any Year 2000 or any other Date or Time Recognition problem in any Electronic Data Processing Equipment or Media, whether preventative or remedial, and whether before or after a loss, including temporary protection and preservation of property. This Policy does not pay for any TIME ELEMENT loss resulting from the foregoing remediation, change, correction, repair or assessment.
 - 2) Failure of Electronic Data Processing Equipment or Media to correctly recognize, interpret, calculate, compare, differentiate, sequence, access or process data involving one or more dates or times, including the Year 2000, is not physical loss or damage insured against by this Policy. This Policy does not pay for any such incident or for any TIME ELEMENT loss resulting from any such incident.

Subject to all of its terms and conditions, this Policy does pay for physical loss or damage not excluded by this Policy that results from a failure of Electronic Data Processing Equipment or Media to correctly recognize, interpret, calculate, compare, differentiate, sequence, access or process data involving one or more dates or times, including the Year 2000. Such covered resulting physical loss or damage does not include any loss, cost or expense described in 1 or 2 above. If such covered resulting physical loss or damage occurs, and if this Policy provides TIME ELEMENT coverage, then, subject to all of its terms and conditions, this Policy also covers any insured Time Element loss directly resulting therefrom.

- B. References and Application. The following term(s) wherever used in this Policy means:

- 1) Date or Time Recognition:

The recognition, interpretation, calculation, comparison, differentiation, sequencing, accessing or processing of data involving one or more dates or times, including the Year 2000.

- 2) Electronic Data Processing Equipment or Media:

Any computer, computer system or component, hardware, network, microprocessor, microchip, integrated circuit or similar devices or components in computer or non-computer equipment, operating systems, data, programs or other software stored on electronic, electro-mechanical, electro-magnetic data processing or production equipment, whether the property of the Insured or not.



5. EXCLUSIONS

The following exclusions apply unless specifically stated elsewhere in this Policy:

A. This Policy excludes:

- 1) indirect or remote loss or damage.
- 2) interruption of business, except to the extent provided by this Policy.
- 3) loss of market or loss of use.
- 4) loss or damage or deterioration arising from any delay.
- 5) mysterious disappearance, loss or shortage disclosed on taking inventory, or any unexplained loss.
- 6) loss from enforcement of any law or ordinance:
 - a) regulating the construction, repair, replacement, use or removal, including debris removal, of any property; or
 - b) requiring the demolition of any property, including the cost in removing its debris;except as provided by the DECONTAMINATION COSTS and DEMOLITION AND INCREASED COST OF CONSTRUCTION coverages of this section of this Policy.
- 7) loss resulting from the voluntary parting with title or possession of property if induced by any fraudulent act or by false pretence.

B. This Policy excludes loss or damage directly or indirectly caused by or resulting from any of the following regardless of any other cause or event, whether or not insured under this Policy, contributing concurrently or in any other sequence to the loss:

- 1) nuclear reaction or nuclear radiation or radioactive contamination. However:
 - a) if physical damage by fire or sprinkler leakage results, then only that resulting damage is insured; but not including any loss or damage due to nuclear reaction, radiation or radioactive contamination.
 - b) this Policy does insure physical damage directly caused by sudden and accidental radioactive contamination, including resultant radiation damage, from material used or stored or from processes conducted on the Insured Location, provided that on the date of loss, there is neither a nuclear reactor nor any new or used nuclear fuel on the Insured Location. This coverage does not apply to any act, loss or damage excluded in item B2f of this EXCLUSIONS clause.



This exclusion B1 and the exceptions in B1a and B1b do not apply to any act, loss or damage which also comes within the terms of exclusion B2b of this EXCLUSIONS clause.

- 2) a) hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack by any:
- (i) government or sovereign power (de jure or de facto);
 - (ii) military, naval or air force; or
 - (iii) agent or authority of any party specified in i or ii above.
- b) discharge, explosion or use of any nuclear device, weapon or material employing or involving nuclear fission, fusion or radioactive force, whether in time of peace or war and regardless of who commits the act.
- c) insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an event.
- d) seizure or destruction under quarantine or custom regulation, or confiscation by order of any governmental or public authority.
- e) risks of contraband, or illegal transportation or trade.
- f) Terrorism, including action taken to prevent, defend against, respond to or retaliate against Terrorism or suspected Terrorism, except to the extent provided in the TERRORISM coverage in this section of the Policy. However, if direct loss or damage by fire results from any of these acts (unless committed by or on behalf of the Insured), then this Policy covers only to the extent of the Actual Cash Value of the resulting direct loss or damage by fire to property insured. This coverage exception for such resulting fire loss or damage does not apply to:
- (i) direct loss or damage by fire which results from any other applicable exclusion in the Policy, including the discharge, explosion or use of any nuclear device, weapon or material employing or involving nuclear fission, fusion or radioactive force, whether in time of peace or war and regardless of who commits the act.
 - (ii) any coverage provided in the TIME ELEMENT section of this Policy or to any other coverages provided in this Policy.

Any act which satisfies the definition of Terrorism as provided herein shall not be considered to be vandalism, malicious mischief, riot, civil commotion, or any other risk of physical loss or damage covered elsewhere in this Policy.

If any act which satisfies the definition of Terrorism as provided herein also comes within the terms of item B2a of this EXCLUSIONS clause then item B2a applies in place of this item B2f exclusion.



If any act which satisfies the definition of Terrorism as provided herein also comes within the terms of item B2b of this EXCLUSIONS clause then item B2b applies in place of this item B2f exclusion.

If any act which satisfies the definition of Terrorism as provided herein also comes within the terms of item B2c of this EXCLUSIONS clause then item B2c applies in place of this item B2f exclusion.

If any act excluded herein involves nuclear reaction, nuclear radiation or radioactive contamination, this item B2f exclusion applies in place of item B1 of this EXCLUSIONS clause.

References and Application. The following term wherever used in this Policy means:

Terrorism:

Any act, involving the use or threat of: force, violence, dangerous conduct, interference with the operations of any business, government or other organization or institution, or any similar act,

When the effect or apparent purpose is:

- (i) To influence or instill fear in any government (de jure or de facto) or the public, or any segment of either; or
 - (ii) To further or to express support for, or opposition to, any political, religious, social, ideological or similar type of objective or position.
- 3) any dishonest act, including but not limited to theft, committed alone or in collusion with others, at any time:
- a) by an Insured or any proprietor, partner, director, trustee, officer, or employee of an Insured; or
 - b) by any proprietor, partner, director, trustee, or officer of any business or entity (other than a common carrier) engaged by an Insured to do anything in connection with property insured under this Policy.

This Policy does insure acts of direct insured physical damage intentionally caused by an employee of an Insured or any individual specified in b above, and done without the knowledge of the Insured. This coverage does not apply to any act excluded in B2f of this EXCLUSIONS clause. In no event does this Policy cover loss by theft by any individual specified in a or b above.

4) lack of the following services:

- a) incoming electricity, fuel, water, gas, steam, refrigerant;



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- b) outgoing sewerage;
- c) incoming or outgoing voice, data or video,

all when caused by an event off the Insured Location. But, if the lack of such a service directly causes physical damage insured by this Policy on the Insured Location, then only that resulting damage is insured.

