



MULTINATIONAL CHOICE – PROPERTY CONDITIONS AND DEFINITIONS

Words and phrases that appear in quotation marks have special meaning. Refer to section **C. DEFINITIONS**.

The following conditions apply to all coverages that are a part of the Multinational Choice - Property Coverage Part and are in addition to the Multinational Choice - Common Policy Conditions unless stated otherwise in coverage forms and endorsements.

A. GENERAL CONDITIONS

1. Abandonment

There can be no abandonment of any property to us.

2. Application of Waiting Period

In the event that more than one Waiting Period is applicable, we will apply only the longest waiting period.

3. Appraisal

If we and you disagree on the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim on the grounds that it is not covered under this policy.

4. Claim Settlement

- a. We will give notice of our intentions within 30 days after we receive the sworn proof of loss.
- b. We will pay for covered loss or damage within 30 days after we receive your sworn proof of loss, if you have complied with all of the terms of this Coverage Part; and:

- (1) We have reached agreement with you on the amount of loss; or

- (2) An appraisal award has been made.

5. Concealment, Misrepresentation or Fraud

This Coverage Part is void in any case of fraud by you as it relates to this coverage at any time. It is also void if you or any other insured, at any time, intentionally conceal or misrepresent a material fact concerning:

- a. This Coverage Part;
- b. The property covered under this insurance;
- c. Your interest in the property covered under this insurance; or
- d. A claim under this Coverage Part.

6. Control of Property

Any act or neglect of any person other than you beyond your direction or control will not affect this insurance.

The breach of any condition of this Coverage Part at any one or more premises will not affect coverage at any premises where, at the time of loss or damage, the breach of condition does not exist.

7. Coverage Territory

The Coverage Territory is world-wide, except:

- a. The United States of America (including its territories and possessions); Puerto Rico; and
- b. Any country or jurisdiction while any trade applicable trade or economic sanctions or other laws or regulations prohibit us from providing insurance or transacting business in that country or jurisdiction.

8. Forms and Endorsements that Reference Property Choice

Forms or endorsements that reference Property Choice or the Property Choice Coverage Part maybe attached to this Coverage Part and apply as if they referenced the applicable Multinational Choice Property Coverage Form, Multinational Choice - Property Coverage Part or any Multinational Choice – Property endorsement(s).

9. If Two or More Coverages Apply

If two or more coverages in this policy apply to the same loss or damage, we will not pay more than the actual amount of loss or damage.

10. Legal Action Against Us

No one may bring a legal action against us under this Coverage Part unless:

- a. There has been full compliance with all of the terms of this Coverage Part; and
- b. The action is brought within 2 years after the date on which the direct physical loss or damage occurred.

For coverage under the Business Crime Coverage Forms, the words **the direct physical loss or damage occurred** are replaced by the words **you discover the loss**.

11. Liberalization

If we adopt any revision that would broaden this Coverage Part, without additional premium, within 45 days prior to inception of this policy or during this policy period, the broadened coverage will immediately apply to you.

12. Loss Payee

- a. For Covered Property in which both you and the Loss Payee as stated in the Multinational Choice - Property Schedule of Premises and Coverages or by endorsement have an insurable interest, we will:

- (1) Adjust losses with you; and
- (2) Pay any claim for loss or damage jointly to you and the loss payee, as interests may appear.

- b. If we cancel this policy, we will give written notice to the loss payee at least:

- (1) 10 days before the effective date of cancellation if we cancel for your nonpayment of premium; or
- (2) 30 days before the effective date of cancellation if we cancel for any other reason.

- (3) If we elect not to renew this policy, we will give written notice to the loss payee at least 10 days before the expiration date of this Coverage Part.

13. Mortgageholders and Lender Loss Payees

- a. We will pay each of the following for their interest in covered loss or damage, as stated in the Multinational Choice - Property Schedule of Premises and Coverages or by endorsement in the order of their precedence, as their interest may appear:

(1) **Mortgageholder** for their interest in buildings or structures. The term mortgageholder includes trustees.