- 5) Earth Movement for property located in Alaska, California, Hawaii, the Commonwealth of Puerto Rico, in the New Madrid Seismic Zone as described in Appendix B and in the Pacific Northwest Seismic Zone as described in Appendix C.

C. This Policy excludes the following, but, if physical damage not excluded by this Policy results, then only that resulting damage is insured:

- 1) faulty workmanship, material, construction or design from any cause.
- 2) loss or damage to stock or material attributable to manufacturing or processing operations while such stock or material is being processed, manufactured, tested, or otherwise worked on.
- 3) deterioration, depletion, rust, corrosion or erosion, wear and tear, inherent vice or latent defect.
- 4) settling, cracking, shrinking, bulging, or expansion of:
 - a) foundations (including any pedestal, pad, platform or other property supporting machinery).
 - b) floors.
 - c) pavements.
 - d) walls.
 - e) ceilings.
 - f) roofs.
- 5) a) changes of temperature damage (except to machinery or equipment); or
b) changes in relative humidity damage,
all whether atmospheric or not.
- 6) insect, animal or vermin damage.



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- 7) loss or damage to the interior portion of buildings under construction from rain, sleet or snow, whether or not driven by wind, when the installation of the roof, walls and windows of such buildings has not been completed.
- D. This Policy excludes the following unless directly resulting from other physical damage not excluded by this Policy:
- 1) Contamination, and any cost due to Contamination including the inability to use or occupy property or any cost of making property safe or suitable for use or occupancy. If Contamination due only to the actual not suspected presence of Contaminant(s) directly results from other physical damage not excluded by this Policy, then only physical damage caused by such Contamination may be insured. This exclusion D1 does not apply to radioactive contamination which is excluded elsewhere in this Policy.
 - 2) shrinkage.
 - 3) changes in color, flavor, texture or finish.

References and Application: The following term(s) wherever used in this Policy means:

1) Contamination:

Any condition of property due to the actual or suspected presence of any foreign substance, impurity, pollutant, hazardous material, poison, toxin, pathogen or pathogenic organism, bacteria, virus, disease causing or illness causing agent, fungus, mold or mildew.

2) Contaminant:

Anything that causes Contamination.



TIME ELEMENT - SECTION C

TIME ELEMENT loss as provided in the TIME ELEMENT COVERAGES and TIME ELEMENT COVERAGE EXTENSIONS of this section of the Policy:

- A. is subject to the applicable limit of liability that applies to the insured physical loss or damage but in no event for more than any limit of liability that is stated as applying to the specific TIME ELEMENT COVERAGE and/or TIME ELEMENT COVERAGE EXTENSION; and
- B. will not increase the Policy limit of liability; and
- C. is subject to the Policy provisions, including applicable exclusions and deductibles, all as shown in this section and elsewhere in this Policy.

1. LOSS INSURED

- A. This Policy insures TIME ELEMENT loss, as provided in the TIME ELEMENT COVERAGES, directly resulting from physical loss or damage of the type insured by this Policy:
 - 1) to property described elsewhere in this Policy and not otherwise excluded by this Policy or otherwise limited in the TIME ELEMENT COVERAGES below;
 - 2) used by the Insured, or for which the Insured has contracted use;
 - 3) located at an Insured Location or within 1,000 feet of it, or as provided as TEMPORARY REMOVAL OF PROPERTY or OFF PREMISES STORAGE FOR PROPERTY UNDER CONSTRUCTION; or
 - 4) while at a MISCELLANEOUS PERSONAL PROPERTY Location; or
 - 5) while in transit as provided by this Policy, and
 - 6) during the Periods of Liability described in this section.
- B. This Policy insures TIME ELEMENT loss only to the extent it cannot be reduced through:
 - 1) the use of any property or service owned or controlled by the Insured;
 - 2) the use of any property or service obtainable from other sources;
 - 3) working extra time or overtime; or



- 4) the use of inventory,

all whether at an Insured Location or at any other location. The Company reserves the right to take into consideration the combined operating results of all associated, affiliated or subsidiary companies of the Insured in determining the TIME ELEMENT loss.

- C. In determining the amount of loss payable, the Company will consider the experience of the business before and after and the probable experience during the PERIOD OF LIABILITY.

2. TIME ELEMENT COVERAGES

A. EXTRA EXPENSE

- 1) Measurement of Loss:

The recoverable EXTRA EXPENSE loss will be the reasonable and necessary extra costs incurred by the Insured of the following during the PERIOD OF LIABILITY:

- a) Extra expenses to temporarily continue as nearly normal as practicable the conduct of the Insured's business; and

- b) Extra costs of temporarily using property or facilities of the Insured or others,

less any value remaining at the end of the PERIOD OF LIABILITY for property obtained in connection with the above.

- 2) EXTRA EXPENSE Exclusions: As respects EXTRA EXPENSE, the following are also excluded:

- a) Any loss of income.

- b) Costs that normally would have been incurred in conducting the business during the same period had no physical loss or damage occurred.

- c) Cost of permanent repair or replacement of property that has been damaged or destroyed.

- d) Any expense recoverable elsewhere in this Policy.

- 3) References and Application. The following term(s) means:

- a) Normal:

The condition that would have existed had no physical loss or damage occurred.



3. TIME ELEMENT COVERAGE EXTENSIONS

This Policy also insures TIME ELEMENT loss, as provided by the TIME ELEMENT COVERAGES of this Policy, for the TIME ELEMENT COVERAGE EXTENSIONS described below.

A. CIVIL AUTHORITY

This Policy covers the EXTRA EXPENSE incurred by the Insured during the PERIOD OF LIABILITY if an order of civil authority prohibits access to the Insured Location provided such order is the direct result of physical damage of the type insured against under this Policy at the Insured Location or within five statute miles of it.

The PERIOD OF LIABILITY for this TIME ELEMENT COVERAGE EXTENSION will be:

The period of time:

- 1) starting at the time of such physical damage; but
- 2) not to exceed 30 consecutive days,

this period of time is part of and not in addition to any PERIOD OF LIABILITY applying to any coverage provided in the TIME ELEMENT section.

B. COMPUTER SYSTEMS—NON PHYSICAL DAMAGE

- 1) This Policy covers the EXTRA EXPENSE incurred by the Insured during the Period of Interruption directly resulting from the failure of the Insured's Electronic Data Processing Equipment or Media to operate, provided such failure is the direct result of a malicious act directed at the NAMED INSURED.
- 2) This Extension of coverage will apply when the Period of Interruption is in excess of the time shown as Waiting Period in the WAITING PERIOD clause of the DECLARATIONS section.
- 3) References and Application. The following term(s) means:
 - a) Period of Interruption:
 - (i) The period starting when the Insured's Electronic Data Processing Equipment or Media fails to operate and ending when with due diligence and dispatch, the Insured's Electronic Data Processing Equipment or Media could be restored to the same or equivalent operating condition that existed prior to the failure.
 - (ii) The Period of Interruption does not include the additional time to make changes to the Insured's Electronic Data Processing Equipment or Media.