(2) **Lender** for their interest as a creditor, established by such written instruments as warehouse receipts, a contract for deed, bills of lading, financing statements; or mortgages, deeds of trust, or security agreements.

- b. The applicable mortgageholder or lender has the right to receive loss payment even if they have started foreclosure or similar action on the property.

- c. If we deny your claim because of your acts or because you have failed to comply with the terms of this Coverage Part, the applicable mortgageholder or lender will still have the right to receive loss payment if such mortgageholder or lender:

- (1) Pays any premium due under this Coverage Part at our request if you have failed to do so;
- (2) Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so; and
- (3) Has notified us of any change in ownership, occupancy or substantial change in risk known to the mortgageholder or lender.

All of the terms of this Coverage Part will then apply directly to the mortgageholder or lender.

- d. If we pay the mortgageholder or lender for any loss or damage and deny payment to you because of your acts or because you have failed to comply with the terms of this Coverage Part:

- (1) The mortgageholder's rights under the mortgage will be transferred to us to the extent of the amount we pay; and

- (2) The mortgageholder's or lender's right to recover the full amount of their applicable claims will not be impaired.

At our option, we may pay to the mortgageholder or lender the whole principal on the mortgage or debt plus any accrued interest. In this event:

- i. For mortgageholder relationships, your mortgage and note will be transferred to us and you will pay your remaining mortgage debt to us;
 - ii. For lender relationships, you will pay your debt to us.
- e. If we cancel this policy, we will give written notice to the mortgageholder or lender at least:
- (1) 10 days before the effective date of cancellation if we cancel for your nonpayment of premium; or
 - (2) 30 days before the effective date of cancellation if we cancel for any other reason.
- f. If we elect not to renew this policy, we will give written notice to the mortgageholder or lender at least 10 days before the expiration date of this Coverage Part.

14. Contract of Sale and Building Owner Loss Payable Clauses

We will pay each of the following for their interest in covered loss or damage, as stated in the Multinational Choice - Property Schedule of Premises and Coverages or by endorsement in the order of their precedence, as their interest may appear:

a. Contract Of Sale Loss Payable Clause

If the Loss Payee shown in the Multinational Choice - Property Schedule of Premises and Coverages or by endorsement is a person or organization you have entered a contract with for the sale of Covered Property:

- (1) For Covered Property in which both you and the Loss Payee have an insurable interest we will:
 - (a) Adjust losses with you; and
 - (b) Pay any claim for loss or damage jointly to you and the Loss Payee, as interests may appear.
- (2) The following is added to the **Other Insurance** Loss Condition:

For Covered Property that is the subject of a contract of sale, the word "you" includes the Loss Payee.

b. Building Owner Loss Payable Clause –

If the Loss Payee shown in the Multinational Choice Property Schedule of Premises and Coverages or by endorsement is the owner of the described building, in which you are a tenant:

- (1) We will adjust losses to the described building with the Loss Payee. Any loss payment made to the Loss Payee will satisfy your claims against us for the owner's property.
- (2) We will adjust losses to tenants' improvements and betterments with you, unless the lease provides otherwise.

15. No Benefit to Bailee

No person or organization, other than you, having custody of Covered Property will benefit from this insurance.

16. Other Insurance

a. Difference in Conditions

If there is "local insurance" in effect in the relevant country or jurisdiction, this insurance shall apply as primary to the extent that any loss, damage or expense insured against under this (policy/Coverage Part) is not insured under such "local insurance".

b. Difference in Limits

If there is "local insurance" in effect that covers, in whole or in part, the same loss, damage or expense as this Coverage Part, we will only pay the difference between:

- (1) The amount we would have paid for such loss, damage or expense under this Coverage Part if such "local insurance" was not available; and
- (2) The amount due from that "local insurance" whether you can collect on it or not.

c. Excess Over Other Insurance

If there is other insurance covering the same loss or damage, other than that described above, whether primary, excess, contingent or on any other basis, we will pay only for the amount of covered loss or damage in excess of the amount that would be due from that other insurance in the absence of this insurance and in excess of any deductible or self-insured retention thereunder, whether you can collect on such other insurance or not.