C. LOGISTICS EXTRA COST

This Policy covers the Extra Cost incurred by the Insured during the PERIOD OF LIABILITY due to the disruption of the Normal movement of goods or materials:

- 1) directly between Insured Locations; or
- 2) directly between an Insured Location and a Location of a direct supplier, contract manufacturer or contract service provider to the Insured,

provided that such disruption is a direct result of physical loss or damage of the type insured by this Policy to the kind of property not excluded by this Policy located within the TERRITORY of this Policy.

- 1) Measurement of Loss:

The recoverable Extra Cost loss will be the reasonable and necessary extra costs incurred by the Insured of the following:

- a) Extra costs to temporarily continue as nearly Normal as practicable the movement of goods or materials.
- 2) This Extension of coverage will apply when the PERIOD OF LIABILITY is in excess of the time shown as the Waiting Period in the WAITING PERIOD clause of the DECLARATIONS section.
- 3) LOGISTICS EXTRA COST Exclusions: As respects LOGISTICS EXTRA COST, the following are also excluded:
 - a) Disruption in the movement of goods or materials between direct supplier, contract manufacturer or contract service provider locations.
 - b) Disruption of incoming or outgoing services consisting of electricity, steam, water, refrigeration, sewerage and voice, data or video.
 - c) Any loss of income.
 - d) Costs that normally would have been incurred in conducting the business during the same period had there been no disruption of Normal movement of goods or materials.
 - e) Cost of permanent repair or replacement of property that has been damaged or destroyed.
 - f) Any expense recoverable elsewhere in this Policy.
 - g) Disruption caused by or resulting from Terrorism, regardless of any other cause or event, whether or not insured under this Policy, contributing concurrently or in any other sequence to the loss.



- h) Disruption caused by physical loss or damage to personal property of the Insured while in transit.
- 4) The PERIOD OF LIABILITY for this TIME ELEMENT COVERAGE EXTENSION will be:

The period of time:

- a) starting at the time of physical loss or damage causing the disruption of the Normal movement of goods or materials between the Insured Locations; or directly between the Insured Location and the Location of the direct supplier, contract manufacturer or contract service provider to the Insured, and
- b) ending not later than:
 - (i) when with due diligence and dispatch the Normal movement of goods or materials between the Insured Locations; or directly between the Insured Location and the Location of the direct supplier, contract manufacturer or contract service provider to the Insured could be resumed; or
 - (ii) the number of consecutive days shown in the LIMITS OF LIABILITY clause of the DECLARATIONS section.
- 5) Reference and Application. The following term means:
 - a) Normal:

The condition that would have existed had no physical loss or damage causing disruption occurred.
 - b) Normal Cost:

As used in the LIMITS OF LIABILITY clause, the cost associated with the movement of goods or materials suffering the disruption that the Insured would have incurred had no physical loss or damage causing disruption occurred.

4. PERIOD OF LIABILITY

- A. The PERIOD OF LIABILITY applying to all TIME ELEMENT COVERAGES, except if otherwise provided under any TIME ELEMENT COVERAGE EXTENSION, and subject to any Time Limit provided in the LIMITS OF LIABILITY clause in the DECLARATIONS section, is as follows:
 - 1) For building and equipment, the period:
 - a) starting from the time of physical loss or damage of the type insured against; and



- b) ending when with due diligence and dispatch the building and equipment could be:
 - (i) repaired or replaced; and
 - (ii) made ready for operations,under the same or equivalent physical and operating conditions that existed prior to the damage.
 - c) not to be limited by the expiration of this Policy.
- 2) For building and equipment under construction:
- a) the equivalent of the above period of time will be applied to the level of business that would have been reasonably achieved after construction and startup would have been completed had no physical damage happened; and
 - b) due consideration will be given to the actual experience of the business compiled after completion of the construction and startup.
- 3) For raw materials and supplies, the period of time:
- a) of actual interruption of production or suspension of operations or services resulting from the inability to get suitable raw materials and supplies to replace similar ones damaged; but
 - b) limited to that period for which the damaged raw materials and supplies would have supplied operating needs.
- 4) If water:
- a) used for any manufacturing purpose, including but not limited to as a raw material or for power;
 - b) stored behind dams or in reservoirs; and
 - c) on any Insured Location,
- is released as the result of physical damage of the type insured against under this Policy to such dam, reservoir or connected equipment, the Company's liability for the actual interruption of production or suspension of operations or services due to inadequate water supply will not extend beyond 30 consecutive days after the damaged dam, reservoir or connected equipment has been repaired or replaced.
- 5) For physically damaged exposed films, records, manuscripts and drawings, the time required to copy from backups or from originals of a previous generation. This time does not include research, engineering or any other time necessary to restore or recreate lost information.



- 6) For physically damaged or destroyed property covered under DATA, PROGRAMS OR SOFTWARE, the time to recreate or restore including the time for researching or engineering lost information.
- B. The PERIOD OF LIABILITY does not include any additional time due to the Insured's inability to resume operations for any reason, including but not limited to:
- 1) making changes to equipment.
 - 2) making changes to the buildings or structures except as provided in the DEMOLITION AND INCREASED COST OF CONSTRUCTION clause in the PROPERTY DAMAGE section.
 - 3) restaffing or retraining employees.

If two or more Periods of Liability apply such periods will not be cumulative.

5. TIME ELEMENT EXCLUSIONS

In addition to the exclusions elsewhere in this Policy, the following exclusions apply to TIME ELEMENT loss:

This Policy does not insure against:

- A. Any loss during any idle period, including but not limited to when production, operation, service or delivery or receipt of goods would cease, or would not have taken place or would have been prevented due to:
- 1) physical loss or damage not insured by this Policy on or off of the Insured Location.
 - 2) planned or rescheduled shutdown.
 - 3) strikes or other work stoppage.
 - 4) any other reason other than physical loss or damage insured by this Policy.
- B. Any increase in loss due to:
- 1) suspension, cancellation or lapse of any lease, contract, license or orders.
 - 2) fines or damages for breach of contract or for late or noncompletion of orders.
 - 3) for penalties of any nature.
 - 4) any other consequential or remote loss.
- C. Any loss resulting from the Actual Cash Value portion of direct physical loss or damage by fire caused by or resulting from Terrorism.



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- D. Any loss resulting from loss or damage to property located at a sub-station that is not at a described generating facility on the Schedule of Locations.
- E. Any loss resulting from loss or damage to property insured on an Actual Cash Value basis.
- F. Any increase in loss due to the purchase of electrical power.
- G. Any increase in loss due to additional costs associated with generating electrical power from alternative sources owned by the Insured.
- H. Any loss resulting from power or energy trading or power or energy brokering activities of any nature.



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LOSS ADJUSTMENT AND SETTLEMENT - SECTION D

1. LOSS ADJUSTMENT/PAYABLE

Loss, if any, will be adjusted with and payable to City of Grand Island (Electric and Water Utilities Departments), or as may be directed by City of Grand Island (Electric and Water Utilities Departments). Additional insured interests will also be included in loss payment as their interests may appear when named as additional named insured, lender, mortgagee and/or loss payee in the Certificates of Insurance on file with the Company or named below.

2. CURRENCY FOR LOSS PAYMENT

Losses will be adjusted and paid in the currency of the United States of America. But, in Canada losses will be paid in Canadian currency, unless directed otherwise by the Insured.

3. VALUATION

Adjustment of the physical loss amount under this Policy will be computed as of the date of loss at the location of the loss, and for no more than the interest of the Insured, subject to the following:

- A. On raw materials, supplies and other merchandise not manufactured by the Insured:
 - 1) if repaired or replaced, the actual expenditure incurred in repairing or replacing the damaged or destroyed property; or
 - 2) if not repaired or replaced, the Actual Cash Value.
- B. On exposed films, records, manuscripts and drawings, that are not Valuable Papers and Records, the value blank plus the cost of copying information from back-up or from originals of a previous generation. These costs will not include research, engineering or any costs of restoring or recreating lost information.
- C. On FINE ARTS articles, the lesser of:
 - 1) the reasonable and necessary cost to repair or restore such property to the physical condition that existed on the date of loss.
 - 2) cost to replace the article.
 - 3) the value, if any, stated on a schedule on file with the Company.

In the event a Fine Arts article is part of a pair or set, and a physically damaged article cannot be replaced, or repaired or restored to the condition that existed immediately prior to the loss, the Company will be liable for the lesser of the full value of such pair or set or the amount designated on the schedule. The Insured agrees to surrender the pair or set to the Company.



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- D. On property covered under DATA, PROGRAMS OR SOFTWARE:
- 1) The cost to repair, replace or restore data, programs or software including the costs to recreate, research and engineer;
 - 2) If not repaired, replaced or restored within two years from the date of loss, the blank value of the media.
- E. On VALUABLE PAPERS AND RECORDS, the lesser of the following:
- 1) The cost to repair or restore the item to the condition that existed immediately prior to the loss.
 - 2) The cost to replace the item.
 - 3) The amount designated for the item on the schedule on file with the Company.
- F. On property in transit:
- 1) Property shipped to or for the account of the Insured will be valued at actual invoice to the Insured. Included in the value are accrued costs and charges legally due. Charges may include the Insured's commission as selling agent.
 - 2) Property sold by the Insured and shipped to or for the purchaser's account will be valued at the Insured's selling invoice amount. Prepaid or advanced freight costs are included.
 - 3) Property not under invoice will be valued:
 - a) for property of the Insured, at the valuation provisions of this Policy applying at the location from which the property is being transported; or
 - b) for other property, at the actual cash market value at the destination point on the date of loss,

less any charges saved which would have become due and payable upon arrival at destination.
- G. On property that is damaged by fire and such fire is the result of Terrorism, the Actual Cash Value of the fire damage loss. Any remaining fire damage loss shall be adjusted according to the terms and conditions of the VALUATION clause in this section of the Policy and shall be subject to the limit(s) of liability for TERRORISM, and if stated the limit of liability for SUPPLEMENTAL UNITED STATES CERTIFIED ACT OF TERRORISM ENDORSEMENT, as shown in the LIMITS OF LIABILITY clause in the DECLARATIONS section.



H. On all other property, the loss amount will not exceed the lesser of the following:

- 1) The cost to repair.
- 2) The cost to rebuild or replace on the same site with new materials of like size, kind and quality.
- 3) The cost in rebuilding, repairing or replacing on the same or another site, but not to exceed the size and operating capacity that existed on the date of loss.
- 4) The selling price of real property or machinery and equipment, other than stock, offered for sale on the date of loss.
- 5) The cost to replace unrepairable electrical or mechanical equipment, including computer equipment, with equipment that is the most functionally equivalent to that damaged or destroyed, even if such equipment has technological advantages and/or represents an improvement in function and/or forms part of a program of system enhancement.
- 6) The increased cost of demolition, if any, resulting from loss covered by this Policy, if such property is scheduled for demolition.
- 7) The unamortized value of improvements and betterments, if such property is not repaired or replaced at the Insured's expense.
- 8) The Actual Cash Value if such property is:
 - a) useless to the Insured; or
 - b) not repaired, replaced or rebuilt on the same or another site within two years from the date of loss.

The Insured may elect not to repair or replace the insured real and/or personal property lost, damaged or destroyed. Loss settlement may be elected on the lesser of repair or replacement cost basis if the proceeds of such loss settlement are expended on other capital expenditures related to the Insured's operations within two years from the date of loss. As a condition of collecting under this item, such expenditure must be unplanned as of the date of loss and be made at an Insured Location under this Policy. This item does not extend to DEMOLITION AND INCREASED COST OF CONSTRUCTION.

References and Application. The following term(s) wherever used in this Policy means:

- a) Actual Cash Value:

The amount it would cost to repair or replace insured property, on the date of loss, with material of like kind and quality, with proper deduction for obsolescence and physical depreciation.



4. LOSS CONDITIONS

A. REQUIREMENTS IN CASE OF LOSS

The Insured will:

- 1) give immediate written notice to the Company of any loss.
- 2) protect the property from further loss or damage.
- 3) promptly separate the damaged and undamaged property; put it in the best possible order; and furnish a complete inventory of the lost, destroyed, damaged and undamaged property showing in detail the quantities, costs, Actual Cash Value, replacement value and amount of loss claimed.
- 4) give a signed and sworn proof of loss to the Company within 90 days after the loss, unless that time is extended in writing by the Company. The proof of loss must state the knowledge and belief of the Insured as to:
 - a) the time and origin of the loss.
 - b) the Insured's interest and that of all others in the property.
 - c) the Actual Cash Value and replacement value of each item and the amount of loss to each item; all encumbrances; and all other contracts of insurance, whether valid or not, covering any of the property.
 - d) any changes in the title, use, occupation, location, possession or exposures of the property since the effective date of this Policy.
 - e) by whom and for what purpose any location insured by this Policy was occupied on the date of loss, and whether or not it then stood on leased ground.
- 5) include a copy of all the descriptions and schedules in all policies and, if required, provide verified plans and specifications of any buildings, fixtures, machinery or equipment destroyed or damaged.
- 6) further, the Insured, will as often as may be reasonably required:
 - a) exhibit to any person designated by the Company all that remains of any property;
 - b) submit to examination under oath by any person designated by the Company and sign the written records of examinations; and
 - c) produce for examination at the request of the Company:
 - (i) all books of accounts, business records, bills, invoices and other vouchers; or



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(ii) certified copies if originals are lost,

at such reasonable times and places that may be designated by the Company or its representative and permit extracts and machine copies to be made.

B. COMPANY OPTION

The Company has the option to take all or any part of damaged property at the agreed or appraised value. The Company must give notice to the Insured of its intention to do so within 30 days after receipt of proof of loss.

C. ABANDONMENT

There may be no abandonment of any property to the Company.

D. SUBROGATION

The Insured is required to cooperate in any subrogation proceedings. The Company may require from the Insured an assignment or other transfer of all rights of recovery against any party for loss to the extent of the Company's payment.