This provision, however, shall not apply to, excess insurance that is not "local insurance" if such insurance was obtained to apply in excess of the insurance provided under this Coverage Part by specific reference to this Coverage Part or this policy in such other Insurance.

d. Method of Sharing When Required

If notwithstanding the foregoing provisions of this section, we are required to contribute with other insurance, our share of the covered loss or damage is the proportion that the applicable Limit of Insurance under this Coverage Part bears to the Limits of Insurance of all insurance covering on the same basis.

e. Requirement to Maintain Compulsory and Local Insurance

You must maintain and renew throughout the Policy Period without reduction or restrictions all (i) "compulsory insurance", and (ii) all "local Insurance" in effect, or represented to be in effect, at the inception of, or during, the policy period. If any such policies are not so maintained, we will not be liable under this Coverage Part for more than we would have been had such policies been so maintained. Any coverage provided in such policies that are not provided in this Coverage Part are not intended to, and do not serve to, extend to this Coverage Part.

17. Policy Period

In this Coverage Part, we only cover direct physical loss or direct physical damage which occurs during the policy period stated in the Declarations.

18. Recovered Property

If either you or we recover any property after loss settlement, that party must give the other prompt notice. At your option, the property will be returned to you. You must then return to us the amount we paid to you for the property. We will pay recovery expenses and the expenses to repair the recovered property, subject to the applicable Limit of Insurance.

You will pay us the amount of all recoveries of Accounts Receivable you receive for a loss paid by us. But any recoveries in excess of the amount we have paid belong to you.

19. Transfer of Rights of Recovery Against Others To Us (Subrogation)

If any person or organization to whom or for whom we make payment under this Coverage Part has rights to recover damages from another, those rights are transferred to us to the extent of our payment. That person or organization must do everything necessary to secure our rights and must do nothing after loss to impair them. But you may waive your rights against another party in writing:

- a. Prior to a covered loss or damage, or
- b. After a covered loss only if, at time of loss, that party is one of the following:
 - (1) Someone insured by this insurance;
 - (2) A business firm that you own or control;
 - (3) A business firm or individuals, that owns or controls you; or
 - (4) Your tenant.

This written waiver will not restrict your insurance.

Exceptions:

- (i) For their interest in building repair or construction, you may not waive your rights to recover damages from architects or engineers except as agreed to in writing by us.
- (ii) For property in the due course of transportation, we will not pay for loss or damage if you impair our rights to recover damages from any carrier for hire, bailee or third party.

However, you may accept bills of lading, receipts or contracts of transportation from carriers for hire, which contain a limitation of value.

20. Vacancy

a. Description of Terms

As used in this General Condition, the terms building and vacant have the meanings set forth in (1), (2) and (3) below:

- (1) When this policy is issued to a tenant, and with respect to that tenant's interest in Covered Property, building means the entire building, unit or suite rented or leased to the tenant. Such building is vacant when it does not contain enough business personal property to conduct customary operations or customary operations have ceased.

(2) When this policy is issued to the owner or general lessee of a building, building means the entire building. Such building is vacant if there is not at least 31% of its total square footage:

(a) Rented to a lessee or sub-lessee and used by the lessee or sub-lessee to conduct its customary operations; and/or

(b) Used by the building owner to conduct customary operations.

(3) Buildings under construction or renovation are not considered vacant unless construction or renovation operations have ceased.

b. Vacancy Loss Provisions

If the building where loss or damage occurs has been vacant for more than 60 consecutive days before that loss or damage occurs:

(1) We will not pay for any loss or damage caused by any of the following even if they are Covered Causes of Loss:

(a) Vandalism;

(b) Malicious mischief;

(c) "Sprinkler Leakage", unless you have protected the sprinkler system against freezing;

(d) "Building Glass" breakage;

(e) Water damage;

(f) Theft; or

(g) Attempted theft.