The Company will not acquire any rights of recovery that the Insured has expressly waived prior to a loss, nor will such waiver affect the Insured's rights under this Policy.

Any recovery from subrogation proceedings, less costs incurred by the Company in such proceedings, will be payable to the Insured in the proportion that the amount of:

- 1) any applicable deductible; and/or
 - 2) any provable uninsured loss,
- bears to the entire provable loss amount.

E. APPRAISAL

If the Insured and the Company fail to agree on the amount of loss, each will, on the written demand of either, select a competent and disinterested appraiser after:

- 1) the Insured has fully complied with all provisions of this Policy, including REQUIREMENTS IN CASE OF LOSS; and
- 2) the Company has received a signed and sworn proof of loss from the Insured.

Each will notify the other of the appraiser selected within 20 days of such demand.

The appraisers will first select a competent and disinterested umpire. If the appraisers fail to agree upon an umpire within 30 days then, on the request of the Insured or the Company, the umpire will be selected by a judge of a court of record in the jurisdiction in which the appraisal is pending. The appraisers will then appraise the amount of loss, stating separately



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the Actual Cash Value and replacement cost value as of the date of loss and the amount of loss, for each item of physical loss or damage or if, for TIME ELEMENT loss, the amount of loss for each TIME ELEMENT coverage of this Policy.

If the appraisers fail to agree, they will submit their differences to the umpire. An award agreed to in writing by any two will determine the amount of loss.

The Insured and the Company will each:

- 1) pay its chosen appraiser; and
- 2) bear equally the other expenses of the appraisal and umpire.

A demand for APPRAISAL shall not relieve the Insured of its continuing obligation to comply with the terms and conditions of this Policy, including as provided under REQUIREMENTS IN CASE OF LOSS.

The Company will not be held to have waived any of its rights by any act relating to appraisal.

F. SUIT AGAINST THE COMPANY

No suit, action or proceeding for the recovery of any claim will be sustained in any court of law or equity unless:

- 1) the Insured has fully complied with all the provisions of this Policy; and
- 2) legal action is started within twelve months after inception of the loss.

If under the insurance laws of the jurisdiction in which the property is located, such twelve months' limitation is invalid, then any such legal action needs to be started within the shortest limit of time permitted by such laws.

5. SETTLEMENT OF CLAIMS

The amount of loss, except for ACCOUNTS RECEIVABLE coverage, for which the Company may be liable will be paid within 30 days after:

- A. proof of loss as described in this Policy is received by the Company; and
- B. when a resolution of the amount of loss is made either by:
 - 1) written agreement between the Insured and the Company; or
 - 2) the filing with the Company of an award as provided in the APPRAISAL clause of this section.



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6. COLLECTION FROM OTHERS

The Company will not be liable for any loss to the extent that the Insured has collected for such loss from others.

7. PARTIAL PAYMENT OF LOSS SETTLEMENT

In the event of a loss occurring which has been ascertained to be insured loss or damage under this Policy and determined by the Company's representatives to be in excess of the applicable Policy deductible, the Company will advance mutually agreed upon partial payment(s) on the insured loss or damage, subject to the Policy's provisions. To obtain said partial payments, the Insured will submit a signed and sworn Proof of Loss as described in this Policy, with adequate supporting documentation.



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GENERAL PROVISIONS - SECTION E

1. ADDITIONAL INSURABLE INTERESTS/CERTIFICATES OF INSURANCE

Additional insured interests are automatically added to this Policy as their interest may appear when named as additional named insured, lender, mortgagee and/or loss payee in the Certificates of Insurance on a schedule on file with the Company. Such interests become effective on the date shown in the Certificate of Insurance and will not amend, extend or alter the terms, conditions, provisions and limits of this Policy.

2. CANCELLATION/NON-RENEWAL

This Policy may be:

- A. cancelled at any time at the request of the Insured by surrendering this Policy to the Company or by giving written notice to the Company stating when such cancellation will take effect; or
- B. cancelled by the Company by giving the Insured not less than:
 - 1) 60 days' written notice of cancellation; or
 - 2) 10 days' written notice of cancellation if the Insured fails to remit, when due, payment of premium for this Policy; or
- C. non-renewed by the Company by giving the Insured not less than 60 days' written notice of non-renewal.

Return of any unearned premium will be calculated on the customary short rate basis if the Insured cancels and on a pro-rata basis if the Company cancels this Policy. Return of any unearned premium will be made by the Company as soon as practicable.

3. INSPECTIONS

The Company, at all reasonable times, will be permitted, but will not have the duty, to inspect insured property.

The Company's:

- A. right to make inspections;
- B. making of inspections; or
- C. analysis, advice or inspection report,

will not constitute an undertaking, on behalf of or for the benefit of the Insured or others, to determine or warrant that the insured property is safe or healthful. This Company will have no liability to the Insured or any other person because of any inspection or failure to inspect.



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When the Company is not providing jurisdictional inspections, the Owner/Operator has the responsibility to assure that jurisdictional inspections are performed as required, and to assure that required jurisdictional Operating Certificates are current for their pressure equipment.

4. PROVISIONS APPLICABLE TO SPECIFIC JURISDICTIONS

- A. If the provisions of this Policy conflict with the laws of any jurisdictions in which this Policy applies, and if certain provisions are required by law to be stated in this Policy, this Policy will be read so as to eliminate such conflict or deemed to include such provisions for Insured Locations within such jurisdictions.
- B. The Company will provide to the Insured copies of endorsements mandated for use by the laws of provinces in Canada. The endorsements modify this Policy with respect to any insured property located in the province in which the endorsement applies.
- C. The Company will provide to the Insured copies of endorsements mandated for use by the laws of states in the United States of America. The endorsements modify this Policy with respect to any insured property located in the state in which the endorsement applies.
- D. As respects the United States, its territories and possessions and the Commonwealth of Puerto Rico, the definition of Terrorism contained in item B2f of the EXCLUSIONS clause in the PROPERTY DAMAGE section of this Policy is declared null and void and it is agreed that an event defined as a Certified Act of Terrorism under the terms of the SUPPLEMENTAL UNITED STATES CERTIFIED ACT OF TERRORISM ENDORSEMENT attached to this Policy shall be considered an act of Terrorism within the terms of this Policy. Coverage recoverable under the SUPPLEMENTAL UNITED STATES CERTIFIED ACT OF TERRORISM ENDORSEMENT is excluded from any other coverage under this Policy. Any difference in limit between loss recoverable under the SUPPLEMENTAL UNITED STATES CERTIFIED ACT OF TERRORISM ENDORSEMENT and this Policy is not recoverable under this Policy.

5. LIBERALIZATION

If during the period that insurance is in force under this Policy, any filed rules or regulations affecting the same are revised by statute so as to broaden the insurance without additional premium charge, such extended or broadened insurance will inure to the benefit of the Insured within such jurisdiction, effective the date of the change specified in such statute.

6. MISREPRESENTATION AND FRAUD

This entire Policy will be void if, whether before or after a loss, an Insured has:

- A. willfully concealed or misrepresented any material fact or circumstance concerning this insurance, the subject thereof, any insurance claim, or the interest of an Insured.
- B. made any attempt to defraud the Company.
- C. made any false swearing.



7. LENDERS LOSS PAYEE AND MORTGAGEE INTERESTS AND OBLIGATIONS

- A. The Company will pay for loss to specified property insured under this Policy to each specified Lender Loss Payee (hereinafter referred to as Lender) as its interest may appear, and to each specified Mortgagee as its interest may appear, under all present or future mortgages upon such property, in order of precedence of the mortgages.
- B. The interest of the Lender or Mortgagee (as the case may be) in property insured under this Policy will not be invalidated by:
- 1) any act or neglect of the debtor, mortgagor, or owner (as the case may be) of the property.
 - 2) foreclosure, notice of sale, or similar proceedings with respect to the property.
 - 3) change in the title or ownership of the property.
 - 4) change to a more hazardous occupancy.

The Lender or Mortgagee will notify the Company of any known change in ownership, occupancy, or hazard and, within 10 days of written request by the Company, may pay the increased premium associated with such known change. If the Lender or Mortgagee fails to pay the increased premium, all coverage under this Policy will cease.

- C. If this Policy is cancelled at the request of the Insured or its agent, the coverage for the interest of the Lender or Mortgagee will terminate 10 days after the Company sends to the Lender or Mortgagee written notice of cancellation, unless:
- 1) sooner terminated by authorization, consent, approval, acceptance, or ratification of the Insured's action by the Lender or Mortgagee, or its agent.
 - 2) this Policy is replaced by the Insured, with a policy providing coverage for the interest of the Lender or Mortgagee, in which event coverage under this Policy with respect to such interest will terminate as of the effective date of the replacement policy, notwithstanding any other provision of this Policy.
- D. The Company may cancel this Policy and/or the interest of the Lender or Mortgagee under this Policy, by giving the Lender or Mortgagee written notice 60 days prior to the effective date of cancellation, if cancellation is for any reason other than non-payment. If the debtor, mortgagor, or owner has failed to pay any premium due under this Policy, the Company may cancel this Policy for such non-payment, but will give the Lender or Mortgagee written notice 10 days prior to the effective date of cancellation. If the Lender or Mortgagee fails to pay the premium due by the specified cancellation date, all coverage under this Policy will cease.
- E. The Company has the right to invoke this Policy's SUSPENSION clause. The suspension of insurance will apply to the interest of the Lender or Mortgagee in any machine, vessel, or part of any machine or vessel, subject to the suspension. The Company will provide the Lender or Mortgagee at the last known address a copy of the suspension notice.



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- F. If the Company pays the Lender or Mortgagee for any loss, and denies payment to the debtor, mortgagor or owner, the Company will, to the extent of the payment made to the Lender or Mortgagee be subrogated to the rights of the Lender or Mortgagee under all securities held as collateral to the debt or mortgage. No subrogation will impair the right of the Lender or Mortgagee to sue or recover the full amount of its claim. At its option, the Company may pay to the Lender or Mortgagee the whole principal due on the debt or mortgage plus any accrued interest. In this event, all rights and securities will be assigned and transferred from the Lender or Mortgagee to the Company, and the remaining debt or mortgage will be paid to the Company.
- G. If the Insured fails to render proof of loss, the Lender or Mortgagee, upon notice of the Insured's failure to do so, will render proof of loss within 60 days of notice and will be subject to the provisions of this Policy relating to APPRAISAL, SETTLEMENT OF CLAIMS, and SUIT AGAINST THE COMPANY.
- H. Other provisions relating to the interests and obligations of the Lender or Mortgagee may be added to this Policy by agreement in writing.

8. OTHER INSURANCE

- A. If there is any other insurance that would apply in the absence of this Policy, this Policy will apply only after such insurance whether collectible or not.
- B. In no event will this Policy apply as contributing insurance.
- C. The Insured is permitted to have other insurance over any limits or sublimits of liability specified elsewhere in this Policy without prejudice to this Policy. The existence of any such insurance will not reduce any limit or sublimit of liability in this Policy. Any other insurance that would have provided primary coverage in the absence of this Policy will not be considered excess.
- D. The Insured is permitted to have other insurance for all, or any part, of any deductible in this Policy. The existence of such other insurance will not prejudice recovery under this Policy. If the limits of liability of such other insurance are greater than this Policy's applicable deductible, this Policy's insurance will apply only after such other insurance has been exhausted.
- E. In the event this Policy is deemed to contribute with other insurance, the limit of liability applicable at each Location, for purposes of such contribution with other insurers, will be the latest amount described in this Policy or the latest Location value on file with the Company.

9. POLICY MODIFICATION

This Policy contains all of the agreements between the Insured and the Company concerning this insurance. The Insured and the Company may request changes to this Policy. This Policy can be changed only by endorsements issued by the Company and made a part of this Policy.



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Notice to any agent or knowledge possessed by any agent or by any other person will not:

- A. create a waiver, or change any part of this Policy; or
- B. prevent the Company from asserting any rights under the provisions of this Policy.

10. REDUCTION BY LOSS

Claims paid under this Policy will not reduce its' limit of liability, except claims paid will reduce any Policy Year Aggregate Limit of Liability.

11. SUSPENSION

On discovery of a dangerous condition, the Company may immediately suspend this insurance on any machine, vessel or part thereof by giving written notice to the Insured. The suspended insurance may be reinstated by the Company. Any unearned premium resulting from such suspension will be returned by the Company.

12. TITLES

The titles in this Policy are only for reference. The titles do not in any way affect the provisions of this Policy.

13. REFERENCES AND APPLICATION

The following term(s) wherever used in this Policy means:

A. Turbine Unit:

Any turbine unit including any:

- 1) driving turbine(s);
- 2) combustor, precooler, intercooler, regenerator or heat exchanger of any gas turbine unit;
- 3) electric generator, pump, compressor, fan, blower, wheel or gear on any shaft of the driving turbine or turbines or on a shaft which is directly connected to any of said turbines by any coupling, clutch or gear set, except the Object shall not extend beyond the first half of the coupling, immediately ahead of any second gear set;
- 4) mechanical or hydraulic governing mechanism together with any electric motor used solely therewith;
- 5) auxiliary apparatus mounted on the bed or frame of the unit;
- 6) lubricating oil pump, any fuel pump or any pump for circulating a coolant, if used solely for the unit, together with any machine driving any such pump;



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- 7) auxiliary electric motor, steam turbine or other apparatus used solely to rotate the driving turbine or turbines for starting or maintenance purposes;
- 8) apparatus used solely to scavenge any gas turbine unit;
- 9) shaft which forms a part of the unit or which connects parts of the unit, together with any coupling, clutch, bearing, gear or gear set on said shaft; and
- 10) interconnecting wiring, piping or ducts between parts of the unit and which are mounted on the unit;

but shall not include any;

- 1) electronic computer or electronics data processing equipment used to govern or control the unit;
- 2) machine or apparatus except as included in sections 1-10 above;
- 3) wiring, fiber optics, piping or ducts leading to or from the unit;
- 4) condenser, its connecting pipe or adapter;
- 5) penstock or draft tube; nor
- 6) boiler utilizing exhaust gases from any gas turbine unit.