(2) With respect to Covered Causes of Loss other than those listed in **b.(1)(a)** through **b.(1)(g)** above, we will reduce the amount we would otherwise pay for all loss or damage by 15%.

B. YOUR GENERAL DUTIES IN EVENT OF LOSS

1. In event of loss or damage, you must see that the following are done:

a. Notify Police

Notify the police if a law may have been broken.

b. Notify Us

Give us prompt notice of the loss or damage. Include a description of the property involved.

As soon as possible, give us a description of how, when and where the loss or damage occurred.

We will not deny coverage due to your unintentional failure to notify us about the occurrence of loss or damage provided notice is given as soon as practicable after you become aware of such loss or damage.

c. Protect Property

Take all reasonable steps to protect the property from further damage, and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the applicable Limit of Insurance. However, we will not pay for any subsequent loss or damage resulting from a cause of loss that is not a Covered Cause of Loss.

Also, if feasible, set the damaged property aside and in the best possible order for examination.

d. Take Inventory

At our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.

e. Inspect Property, Books and Records

As often as may be reasonably required, permit us to:

(1) Inspect the damaged and undamaged property and take samples for testing and analysis.

(2) Examine and make copies of your books and records including electronic records and data.

f. Proof of Loss

Send us a signed, sworn proof of loss containing the information we request during our investigation of your claim. You must do this within 60 days after our request. We will supply you with the necessary forms.

g. Cooperate

Cooperate with us in the investigation or settlement of the claim.

h. Resumption of Business

If you intend to continue in business, you must resume all or part of your business operations as quickly as possible.

2. Examination Under Oath

We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required, about any matter relating to this

insurance or the claim, including an insured's books and records. In the event of an examination, an insured's answers must be signed.

C. DEFINITIONS

1. **"Building Glass"** means glass that is part of the building or structure, including glass building blocks, skylights, glass doors and windows and their encasement frames, alarm tape, lettering and ornamentation.

This does not include art glass, half tone screens, lenses, memorial windows, mosaic art, rotogravure screens or any stained glass.

2. **"Compulsory insurance"** means "local insurance" that is required in a given country or jurisdiction by law, regulation or other governmental authority.

3. **"Computer Equipment"** includes the following equipment:

- a. Computer hardware, laptops, Personal Digital Assistants, including micro-processors and related component parts;
- b. Peripheral equipment, such as printers and modems;
- c. Computer network equipment; and
- d. Electronic communications equipment.

4. **"Electronic data"** means:

Information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The term computer programs, referred to in the foregoing description of electronic data, means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data.

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

6. **"Local Insurance"** means insurance issued by a governmental entity or an insurer licensed or permitted by law to do business in the country or jurisdiction where the Covered Property is located.

7. **"Money"** means:

- a. Currency, coins and bank notes;
- b. Travelers checks, register checks and money orders held for sale to the public; and
- c. Electronic currency in any form.

8. **"Policy Year"** means the period of time that:

- a. Begins with the inception or anniversary date of this policy; and
- b. Ends at the expiration or at the next anniversary date of this policy.

9. **"Pollutants and Contaminants"** means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemical and waste, or any other material which causes or threatens to cause physical loss, damage, impurity to property, unwholesomeness, undesirability, loss of marketability, loss of use of property or which threatens human health or welfare. Waste includes materials to be recycled, reconditioned or reclaimed.

10. **"Scheduled Premises"** means any premises listed by location address in the Scheduled Premises section of the Property Choice Multinational Schedule of Premises and Coverage.

11. **"Securities"** means negotiable and non-negotiable instruments or contracts representing either "Money" or other property and includes:

- a. Tokens, tickets, revenue and other stamps (whether represented by actual stamps or unused value in a meter); and
- b. Evidences of debt issued in connection with credit or charge cards, which cards are not of your own issue;

but does not include "Money".

Lottery tickets held for sale and Postage stamps in current usage are not "Securities".