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SCHEDULE OF LOCATIONS, APPENDIX A

<u>Location No.</u>	<u>Index No.</u>	<u>Location Description</u>
1-01	070402.54	USA, NEBRASKA, GRAND ISLAND, 68801 1035 Wildwood Drive 1 Mile NE of the Platte River Platte Generating Station
1-02	070402.53	USA, NEBRASKA, GRAND ISLAND, 68801-0800 820 Bischeld Street Burdick Station
1-03	070402.51	USA, NEBRASKA, GRAND ISLAND, 68801 Cherry Street Cherry Street Station
1-04	070402.50	USA, NEBRASKA, GRAND ISLAND, 68801-4744 1116, 1118 and 1209-1219 West North Front Street Service Building Garage Service Building Warehouse Electrical Utilities Dept. - Warehouse
1-05	070401.40	USA, NEBRASKA, GRAND ISLAND, 68801 Bass and Blaine Streets (1/2 mile south of US 34) Substation A
1-06	070401.41	USA, NEBRASKA, GRAND ISLAND, 68801 West Faidley Avenue (1/4 Mile West of U.S. 281) Substation B
1-07	070400.27	USA, NEBRASKA, GRAND ISLAND, 68801 Airport Road (1/4 East of U.S. 281) Substation C



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SCHEDULE OF LOCATIONS, APPENDIX A

<u>Location No.</u>	<u>Index No.</u>	<u>Location Description</u>
1-08	070400.04	USA, NEBRASKA, GRAND ISLAND, 68801 North of Platte Station Substation D
1-09	070402.58	USA, NEBRASKA, GRAND ISLAND, 68801 Museum Drive and Swift Road Substation E
1-10	070402.59	USA, NEBRASKA, GRAND ISLAND, 68801 Capital Avenue and Carlton Avenue Substation F
2-01	070402.49	USA, NEBRASKA, GRAND ISLAND, 68801 4 Miles SE of City Limits Platte River Pumping Station & Wells
2-02	070402.48	USA, NEBRASKA, GRAND ISLAND, 68801 Stuhr Road at Burlington Burdick Reservoir
2-03	070402.47	USA, NEBRASKA, GRAND ISLAND, 68801 5300 Old Potash Highway Rogers Pumping Station & Reservoir
2-04	070402.46	USA, NEBRASKA, GRAND ISLAND, 68801 300-378 North Pine Street Pine Street Pumping Station
2-05	070401.27	USA, NEBRASKA, GRAND ISLAND, 68801-5966 300 North Kimball Street Kimball Street Reservoir



Account No.
Policy No.

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SCHEDULE OF LOCATIONS, APPENDIX A

<u>Location No.</u>	<u>Index No.</u>	<u>Location Description</u>
2-06	070401.32	USA, NEBRASKA, GRAND ISLAND, 68801-8215 2003 South Locust Street Locust Well
2-07	070401.33	USA, NEBRASKA, GRAND ISLAND, 68801-7335 2111 Pioneer Boulevard Parkview Well #1
2-08	070401.34	USA, NEBRASKA, GRAND ISLAND, 68801-7343 2503 Pioneer Boulevard Parkview Well #2
2-09	070401.35	USA, NEBRASKA, GRAND ISLAND, 68801 West Stolley Park Road & South Blaine Street Stolley Well
2-10	000189.76	USA, NEBRASKA, GRAND ISLAND, 68801 Sunset and Cherry Streets Reed Well
2-11	070401.26	USA, NEBRASKA, GRAND ISLAND, 68801-0800 804 Bischeld Street Burdick Pumping Station
3-01	070402.45	USA, NEBRASKA, GRAND ISLAND, 68801 361 North Sycamore
3-02	001273.67	USA, NEBRASKA, GRAND ISLAND, 68801 366 Greenwich Street Copper Storage Building



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NEW MADRID SEISMIC ZONE, APPENDIX B

Arkansas, counties of:

Arkansas, Ashley, Chicot, Clay, Craighead, Crittenden, Cross, Desha, Drew, Fulton, Grant, Greene, Independence, Izard, Jackson, Jefferson, Lawrence, Lee, Lincoln, Lonoke, Mississippi, Monroe, Phillips, Poinsett, Prairie, Pulaski, Randolph, Saline, Sharp, St. Francis, White, Woodruff

Illinois, counties of:

Alexander, Bond, Calhoun, Christian, Clark, Clay, Clinton, Coles, Crawford, Cumberland, Edwards, Effingham, Fayette, Franklin, Gallatin, Greene, Hamilton, Hardin, Jackson, Jasper, Jefferson, Jersey, Johnson, Lawrence, Macoupin, Madison, Marion, Massac, Monroe, Montgomery, Morgan, Perry, Pike, Pope, Pulaski, Randolph, Richland, Saline, Sangamon, Scott, Shelby, St. Clair, Union, Wabash, Washington, Wayne, White, Williamson

Indiana, counties of:

Crawford, Daviess, Dubois, Gibson, Greene, Knox, Lawrence, Martin, Orange, Perry, Pike, Posey, Spencer, Sullivan, Vanderburgh, Warrick

Kentucky, counties of:

Ballard, Breckinridge, Butler, Caldwell, Calloway, Carlisle, Christian, Crittenden, Daviess, Fulton, Graves, Hancock, Henderson, Hickman, Hopkins, Livingston, Logan, Lyon, Marshall, McCracken, McLean, Muhlenberg, Ohio, Simpson, Todd, Trigg, Union, Warren, Webster

Mississippi, counties of:

Alcorn, Benton, Bolivar, Calhoun, Carroll, Chickasaw, Choctaw, Clay, Coahoma, De Soto, Grenada, Holmes, Humphreys, Issaquena, Itawamba, Lafayette, Lee, Leflore, Lowndes, Marshall, Monroe, Montgomery, Oktibbeha, Panola, Pontotoc, Prentiss, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tippah, Tishomingo, Tunica, Union, Warren, Washington, Webster, Yalobusha, Yazoo

Missouri, counties of:

Audrain, Bollinger, Butler, Callaway, Cape Girardeau, Carter, Cole, Crawford, Dent, Dunklin, Franklin, Gasconade, Howell, Iron, Jefferson, Lincoln, Madison, Maries, Marion, Miller, Mississippi, Montgomery, New Madrid, Oregon, Osage, Pemiscot, Perry, Phelps, Pike, Pulaski, Ralls, Reynolds, Ripley, Scott, Shannon, St. Charles, St. Francois, St. Louis, St. Louis City, Ste. Genevieve, Stoddard, Texas, Warren, Washington, Wayne

Tennessee, counties of:

Benton, Carroll, Cheatham, Chester, Crockett, Decatur, Dickson, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, Hickman, Houston, Humphreys, Lake, Lauderdale, Lawrence, Lewis, Madison, McNairy, Montgomery, Obion, Perry, Robertson, Shelby, Stewart, Tipton, Wayne, Weakley



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PACIFIC NORTHWEST SEISMIC ZONE, APPENDIX C

Oregon, counties of:

Benton, Clackamas, Clatsop, Columbia, Coos, Curry, Douglas, Jackson, Josephine, Klamath, Lake, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Washington, Yamhill

Washington, counties of:

Chelan, Clallam, Clark, Cowlitz, Grays Harbor, Island, Jefferson, King, Kitsap, Kittitas, Lewis, Mason, Pacific, Pierce, San Juan, Skagit, Skamania, Snohomish, Thurston, Wahkiakum, Whatcom

British Columbia (includes Vancouver Island):

South of 50° N latitude and west of 120° W longitude

POLICYHOLDER DISCLOSURE
NOTICE OF TERRORISM INSURANCE COVERAGE

Date: August 18, 2011

Insured Name: City of Grand Island
Account Number: 05249

Insurer Name: Factory Mutual Insurance Company

The Terrorism Risk Insurance Act of 2002, as amended and extended in 2005 and again in 2007, gives you the right as part of your property renewal policy to elect or reject insurance coverage for locations within the United States or any territory or possession of the United States for losses arising out of acts of terrorism, as defined and certified in accordance with the provisions of the act.

YOU SHOULD KNOW THAT WHERE COVERAGE IS PROVIDED FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM, SUCH LOSSES MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. UNDER THIS FORMULA, THE UNITED STATES GOVERNMENT GENERALLY PAYS 85% OF COVERED TERRORISM LOSSES EXCEEDING A STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURER REFERENCED ABOVE.

YOU SHOULD ALSO KNOW THAT THE TERRORISM RISK INSURANCE ACT, AS AMENDED, CONTAINS A \$100 BILLION CAP THAT LIMITS THE U.S. GOVERNMENT REIMBURSEMENT AS WELL AS INSURERS' LIABILITY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM WHEN THE AMOUNT OF SUCH LOSSES IN ANY ONE PROGRAM YEAR EXCEEDS \$100 BILLION. IF THE AGGREGATE INSURED LOSSES FOR ALL INSURERS EXCEED \$100 BILLION, YOUR COVERAGE MAY BE REDUCED.

THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

ACCEPTANCE OR REJECTION OF TERRORISM INSURANCE COVERAGE: UNDER FEDERAL LAW, YOU HAVE THE RIGHT TO ACCEPT OR REJECT THIS OFFER OF COVERAGE FOR TERRORIST ACTS COVERED BY THE ACT AS PART OF YOUR RENEWAL POLICY. IF WE DO NOT RECEIVE THIS SIGNED DISCLOSURE FORM PRIOR TO THE RENEWAL POLICY EFFECTIVE DATE OF October1, 2011 THEN YOUR RENEWAL POLICY WILL REFLECT YOUR DECISION NOT TO PURCHASE THE TERRORISM COVERAGE PROVIDED BY THE ACT.

_____ I hereby elect to purchase coverage for terrorist acts covered by the act for an annual premium of \$ 22,372 . This premium does not include applicable taxes or surcharges.

_____ I hereby decline this offer of coverage for terrorist acts covered by the act.

Policyholder / Applicant Signature

Print Name

Date

**SUPPLEMENTAL UNITED STATES
CERTIFIED ACT OF TERRORISM ENDORSEMENT**

This Endorsement is applicable to all insured Locations in the United States, its territories and possessions and the Commonwealth of Puerto Rico.

Coverage for "Certified Act of Terrorism" Under The Terrorism Risk Insurance Act of 2002, as amended.

In consideration of a premium charged of USD22,372 this Policy, subject to the terms and conditions therein and in this Endorsement, covers direct physical loss or damage to insured property and any resulting TIME ELEMENT loss, as provided in the TIME ELEMENT section of the Policy, caused by or resulting from a Certified Act of Terrorism as defined herein.

Notwithstanding anything contained elsewhere in this Policy, any exclusion or limitation of terrorism in this Policy and any endorsement attached to and made a part of this Policy, is hereby amended to the effect that such exclusion or limitation does not apply to a "Certified Act of Terrorism" as defined herein. This amendment does not apply to any limit of liability for a Certified Act of Terrorism, if any, stated under the LIMITS OF LIABILITY clause of the DECLARATIONS section of this Policy.

With respect to any one or more Certified Act(s) of Terrorism, this Company will not pay any amounts for which the Company is not responsible under the terms of the Terrorism Risk Insurance Act of 2002 (including subsequent action of Congress pursuant to the Act) which includes a provision stating that if the aggregate insured losses exceed USD100,000,000,000 during any program year, neither the United States Government nor any insurer that has met its insurer deductible shall be liable for the payment of any portion of the amount of such losses that exceed USD100,000,000,000. If the aggregate insured losses for all insurers exceed USD100,000,000,000, your coverage may be reduced.

The coverage provided under this Endorsement for "Certified" losses caused by acts of terrorism will be partially reimbursed by the United States Government under a formula established by Federal Law. Under this formula, the United States pays 85% of covered terrorism losses exceeding a statutorily established retention by the insurer referenced in this Policy. The premium charged for this coverage is provided above.

The terms and limitations of any terrorism exclusion, or the inapplicability or omission of a terrorism exclusion, do not serve to create coverage for any loss which would otherwise be excluded under this Endorsement or the Policy.

The coverage provided by this Endorsement only applies to a Certified Act of Terrorism.

Reference and Application: The following term(s) means:

Proposal

Certified Act of Terrorism:

A "Certified Act of Terrorism" means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States, to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act of 2002 as amended and extended in 2005 and in 2007. The criteria contained in that Act for a "Certified Act of Terrorism" include the following:

- a. The act resulted in aggregate losses in excess of USD5,000,000; and
- b. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

RESOLUTION 2011-236

WHEREAS, the City's Utility Department subscribes to insurance for boiler and machinery, property, peril and fire coverage; and

WHEREAS, the boiler and machinery, property, peril and fire coverage insurance term expires October 1, 2011; and

WHEREAS, the insurance of electric and water utilities facilities is a specialized market with a limited number of potential providers; and

WHEREAS, valuation adjustments resulted in an increased total insured value of property from the present amount of \$440,304,760 to \$456,743,074; and

WHEREAS, a proposal to renew insurance for the 2011 – 2012 fiscal year was received from the current provider, Factory Mutual Insurance Company of St. Louis, Missouri, for a renewal premium of \$405,308.00, including the terrorism coverage; and

WHEREAS, the City has opted to accept the optional Terrorism Insurance Coverage; and

WHEREAS, the insurance provider requires that the City either except or reject Terrorism Insurance Coverage by executing the form provided.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the proposal of Factory Mutual Insurance Company of St. Louis, Missouri, with premium in the amount of \$382,936.00 is hereby approved, and to execute the form to accept Terrorism Insurance Coverage, with a premium in the amount of \$22,372.00.

- - -

Adopted by the City Council of the City of Grand Island, Nebraska, September 13, 2011.

Jay Vavricek, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
September 8, 2011	☐ City Attorney