12. **"Sinkhole Collapse"** means the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or similar rock formations.

This cause of loss does not include:

- a. The cost of filling sinkholes; or
- b. Sinking or collapse of land into man-made underground cavities.

13. "Specified Causes of Loss" means fire; lightning; explosion; windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; "Sinkhole Collapse"; "Volcanic Action"; falling objects; weight of snow, ice or sleet; water damage, "Sprinkler Leakage"; "Theft"; or "Building Glass" breakage.

a. Falling objects does not include loss or damage to:

- (1) Personal property in the open; or
- (2) The interior of a building or structure, or property inside a building or structure, unless the roof or an outside wall or the building structure is first damaged by a falling object.

b. Water damage means:

- (1) Accidental discharge or leakage of water or steam as the direct result of the breaking apart or cracking of a plumbing, heating, air conditioning or other system or appliance (other than a sump system including its related equipment and parts), that is located on the "Scheduled Premises" and contains water or steam; and
- (2) Accidental discharge or leakage of water or waterborne material as the direct result of the breaking apart or cracking of a water or sewer pipe caused by wear and tear, that when the pipe is located off the "Scheduled Premises" and is connected to or is part of a municipal potable water supply system or municipal sanitary sewer system operated by a public or private utility service provider pursuant to authority granted by the state or governmental subdivision where the "Scheduled Premises" are located, if the breakage or cracking is caused by wear and tear.

But water damage does not include loss or damage otherwise excluded under the terms of the Water Exclusion. Therefore, for example, there is no coverage under this policy in the situation in which discharge or leakage of water results from the breaking apart or cracking of a pipe which was caused by or related to weather-induced flooding, even if wear and tear contributed to the breakage or cracking. As another example, and also in accordance with the terms of the Water Exclusion, there is no coverage for loss or damage caused by or related to weather-induced flooding which

follows or is exacerbated by pipe breakage or cracking attributable to wear and tear. To the extent that accidental discharge or leakage of water falls within the criteria set forth in **b.(1)** or **b.(2)** of this definition of "specified causes of loss," such water is not subject to the provisions of the Water Exclusion which preclude coverage for surface water or water under the surface of the ground.

14. "Sprinkler Leakage" means a leakage or discharge of a substance (except halon) from an Automatic Fire Extinguishing System, including collapse of a tank that is part of the system.

15. "Stock" means merchandise held in storage or for sale, raw materials, and goods in-process or finished.

16. "Tenant Improvements and Betterments" means fixtures, alterations, installations or additions made a part of the Building you occupy but do not own; and:

- a. Made at your expense; or
- b. You acquired from the prior tenant at your expense; and
you cannot legally remove.

Tenant Improvements and Betterments includes fences, signs, and radio or television towers, antennas and satellite dishes (including attached equipment).

17. "Theft" means any act of stealing except as defined in the Multinational Choice - Money and Securities Coverage Form.

18. "Unnamed Aircraft" means an aircraft that is not designed, manufactured or modified after manufacture to be controlled directly by a person from within or on the aircraft and which is owned by you or owned by others but in your care, custody, or control.

"Unmanned aircraft" includes equipment designed for and used exclusively with the "unmanned aircraft", provided such equipment is essential for operation of the "unmanned aircraft" or for executing unmanned aircraft operations.

19. "Valuable Papers" means: Inscribed, printed or written documents, manuscripts, patterns or records including abstracts, books, deeds, drawings, films, maps or mortgages.

"Valuable Papers" does not mean:

- (1) "Money" or "Securities", whether or not in current circulation.

(2) Property that cannot be replaced with other property of like kind and quality.

(3) Fine Arts or Accounts Receivable.

(4) "Electronic data".

20. **"Volcanic Action"** means direct loss or damage resulting from the eruption of a volcano when the loss or damage is caused by:

a. Airborne volcanic blast or airborne shock waves;

b. Ash, dust or particulate matter; or

c. Lava flow.

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

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

SPECIMEN